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A Contextual Approach to LIMITS IN EU TRADE MARK LAW

Katja Weckström

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Foreword

In 1975, Gary Dahl launched the Pet Rock; the ideal pet with a great personality complete with The Pet Rock Training Manual - a step-by-step guide to having a happy relationship with your geological pet, including instructions for how to make it roll over and play dead and how to house train it. The Pet Rock was a small round stone available at any hard ware store for a penny; the Pet Rock™ sold for 3,95 USD a piece. Within a couple months around Christmas he had sold 2.5 tons of rock and by Valentine's Day in 1976, consumers were on to the next thing.¹ Selling by branding is not necessarily that easy, when you are in the business for the long haul, but all business managers and CEOs know that in the contemporary market place, whatever you're selling, it's all about the trademark, the logo: the Brand.

I, like any consumer, would like to think that I make balanced purchasing decisions; getting great value for a good price. But every so often I find myself buying what I don't need without really knowing why. I just know that I wanted to buy it and that I'm happy I did. Nevertheless, unlike most consumers, my propensity to overthink things led me to delve deeper into the world of branding and to trademark law. That journey turned out to be exciting, convoluted and utterly captivating, but in the end, book in hand, as satisfying as any *ex tempore* purchase.

On this journey I've drifted and sailed. Thankfully, I've benefited from the guidance and support of many. I would especially like to mention a few. My thesis supervisor, *Prof. Ari Saarnilehto* has seen me through this project, somehow intuitively knowing just when to encourage and push forward, and when to offer simple and reasoned advice to my seemingly complex and insurmountable problems. Ari has also been indispensable for building the economic foundation for this project, which made research both in Finland and abroad possible. The first stop was Chicago, where I had the opportunity of taking part in the IP Program headed by *Prof. Graeme Dinwoodie*. He has generously shared his expertise on trademarks and the world of IP and most recently by agreeing to examine both the thesis manuscript, and serve as the opponent at the defense. I am similarly grateful to *Prof. Annette Kur*, who has offered her guidance and support throughout the

¹ <http://www.virtualpet.com/vp/farm/petrock/petrock.htm>

project, and who also served as a Pre-Examiner of the thesis manuscript. *Prof. John Cross* has witnessed me develop my ideas on trademark law since my Master's thesis. Fortunately, he has found time to listen, debate and comment throughout the thesis project as well.

Throughout the project, whether at home or abroad, I have been supported by my home institution, the *Faculty of Law at the University of Turku*. The Faculty administration past and present, as well as, the administrative staff has shown remarkable flexibility and patience with the peculiar issues intercontinental research activity presents. *Prof. Niklas Bruun*, the *IPR University Center* staff and the *INNOCENT graduate school* have also given valuable support.

Any researcher is at a loss without others. From the start of my project, I was fortunate to have senior colleagues, who had paved the way for intellectual property research at our Faculty. *Dr. Katariina Sorvari* always made sure to keep me in the loop and we have spent countless hours debating any number of issues. *Dr. Tuomas Mylly*'s enthusiasm for developing IP research and education have provided for a stimulating work environment. My fellow doctoral candidates, especially LL.Lic. Ulla-Maija Mylly, for a while now *Dr. Mia Hoffren* and *LL.M. Jenny Antila* have, as only another could, made passing research and life hurdles seem much easier. *Tarja Linden* and *Karolina Korte* are to thank for the professional type-setting and layout of this book and its covers.

You would not be reading this book, if it was not for my family and friends. My parents laid the ground work by teaching me early that there is nothing I couldn't do. My friends Anna and Hanna have patiently listened to my impromptu reactions to trademarks and marketing gimmicks, but also made sure to talk about everything but anything relating to law or trademarks. They like Max have shown remarkable understanding and forgiven my forgetfulness and seemingly constant state of distraction. This book is dedicated to them.

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1 Introduction to the Research

Trade mark rights are at the forefront of legal development. Trade marks constitute a universal language that crosses borders even faster than the products or services they are meant to launch.¹ Indeed, trade marks today are much more than distinguishers of producers or even products; they are the face of an anonymous source of things that fulfill our social, practical and every need.² Naturally, trade marks today often constitute the most important asset of a company. However, all trade marks are not nationally or internationally known brands nor will they ever be³, and more importantly any launch of a new brand is more likely than not to either flop in one way or the other, or fulfill only ordinary expectations in the niche market for which the trade mark is chosen.⁴ Any advertising campaign and every euro spent on any brand, old or new, constitutes risk-taking, the success of which depends in the end entirely on how and if consumers chose to receive it.⁵ The trademark owner may influence the likelihood of consumers noticing the brand with increased expenditures, but these expenditures may never be recouped through trademark protection.

1 Graeme W. Austin International Dimensions of Protection, *The Story of Steele v. Bulova: Trademarks On The Line* in Jane C. Ginsburg, Rochelle Cooper Dreyfuss (Eds.), *Intellectual Property Stories* 2006 at 395-396.

2 Edge & Milligan recognize some changes that occurred in the 1990s that attributed to making brands as important as they are today: 1) deregulation and privatisation of markets and capital; 2) extension of protection to services; 3) outsourcing of manufacturing; 4) growth of affluent middle class; 5) rise of power of consumers (decline in trust of political and cultural institutions); 6) growth of service economy and global media (buying); and 7) the rise of the concept of shareholder value and the principle of Economic Value Added (more money from intangible than tangible property). Jon Edge and Andy Milligan, *Don't Mess with the Logo, The Straight-Talker's Bible of Branding*, 2009 (Edge & Milligan) at 5-6. See also Kenneth Pomeranz and Steven Topik, *The World that Trade Created; Society, Culture and the World Economy, 1400 to the Present*, 2nd Ed., 2006 at 202-204.

3 See infra note 649 and accompanying text.

4 Matt Haig, *Brand Failures; The Truth About the 100 Biggest Branding Mistakes of All Time*, Kogan Page 2003 at 5. It is estimated that 80 % of all new products fail upon introduction and a further 10 % die in five years.

5 Haig at 4-6 discussing reasons that existing brands fail and brand myths that prevent successful creation of new brands.

Nevertheless, with increased value comes the need for legal protection and with the increased economic and practical value, trade mark rights have expanded drastically⁶, at the end of the last millennium.⁷ The scope of protection of trade marks has legitimately increased to allow for extended protection for e.g. marks of global or regional renown. As a consequence of extended protection trade mark owners also seek protection outside the traditional application of trade mark rules. At the same time, however, pressure to find and define the limits of trade mark law both within trade mark law and with the aid of legal rules outside trade mark law, has increased. The limits at the traditional and new borders of trade mark law that trigger general and specific third party interests that amount to a competing legitimate interest to that of the trade mark owner, are the subject and focus of this dissertation.⁸

Much has happened since the introduction of the Trade mark Directive (TMD)⁹ in 1988, a text resulting from extensive negotiations and compromise between differing national traditions. In particular, extended forms of trade mark protection outside the traditional likelihood of confusion rationale, as well as registrability of new types of signs, were on the agenda.¹⁰ Like most EU directives, the resulting text included elements resembling language in many national traditions while the complete text and wording, the entirety, did not have a counterpart in the national legislation in any one Member State.¹¹ In this regard, the TMD was novel, but it was also progressive in introducing more extensive protection for reputed marks and a lower threshold for registration of non-traditional marks than was traditionally the case in most national laws.¹² Thus, while some Member States had a tradition of granting almost absolute protection to renowned marks, like the Benelux¹³, others, like the United Kingdom, traditionally refrained from granting protection outside the competitive relationship, when consumers were not confused. Similarly, the French tradition only granted rights to registered marks, while other Member States allowed acquisition of rights through registration or use of a mark in commerce. These polarized and even mutually exclusive positions were negotiated into the

6 Martin Senftleben, *Trade Mark Protection – A Black Hole in the Intellectual Property Galaxy*, IIC 2001 at 384. Declaye and Leistner at 53: "The definition of a trademark is so broad that it is difficult to think of subject matter which could not be a trademark." and 55.

7 Hanns Ullrich, IIC 2/2011 248-250, Book Review Rochelle Dreyfuss, Harry First & Diane L. Zimmerman (Eds.) *Working Within the Boundaries of Intellectual Property – Innovation Policy for the Knowledge Society*, 2010 at 248 (Ullrich 2010).

8 What is meant by limits as opposed to limitations is further defined in Chapter 2.1.

9 First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks OJ L 40, 11.2.1989, p. 1-7.

10 Erik Nooteboom, *The EC TMD: The View of the European Commission* at 21-1 in Hansen (Ed.) *International Intellectual Property Law & Policy – Volume 5*, 1997.

11 See infra note 94.

12 Nooteboom at 21-3. See infra note 466.

13 The Benelux did not use 'a likelihood of confusion' test, instead the test was 'likelihood of association' or even 'association'. Nooteboom at 21-3.

text of the TMD, thus creating a hybrid¹⁴ that each Member State could easily interpret to accommodate their own national provisions. The extremes, where however, left to the EUCJ to arbitrate.¹⁵ By now most fundamental issues on types of protection under Article 5 and the registrability thresholds in Article 2 and 3 have been interpreted by the European Union Court of Justice (EUCJ) and settled in case law rendered during the last two decades.¹⁶ The EUCJ has confirmed that the TMD indeed was novel and progressive in many respects.

The text of the TMD was however formulated on the traditional trade mark law model and set in the reality of 1980s real market commerce.¹⁷ In the statutory text limits are hard to find, since intellectual property legislation traditionally has been framed in the form of negative rights. This means that it primarily addresses what constitutes a trade mark instead of what does not, and what uses the trade mark owner is entitled to prohibit instead of when trade mark law does not apply. Thus, the civil law tradition categorically neglects pronouncing limits as positive statements in legislative text, and even when limiting language is used it is not necessarily complete. For completeness civil law courts use general *principles* of law as manifested in doctrine and court practice. Common law courts by contrast use *rules* that have developed in case law.¹⁸

For example, the heading of Article 7 of the TMD is entitled “Exhaustion of the Rights Conferred By A Trade Mark” and states “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. Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialization of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.”

This article codified the principle of Community-wide exhaustion, which had been established in EUCJ case law. Thus, naturally paragraph 2 lists the exception to the rule of Community-wide exhaustion. On its face, Article 7 could be read to cover *only* territorial exhaustion. However, a *traditional implicit limiting principle* of trade mark law provides for exhaustion of trade mark rights after the good bearing the trade mark has first been placed on the market. Under the principle of territoriality established in international trade

14 Nooteboom discusses the resulting compromises between competing national traditions at 21-7 and especially the role of the EUCJ to interpret and give a final meaning to the text. Reference to national traditions in Council Minutes do not mean that they have interpretative value or that they constitute the European standard at 21-4 and 21-6. See also Guy Tritton, Richard Davis, Michael Edenborough, James Graham, Simon Malynicz, Ashley Roughton, Intellectual Property in Europe, 3rd Ed., 2008 (Tritton et al.) at 264 on legal significance of Council Minutes citing settled EUCJ case law to that effect.

15 Nooteboom at 21-6.

16 Case C-39/97 *Canon* [1998] ECR I-5507; Case C-425/98 *Marca Mode* [2000] ECR I-4861; Case C-102/07 *adidas and adidas Benelux* [2008] ECR I-2439. For an extensive account of EUCJ case law on the interpretation of Articles 2 and 3 of the TMD see Tritton et al. at 265-317.

17 Joined cases C-236/08-C-238/08 *Google France and Google* [2010] ECR I-0000 (Google France) at 66.

18 Larry Alexander & Emily Sherwin, Judges as Rule Makers in Douglas E. Edlin, Common Law Theory 2007 at 30-31.

mark law, trade mark rights are valid in the state which granted them and each trade mark owner thus has the right to prevent importation of goods bearing that trade mark into the territory in which exclusive rights have been afforded, regardless of whether the trade mark owner has placed goods bearing that trade mark on the market.¹⁹ Article 7 of the TMD (in accordance with established case law) changed this rule by providing that the trade mark owner has exhausted its right to prevent importation, when it has placed its goods on the market anywhere in the Community. Article 7 thus, contrary to its expressed wording and legislative intent, *presupposes that the wider rule of exhaustion exists both on the national level and in EU trade mark law.* The EUCJ has interpreted Article 7 to *indirectly* incorporate the wider rule of exhaustion through Article 7(2); the trade mark owner is not entitled to prohibit the further commercialization of goods once the goods have been placed on the market with its consent.²⁰

Instead, general principles of civil law, embodied in trade mark doctrine are intended to act to restrict, when the law is applied in practice. Application takes place on the national level, where national doctrine and national rules apply concurrently with EU trade mark law. Thus, national limiting doctrines affect application of EU trade mark law in practice, i.e. EU trade mark law is *practically dependent on national courts and a complete set of rules* (e.g. rules on procedure, enforcement, contract and damages). During the last two decades the EUCJ has in its case law started to develop *EU trade mark doctrine* that is premised on the provisions of the TMD and the CTMR and is *normatively independent from national doctrines*. Thus, while national courts may serve as laboratories and may address complex and timely issues in different ways in different member states (under national law) the EUCJ has ultimate jurisdiction on the interpretation of EU trade mark law.²¹ While national doctrine may or may not, partially or completely be selected by the EUCJ for inclusion in EU trade mark law, *EU trade mark doctrine trickles down* with harmonizing effect to national courts in all member states and may impact or place practical limits on the future application of national doctrine.²²

19 Austin at 412.

20 Case C-337/95, *Parfums Christian Dior v. Evora* [1997] ECR I-6013, C-63/97 *Bayerische Motorenwerke AG (BMW) and BMW Nederland BV v. Deenik* [1999] ECR I-905 (BMW), Case C-173/98 *Sebago* [1999] ECR I-4103, Case C-558/08 *Portakabin v. Primakabin* [2010] ECR I-0000.

21 Article 19.3(b) TEU and Article 267 TFEU. Despite claims of judicial activism the position of the EUCJ or its criticized rulings have never been negated in the Treaties, instead, most have been reconfirmed and codified (e.g. principle of consistent interpretation) Allan Rosas and Lorna Armati, EU Constitutional Law An Introduction, 2010 (Rosas & Armati) at 38 and 45. In fact, the principles codified in Article 2 TEU can no longer be amended away, nor can the EUCJ by way of interpretation derogate from them. The EUCJ has no jurisdiction to rule on the validity of *primary* law (Article 267 (a) TFEU). Rosas & Armati at 38-42. Anthony Arnulf, The European Union and its Court of Justice 1999 at 126-128 on the duty of construction, i.e. consistent interpretation at 95-100 on the doctrine of primacy and at 559 on the relationship between national and EU courts.

22 Principle of sincere cooperation Article 4.3 TEU, principles of conferral Article 5(1) TEU, principle of subsidiarity Article 5(3) TEU, principle of proportionality Article 5(4) TEU.

This thesis discusses EU trade mark doctrine as interpreted and applied by the EUCJ in light of EU primary law²³, i.e. the general principles of EU law including the principles of consistent interpretation, proportionality, subsidiarity, sincere cooperation (Art. 5 TEU), free movement of goods and services (Art. 3 TEU, Art. 26 and 28 TFEU), protection of fundamental rights (Art. 2 and 6 TEU), the doctrine of primacy and the provisions of the treaties; the Treaty of the European Union (TEU)²⁴ and the Treaty on the Functioning of the European Union (TFEU)²⁵ and their protocols. When interpreting the rulings of the EUCJ it is presumed that the court is guided by EU primary law in the interpretation of EU secondary legislation; i.e. regulations and directives. Much like national trade mark doctrine, *EU primary law places implicit limits* on trade mark law that take the form of *established concepts*, e.g. ‘essential function of trade marks’, ‘exhaustion of rights’ and ‘honest practices in industrial and commercial matters’ in EU trade mark law.²⁶

For example, a contemporary look at the concept of ‘essential function’ undisputedly triggers the following definition “...the essential function of trade marks is to guarantee the identity of the origin of the trade-marked product to the consumer or ultimate user, by enabling him without any possibility of confusion to distinguish that product from products which have another origin.”

A traditional approach to interpreting EU trademark law would proceed to distill from the case law of the EUCJ, e.g. what is meant by ‘origin’, ‘consumer’ or ‘confusion’ and conclude that if an ordinary, reasonably well-informed and circumspect consumer is likely to confuse, which includes a likelihood of association as to sponsorship or affiliation, the defendant’s product with the trademarked product, the use amounts to trademark infringement.

However, e.g. uses of trademarks as keywords to trigger advertising on the internet are rarely likely to confuse an ordinary consumer as to origin of the products. Strictly under the traditional test this type of use would not be addressable. Therefore, a traditional approach to interpreting EU trademark law would turn to asking, whether this type of use of another’s trademark is nonetheless a use that the trademark owner is entitled to prevent. It would ask, whether the use takes place “in the course of trade”, is made for the purpose of “distinguishing goods or services (use as a mark)” and “harms the essential function of the trademark”; concepts that together would amount to asking whether there is ‘trademark use’.

23 While few contest that EU primary law, including the general principles of EU law have developed into a foundation for the EU legal order, it might be argued that it is too thin, random and uneven Kaarlo Tuori, Critical Legal Positivism, 2002 (Tuori 2002) at 206 to serve as theoretical foundation for interpretation of all the rules (the law) set forth by it. For a thorough account see Ch. 2.2.4.

24 Consolidated version of the Treaty of European Union, [2008] O.J. C 115/13.

25 Consolidated version of the Treaty on the Functioning of the European Union, [2008] O.J.C 115/47.

26 Protection of trade marks is an essential element of the system of undistorted competition that the Treaties seek to establish and maintain. Case C-100/02 *Gerolsteiner Brunnen GmbH & Co. v Putsch GmbH*. [2004] ECR I-691 at 16 and 24, Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 (Gillette) at 29, 33, 35 and 41, Case C-48/05 *Adam Opel AG v Autec AG* [2007] ECR I- 01017 (Adam Opel) at 27, Case C-102/07 *adidas and adidas Benelux* [2008] ECR I-2439 at 45 and 48. See infra note 168 and accompanying text.

From the internal perspective of EU trademark law unauthorized ‘trademark use’ is harmful and thereby within the trademark owners exclusive right, which reduces the inquiry to whether the use ‘affects’ the essential function of the trademark, i.e. its ability to indicate origin. The question becomes what type of effect equals harm, and whether all perceived harm equals preventable effect.²⁷ If the use has preventable effect it constitutes trademark use, which the trademark owner is entitled to prevent.

The answer whether there is harm, effect or ‘trademark use’ depends entirely on perspective. From the perspective of securing a competitive market harmful effect follows from acts that distort competition or employs unfair business practices from the point of view of a functioning market (overall). From the perspective of securing the free movement of goods and services harmful effect follows from acts that create barriers to trade. From the perspective of freedom of expression harmful effect follows from acts that restrict truthful commercial expression. From the perspective of trademark (property) protection harmful effect follows from acts that interfere with the enjoyment of the entitlement, i.e. the exclusive right.²⁸

A trademark law external approach recognizes all of these perspectives and presumes that the EUCJ seeks to define interference with the essential function of trademarks with at least some degree of prevention of all of the underlying harms in mind. The competing perspectives implicitly limit established concepts in EU trademark law.²⁹ Thus, reducing the inquiry to asking only whether there is ‘trademark use’ as deduced above, inherently pits one perspective against the other, or even more likely recognizes only one perspective. Instead, I argue, the case law of the EUCJ could be approached and interpreted as an attempt at optimization of freedoms, co-existence and conflict-avoidance.

The thesis thereby seeks to show that there is an alternative to reading the trademark rulings of the EUCJ in light of national and international trade mark law internal traditions.³⁰ The thesis does not argue that traditional trade mark cases or all trade mark cases could benefit from an alternative reading.³¹ This thesis only concerns itself with cases that have not traditionally been considered within the scope of application of trade mark law, but have only recently more frequently been subject to litigation. Some national laws may have developed national doctrines that consider competing interests triggered by new types of issues, such as uses of trade marks in parody or commercial expression, for criticism, as keywords and in virtual worlds, while others may not. This thesis does not argue that national

27 As mentioned on page 1 any launch of a trademark constitutes conscious risk-taking, inherent in any business activity. Therefore, all advertising expenditures may not be recouped via trademark protection. Redressable harm or harmful effect must thus be something less than covering all harm or effect on the trademark. Otherwise, the trademark owner could transfer all the risk of doing business to consumers and competitors. Likewise the legitimate interests of consumers and competitors must be something more than mere enjoyment of their fundamental rights. Compare to GI-Panel Report at 7.662.

28 In addition, the EUCJ is naturally influenced by the harmonization effort and would likely view any attempt at frustrating harmonization as harmful to the EU.

29 Case C-324/09 *L'Oréal v. eBay* [2011] ECR I-0000 at 104 stating that the role of the ISP cannot be determined based on EU trademark law.

30 That trade mark law (statute + doctrine) strikes the appropriate balance between competing interests or that trade mark protection in its enacted form prevents distortion of competition.

31 When the text clearly addresses an issue squarely within the trade mark owner’s right and it has been consistently interpreted by the EUCJ.

doctrines are not of value in the EU trade mark system only that it is not yet clear what value, if any, the EUCJ will give to any specific national doctrine.³²

The EU does however, have rules that guide decision-making on balancing competing interests, values and norms.³³ These values are manifested in EU primary law and have and will continue to *influence interpretation of trade mark law in untraditional settings*.³⁴ Therefore, this thesis focuses on reading and interpreting EU trade mark law in light of EU primary law; an alternative, to reading EU trade mark law in light of national trade mark law.³⁵

This approach was chosen, because in a highly specialized field with an abnormally high level of specific international rules, national courts easily sidestep *principled scrutiny of implicit limits* embedded in trade mark provisions and apply them as such, or with legislative guidance only from within these specific rules themselves.³⁶ Due to its above-mentioned nature, trade mark law, of course, only addresses trade mark rights that are afforded to trade mark holders, and thus naturally reflects, if not solely then at least with a heavy bias, only the trade mark owner's interests.³⁷ In court practice, existing statutory exceptions are interpreted narrowly, as exceptions naturally should be. However, the principle of narrow interpretation of exceptions has *adverse effects in contemporary trade mark law*, where trade mark owners are challenging the boundaries of trade mark law seeking to expand protection in *new settings and to cover new types of uses of a trade mark*. The inherent statutory bias is thus aggravated in practice, when trade mark owners can refer to a breach of specific provisions of trade mark law, while the defendant absent use that falls into narrowly tailored exceptions (e.g. use of a trade name) at best can refer to 'general principles' outside trade mark law in its defense.

32 Koen Lenaerts and José A. Gutiérrez-Fons, The Role of General Principles of EU law in Anthony Arnulf, Catherine Barnard, Michael Dougan and Eleanor Spaventa (Eds.) A Constitutional Order of States Essays in Honour of Alan Dashwood, 2011 (Leanerts and Gutiérrez-Fons) at 179-180.

33 Leanerts and Gutiérrez-Fons at 181. They call the general principles of EU law 'commuters' between EU and national courts that constrain the EUCJ, thus generating respect for its authority in national (supreme or constitutional) courts.

34 Indeed, the EUCJ has held that the role of an online actor cannot be assessed under the TMD or CTMR, but must be examined from the point of view of other rules of law. Case C-324/09 *L'Oréal v. eBay*, [2011] ECR I-0000 at 104 and Google France at 57.

35 On seeking coherence (or cohérence) in EU law see Tuomas Mylly, Intellectual Property and European Economic Constitutional Law – The Trouble with Private Informational Power, 2009 (Mylly) at 124.

36 Hanns Ullrich, Harmony and Unity of European Intellectual Property Protection, 20-47 in David Vaver and Lionel Bently (Eds.) Intellectual Property in the New Millennium Essays in Honour of William R. Cornish (2010) (Ullrich 2010) at 26-27 arguing..."It is in this positive sense that harmonization and unification are linked together, implying, on the one hand, that, as to its substance, unified intellectual property seems to be subservient to the value and policy judgments underlying the legislator's harmonization decision, and, on the other, a recognition of the need of substantive equivalence of national intellectual property protection."

37 Mylly at 377.

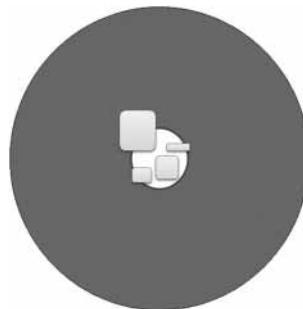


Figure 1: Trademark law challenged

The figure above represents contemporary trademark law within a sea of general rules of law. The specific issues discussed in the thesis are represented by squares. The topic of this thesis is how these grey areas at the limits of trademark law may or could be mapped. Figures 2-4 conceptualizes alternative approaches to regulating grey areas at the outskirts of trademark law.



Figure 2: Trademark law expanding

Grey areas could be evaluated from a trademark law internal perspective and incorporate new limited exceptions into EU trademark law that regulate new types of uses in new settings. This approach is in line with a neo-liberal approach to trademark protection; that is trademark protection is pro-competitive; therefore, old and new distortions that interfere with the exclusive property right must be preventable.³⁸ More specifically, this ideological approach takes two forms in predominately global intellectual property law-making.

One, such influence driven by international practice³⁹ is based on fast-paced development, and forces a decision to extend protection “because we’re there” (*the*

38 See *infra* Ch. 4.1. and 4.2.

39 International practice refers to problems that arise when multinational corporations do business globally. The international practice approach is *reactive* to the needs of right holders in new infringement settings. These problems arise in the global market therefore national solutions are not adequate. International solutions are targeted and tailored to specific practical needs, without necessarily considering the overall scope of protection or the rights of third parties.

international practice approach). This reactive theory operates on the global market, encounters global concerns and resolves them by global rules.⁴⁰ International law has traditionally been triggered by clear instances of abuse, such as piracy or counterfeiting, and has been fairly far removed from issues raised by a truly competitive relationship in product markets.⁴¹

Today, increasing pressure for legislative change also arises due to technological change, such as that of global television and broadcasting and of course, the advance of the internet. The issues here raised, are the same as those raised on the national level and reach broader societal interests, such as privacy, freedom of expression and protection of property rights than traditional market-based trade mark law concerns. Often, they require balancing of societal interests in a new setting, where clear-cut application of existing rules is either impossible, because there are none, or problematic, since it seems in light of general principles of law to lead to a questionable result.⁴² The approach here questioned is trade mark protection driven and pro-active, that is, it allows the inherent legislative bias to find in favor of protection in new settings (*the trade mark protection approach*).⁴³

40 It would be wrong to call this phenomenon globalization, since “the process of globalization represents something more than expanding western influence encountering local and particular forms of resistance... A major, recent view of world history concluded that ‘initiatives’ towards global supremacy will be of briefer and briefer duration, suggesting [reaching] some form of international equilibrium... [Nevertheless,] the state, as frozen accident, is beginning to melt, though the process may be a very long one.” See Patrick H. Glenn, Legal Traditions of the World 2004 at 51-53. Globalization in a narrow sense associated with extreme laissez-faire ideology, American and Western dominance and many controversial and negative associations, could be viewed as the source of the international practice approach to legislative reform. See William Twining, Globalisation and Comparative Law 69-90 in Esin Örçü and David Nelken (Eds.) Comparative Law a Handbook (2007) at 69.

41 The Expression Article argues for a two-step process to preserving legitimacy of international intellectual property law making at 677-678.

42 Much like the international practice approach the trade mark protection approach inherently favors right holders. The trade mark protection approach, however, has broader influence in that it affects more traditional international and national intellectual property law-making that more broadly aims to reconcile and serve societal needs. The trade mark protection approach is *proactive* in striking a new balance between interests in non-traditional legislative settings. See also Robert Burrell and Michael Handler Making Sense of Trade mark Law, [2003] I.P.Q.:No. 4, 388-410 (Burrell & Handler) at 390-391, 397-398 and 409 arguing that the bureaucratic requirements of registration are normally neglected although they can have a role in shaping intellectual property law and policy.

43 William Cornish and David Llewelyn, Intellectual Property – Patents, Copyright, Trade mark and Designs 5th Ed. 2003 (Cornish & Llewelyn 2003) at 19. Annette Kur, Fundamental Concerns in the Harmonization of Trade mark Law 151-176 in Graeme Dinwoodie & Mark Janis (Eds.) Trade mark Law and Theory-A Handbook of Contemporary Research 2008 at 172. (Kur 2008)

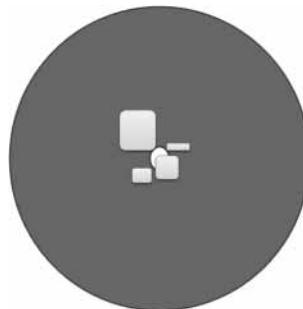


Figure 3 Trademark law retracting

The opposite approach would be to allow general rules of law to trump trademark protection and remove uses of trademarks that trigger fundamental concerns from trademark law, to be decided under general rules of law. Trademark protection would be clearly delimited to apply only to commercial uses in traditional competitive relationships and limited exceptions could be made for commercial uses in electronic commerce. For example, early EUCJ case law on the free movement of goods did not recognize a need to protect trademark rights, when they interfered with the attainment of the common market.⁴⁴ Contemporary literature on intellectual property law-making advances similar arguments from the perspective of fundamental or constitutional rights protection that would require a removal of certain conduct from the sphere of application of intellectual property laws altogether.⁴⁵ Fundamental rights protection may be concrete and specific to

44 Case 40/70 *Sirena SRL v Eda SRL* [1971] ECR 64 at 7, Case 192/73 *Van Zuylen Freres v. HAG A.G* [1974] ECR 731 (HAG I) at 8, 11-12 and 15. Although the EUCJ has subsequently changed its view towards the utility and value of trademark protection, exhaustion doctrine as a rule is influenced primarily by interests of free movement and only secondarily by trademark owner's interests. Case C-10/89 AS CNL-SUCAL NV v. HAG GF AG [1990] ECR I-03711 (HAG II). Case C-355/96 *Silhouette International Scmied GmbH & Co v. Handelsgesellschaft mbH* [1998] ECR I-4799. Joined cases C-414/99 *Zino Davidoff v A&G Imports*, C-415/99 *Levi Strauss v Tesco Stores* and C-416/99 *Levi Strauss v Costco Wholesale* [2001] ECR I-8691. Case C-449/09, *Canon Kabushiki Kaisha v. IPN Bulgaria OOD*, [2010] ECR I-0000 at 22-23.

45 Movements such as Creative Commons, A2K and Open Source use legal context and instruments of intellectual property law, but have as their objective not privatizing but sharing subject matter. See also Giovanni Battista Ramello, Intellectual Property, Efficiency and Social Justice in Alex Gosseries, Alan Marciano and Alain Strowel (Eds.) Intellectual Property and Theories of Justice 2008 at 81-86. Jonathan Trerise, Liberty and the Rejection of Strong Intellectual Property Rights in Alex Gosseries, Alan Marciano and Alain Strowel (Eds.) Intellectual Property and Theories of Justice 2008 at 124-132.

a certain element of protection, or general economic or social argumentation for exceptions or limitations to the effect of intellectual property rights protection.⁴⁶

In this environment the focus of this research is to locate tools that would allow for balancing or recalibration to take place within trade mark law to allow for principled scrutiny, instead of presumptions, *when extension of protection is on the agenda.*



Figure 4 New EU trademark law

This approach is not limited to the specific issues discussed in contemporary trademark law, but seeks tools to deal with grey areas that will inevitably continue to challenge EU trademark law. Unlike traditional research that focuses on specific rules *inside* trade mark law, the approach employed here looks for general legal rules and principles outside the traditional field of trade mark law that could be used to define trade mark protection. While the research is triggered by a search for limits to be employed within trade mark law the approach seeks to find support for trade mark *protection*, i.e. the legitimate interests of trade mark owners, as much as support for *limits*, when operating outside trade mark law. This inclusion is necessary to prevent distortion, because *outside* trade mark law there is no inherent bias for trade mark protection. The task is thus, to look outside trade mark law to shed light inside trade mark law. In the process, light will inevitably be shed also on certain elements already existing inside trade mark law, thus naturally providing additional *outside support* for their validity. These elements are thus supported by EU primary law in addition to articulation in EU secondary law.

This thesis seeks to provide a response also to critics of contemporary trade mark law by e.g. proposing tools that take due account of the legitimate interests of trade mark owners *in new settings*, instead of divorcing certain types of uses

46 The Development Agenda combines economic and social justice concerns to cabin the effects of the TRIPS Agreement. These concerns target the TRIPS Agreement itself, but are also a direct response to Western attempts at maximizing intellectual property protection on a global level, through expansive interpretation, enforcement and aggressive utilization of the MFN-principle (See Ch. 3.1.2) via demands for TRIPS+ standards in bilateral trade agreements with developing nations. Peter K. Yu, The Objectives and Principles of the TRIPS Agreement, 46 Houston Law Review 979, 2009:4 at 980, 982-996.

of trade marks from trade mark law altogether, that would prevent redress even though the trade mark owner suffers harm. The protected interests of trade mark owners outside the traditional core of trade mark protection are not settled on the EU level, although it is accepted that some marks enjoy extended protection against blurring, tarnishment or free riding⁴⁷ in certain circumstances.⁴⁸ What those circumstances are (or should be) especially when fundamental interests of third parties are triggered is still very much under debate.

This thesis takes that debate, and consequently the rights discussed, seriously, i.e. to preserve legitimacy of trade mark protection there is a need to truly and directly address competing interests in the process of decision-making. Thus, while interests may be indirectly and implicitly addressed in national trade mark doctrines, it is here argued, that these implicit limits and indirect references to the legitimate interests of third parties deserve to be *directly addressed and included in trade mark law decision-making under EU trade mark law*, because these interests are more and more frequently subject to litigation. Contemporary trade mark law thus operates in an environment that clashes with the fundamental interests of others especially when extension of protection to new types of uses and uses in new settings are on the agenda. When deciding these types of cases the national courts are obligated by EU trade mark law to balance competing interests in light of EU and national constitutional law and strike an appropriate, justified and proportionate balance between the interests at stake.⁴⁹

Another objective is to define on a *theoretical* level the issues raised in practice as well as defining the scope, where such balancing is needed. Thus, the object

47 Free-riding may entail a moral element, but it can also be framed in economic terms. Thus, the justification of protection against free-riding under a general ‘unfair competition umbrella’ is easier than satisfying a test for passing off, which focuses on harm to the market, i.e. economic harm. See Anne Barron, Copyright Infringement, ‘Free-riding’ and the Life-world in Lionel Bentley, Jennifer Davies, Jane Ginsburg, Copyright and Piracy an Interdisciplinary Critique, 2010 at 97.

48 The EUCJ has in subsequent case law, referred to Case C- 487/07, *L'Oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v. Bellure NV, Malaika Investments Ltd and Starion International Ltd*, [2009] ECR I-5185 (L'oreal v Bellure) recognizing quality, communication, advertising and investment functions as protected functions (Google France at 77). They have, however, not found those functions affected (at 91-98), which may indicate that the full court, in response to severe criticism, is retracting from the fairly flexible reading of the L'oreal v Bellure court.

49 Case C-324/09 *L'Oréal v. eBay*, [2011] ECR I-0000 and Case C-275/06, *Promusicae* [2008] ECR I-271 (Promusicae). X Groussot, Rock the KaZaa: Another Clash of Fundamental Rights, CMLR 45: 1745-1766, 2008, commenting on Case C-275/06, Productores de Musica de Espana (Promusicae) v. Telefonica de Espana SAU, Judgment of the Court (Grand Chamber) 29.1.2008 at 1762.

of study is trade mark law in practice (*law in action*⁵⁰) and targets the legislative framework of EU trade mark law. The TMD of 1989 harmonized the rules of trade mark law to a great extent in Europe. In addition, the Trade Mark Regulation of 1994 introduced the Community Trade Mark, which co-exists with national rights. However, the regulation has also harmonized national registration practice and procedure throughout Europe, mainly due to the voluminous case law issued by the EUCJ and the General court.⁵¹

While the EUCJ is known for its teleological approach⁵² and has applied it to some trade mark law issues⁵³, the contemporary high level of harmonization in the field of trade mark law restricts, if not even prevents, such an expansive, holistic interpretive approach that would approach a question in its general legislative context even contrary to the literal wording of the statutory text.⁵⁴ When resolving core cases of trade mark law it seems that the court merely applies and interprets statutory text. However, it is at the limits of trade mark protection, which are only partially addressed in legislative text, where the trade mark specific legislative framework ties the hands of the EUCJ the most and leaves very little room for holistic or contextual interpretation. This research does not argue that the EUCJ should take upon itself this role in fact it is argued that it is the task of the legislator to make such changes to trade mark law.⁵⁵ For the purposes of this research, it is however, necessary to point out that the EUCJ should not be expected to take this role, instead, interpretation of its rulings, should be informed by the fact, that their role is restricted and that they are, for many overlapping reasons, unable to offer, but narrowly tailored solutions to the problems facing contemporary trade

50 Comparative law distinguishes between 'law on the books' and 'law in action' and thereby seeks not to compare empty shells, but the content of law as it is understood in the country and legal culture in question. 'Law in action' could, however, also be understood as allowing consideration of extra-legal factors, such as informal customs or practices or non-legal phenomena that ultimately influence the state of law. Thus, the strength of the comparative method is to include the social and economic context in which the legal rules operate (See Peter de Cruz, Comparative Law in A Changing World 2008 at 224). Law in action, in this thesis refers to trade mark law in operation informed by, however, not limited to, court practice as a legal phenomenon. Court practice as factual phenomenon, including the various effects of such legal decisions in practice, are also included in this concept. Compare to Pöyhönen's factual commitments in Pöyhönen 1981 and 2000 discussed below in Ch. 2 and 5(1). See also infra note 216 and accompanying text.

51 Nootboom at 21-6 and Tritton et al. at 228.

52 Arnall at 515

53 E.g. giving meaning to 'consent' for the purposes of exhaustion of rights in Case C-355/96 *Silhouette International Schmied GmbH & Co v, Handelsgesellschaft mbH* [1998] ECR I-4799 at 31 and Joined cases C-414/99 *Zino Davidoff v A&G Imports*, C-415/99 *Levi Strauss v Tesco Stores* and C-416/99 *Levi Strauss v Costco Wholesale* [2001] ECR I-8691 at 30-60.

54 Ullrich 2010 at 443 referring to a reluctant court, when it comes to interfering with legislative discretion, even though, on principle, every provision of EU law must be placed in its context and interpreted in light of the provisions of Union law as a whole. Arnall at 516.

55 Ullrich 2010 at 468. Questions on "...optimizing the trade-off ...involves precisely the kind of prognostic and discretionary judgment that is reserved for the legislature."

mark law.⁵⁶ This research, seeks to broaden the thus constrained limits discussion, by weighing on a *theoretical level* the provisions of EU trade mark law against other market regulation as well as the principles enshrined in the Lisbon treaty. Some, relevant preliminary rulings of the EUCJ are then tested against the thus established normative framework.

Furthermore, while EU trade mark law is harmonized to a great extent both in theory and in practice, it is still entirely dependent on national courts to enforce the law.⁵⁷ It is also here that cases are decided based on the facts presented to the national court, a setting, which is never before the EUCJ that decides issues of trade mark law on a more abstract level.⁵⁸ National courts are therefore more likely to encounter controversial issues under pressure to make a balanced judgment.⁵⁹ National courts and legislatures are also directly bound by international rules, national constitutions and other national regulation, when applying EU trade mark law. For example, although the European courts have long recognized the fundamental rights enshrined in the European Convention of Human Rights of 1950 it was not until the entering into force of the Lisbon Treaty in 2010 that the protection of fundamental rights became legally enforceable against the institutions of the European Union itself.⁶⁰ For the purposes of discussing limits, such hurdles thwart the practice and wording used by the EUCJ in a way, which, it is argued,

56 See Friedrich-Karl Beier, Objectives and Guiding Principles of the Future European Trade mark Law, IIC 1977, 8 (1), 1-22 (Beier 1977) at 13 arguing that the EUCJ could not possibly develop standards for evaluating the scope of protection of trade marks, because they are developed by applying the standards in each individual case, i.e. are predominately a question of fact. In contemporary trade mark law, the EUCJ has more than Treaty provisions to go on, however, their positions is still limited to considering questions of law, not of fact, which, while not precluding jurisdiction, is difficult in a fact-intensive field such as trade mark law.

57 This thesis does not aim to make statements on federalism in the EU, or argue for a change in the current system of the EUCJ as a ‘mere’ interpreter of the law, while national courts apply and enforce EU trade mark law. The reality of the system (complex to say the least) is however, the factual setting in which EU trade mark law, the topic of this research, operates. One central aim of this thesis, is to clarify the *raison d'être* of EU trade mark law, for the benefit of national judges that are not necessarily specialists of EU trade mark law or familiar with the entirety of EUCJ praxis. See Hanne Petersen, Anne Lise Kjaer, Helle Krunk and Mikael Rask Madsen, *Paradoxes of European Legal Integration*, 2008 at 1, suggesting “rethinking European legal integration as a set of dynamic and even somewhat contradictory process.” These “...paradoxes are in practice a set of relative oppositions which are important drivers in the continuous making of Europe.”

58 Morten Broberg and Niels Fenger, *Preliminary Rulings to the European Court of Justice*, Oxford University Press, 2010 (Broberg & Fenger) at 431.

59 The EUCJ, in Gillette, Google France, L'oreal v eBay and Promusicae referred the issue to the national courts to make a balanced judgment taking account of the legitimate interests of trade mark owners and the legitimate interests of third parties, including determining when a rightholder's request is justified and proportionate.

60 See Allan Rosas, *The European Court of Justice in Context: Forms and Patterns of Judicial Dialogue*, Vol. 1 EJLS No. 2 (2007) at 10 defending coherence in substance (although implied and indirect) regardless of procedural and jurisdictional barriers against assumptions of incoherence. A search for coherence in essence is a process of conflict avoidance. See also Mylly at 130.

reflects more technical maneuvering than open weighing of countervailing interests.⁶¹

This chosen focus allows reflection of timely issues in light of trade mark law, constitutional and general international law as well as contemporary global business practices. The method selected includes four articles on timely topics related to limits in trade mark law. The first two articles discuss general international law and fundamental rights, and how they influence trade mark law in theory and in practice. By comparing approaches⁶² in different jurisdictions, they also consider, whether trade mark law on the books and in action, serve the needs of society, namely in securing a functioning market place. The first article is set on the international level and looks at the substantive protection afforded on the international level by way of the TRIPS Agreement. Next, it looks at how protection fares, when confronted with another right that is protected by the same agreement. The Vienna Convention on the Law of Treaties (VCLT) guides interpretation of treaties to solve inherent conflicts within treaties or between different treaty obligations. *It is asked what the limits are on the ability of the national legislature in restricting the exercise of one right when protecting another.* The second article looks at fundamental rights balancing in national and regional courts comparing different approaches to the same question: does protection of freedom of expression entail a right to use a trade mark for promotion, parody or criticism without limits?

All four articles raise the question of legitimacy⁶³ of applying trade mark rules in a new setting. While the first and second article focus squarely on preserving legitimacy and thus have a legal focus, the third and fourth articles look more broadly at systemic justifications for the expansion of protection from a practical perspective⁶⁴. If trade marks are at the forefront of development is there not all the more reason to look also at systemic consequences of decision-making? Under what circumstances are expansions justified, what interests are involved and what consequences would follow from a decision not to expand protection? The third article looks at the sports merchandising right and whether and under what circumstances a near absolute right is warranted from the perspective of a functioning market. The fourth article looks at the question of third party liability

61 See Rosas & Armati at 143-147 discussing the history of the court's fundamental rights jurisprudence.

62 The selected cases themselves are not purported to have source-value for their origin (be it court or jurisdiction). The selected approaches are also not intended to reflect prevailing approaches or a selection of somehow superior approaches. They are *merely examples of different approaches* to resolving a similar issue. The approaches are set in a theoretical context, which are then compared to each other, and as venerable solutions in trade mark law, to the issue at hand.

63 Legitimacy of law, is both a normative question and one of democracy. Legitimacy here, refers to democratic legitimacy in its widest meaning, i.e. reflective of the foundations and general principles of the legal system, not purely as reached by democratic (or undemocratic) decision-making. See Property Rights Article and Expression Article where these issues are discussed extensively.

64 See *supra* note 50.

for trade mark infringement, whether direct or indirect. Can the same standards of care be applied to third parties; intermediaries or contributors, as to direct infringers? Are the same remedies justifiable? Lastly, the two articles reach the question of legitimacy, is protection justified from a societal perspective, when the rules in practice promote or allow practices, which are otherwise considered market-inhibiting or unfair?

While the first two articles are normatively focused; on general international law, constitutional law and fundamental rights protection; the latter two raise issues firmly entrenched in society triggering fundamental legal principles of fairness, liability and freedom of competition. While the legal issues raised are complex on both sides one operates on an abstract level, while the other triggers concrete and universal concerns readily accessible to the layman. The question of balancing is therefore different. In the first two cases, it is a question of how to give effect to competing entitlements. In the latter two cases, the question is not (entirely) whether protection is fair: it is clear that both right and wrong is present. Instead, the question is simple, yet goes to the core of legislative theory. *Which side should society err on, when the system is inherently imperfect, and will produce imperfect results.* It is a question of minimizing harm to societal development by choosing between the consequences of over-protection and under-protection. Whichever side wins will be awarded a legal presumption or benefit. This benefit lies with trade mark owners in contemporary trade mark law.

All four articles argue that at the outer parameter of trade mark law the prevailing interpretation of the law and its presumptions is harmful to societal development. A seg-way that allows for more *flexible reading instead of binding presumptions* is needed to allow for the legal regime and society to benefit from technological and other societal change.

In effect, the research argues that both the international practice approach and the trade mark protection approach are too simplistic and over-arching in preserving the delicate balance struck between competing interests on both the international, regional and national markets. Continued expansion of the trade mark bias can in the worst case scenario lead to market failure⁶⁵, most likely so in

65 The ideal economy with a perfectly functioning market, including all its interrelations and flows, is one of perfect competition that results in efficiency. Pareto-optimal efficiency, one that maximizes social welfare, is reached, when resources cannot be redistributed to make one individual better off, without making someone else worse off. Such optimal social welfare does not entail consideration of justice or fairness of the initial allocation, but is purely a measurement of economic efficiency or welfare of the economy. When marginal social benefit does not equal marginal social cost (positive or negative externalities in consumption or production, demand does not meet supply or vice versa) the result is market failure. Nicolas Mercuro & Steven G. Medema, *Economics and Law: From Posner to Post Modernism and Beyond*, 2nd edition, 2006 (Mercuro & Medema) at 20-25. Thus, if ISPs, under threat of cumulative damages, disproportionately allocate their scarce resources to policing infringement instead of innovating to improve their service, the risk for market failure is apparent. This conclusion is separate from and not influenced by any conclusions on, whether it is fair or justifiable to hold ISPs liable.

fields of technological advance. First, this risk is present at the point of expiration of so called pioneering-patents, where trade mark protection is sought and enforced on product features and marks with low inherent distinctiveness that have acquired secondary meaning^{66,67} Second, and more importantly pressure on third party intermediaries to fight piracy and uses of trade marks on-line, is highly risky, since it threatens to turn the focus of technological pioneers not on innovation and improving their service, but instead on policing trade mark and other intellectual property rights foregoing innovation under a constant threat of cumulative damages. This research discusses the latter scenario thoroughly in one of the articles. Since this research focuses on the exercise of rights, not their existence, for reasons discussed extensively in 2.1.2, limits on registrability, such as the functionality threshold often triggered by previously patented subject matter, are only briefly discussed.

66 The European standard of proof required by the OHIM to establish acquired distinctiveness or secondary meaning is relatively high in practice. *Guidelines concerning proceedings before the Office*, Part B at 52-56. However, there are only limited guidelines on the protection of marks with a reputation and the current practice at the OHIM follows standard rules of statutory interpretation. See *Trade marks with a reputation; Opposition Guidelines*, Part 5, Article 8(5) CTMR- Status March 2004 at 10, discussing the *Telefonica on line/ T-online* case). "...by exclusively focusing on the degree of knowledge of the mark, the [EUCJ] has in fact simplified the test of reputation, compared to what was often needed in the past for accepting that a mark enjoys reputation." (emphasis original). Discussing *Campbell's et al. /Campbell Catering* at 10 "It should be noted that the kind of market recognition required for marks which have acquired enhanced distinctiveness through use in the context of Article 8(1)(b), and for well-known marks within the meaning of Article 6bis PC, is of the same character as reputation, in that it is principally based on quantitative considerations regarding the degree of knowledge the mark has acquired among the public, without prejudice of course to the level of threshold required in each case." at 10 (emphasis original). It is not clear that proof required for establishing a reputation *in practice* differs from proof required to establish acquired distinctiveness.

67 Jennifer Davies, European Trade Mark Law and the Enclosure of the Commons, [2002] I.P.Q.:No.4, 342-367 (Davies 2002).

2 Employed Method and Underlying Premises

2.1 A Traditional Approach?

It could be argued that looking outside trade mark law for solutions to questions that concern core issues of trade mark law, is fundamentally flawed. After all, national trade mark law dates back several centuries and consensus on the core issues of trade mark protection has been reached on an international level.⁶⁸ To some extent, also EU trade mark law is far more developed than e.g. copyright or patent law, where agreement on common standards of protection seem much harder to reach, despite a long tradition of international cooperation. Thus, EU trade mark law is exactly what it is and under the rule of *lex specialis* takes precedence over more general rules of law. This conclusion is tempting even when recognizing that trade mark law as manifested in the TMD is inherently incomplete, since it addresses only trade mark owner's rights, but it would nevertheless, seem that it precludes consideration of the issue of limits *outside* the set framework of exclusive rights set forth in the text of the TMD.⁶⁹

Such a rigid interpretation of EU trade mark law is, however, not historically or legally founded. First, it is clear that traditional trade mark law has always included implied limits that were not included in the text of the TMD.⁷⁰ Since these limits were enforced by way of consistent interpretation on the national level, where the statutory text often was equally silent on the issue of limits, it is unlikely that the European legislator intended for trade mark protection under the TMD to be

68 In addition to substantive trade mark law provisions in the Paris Convention and the TRIPS Agreement, the Trade mark Law Treaty (TLT) and the Singapore Treaty on the Law of Trade marks harmonize substantive trade mark law between signatories to a great extent.

69 See for example Study on the Overall Functioning of the European Trade Mark System presented by Max Planck Institute for Intellectual Property and Competition Law Munich on 15(2).1011 available at http://ec.europa.eu/internal_market/indprop/tm/index_en.htm (Study on the EU Trade Mark System).

70 See supra page 4.

either limitless, or only limited by the expressed provisions in the TMD, namely Articles 6 and 7.⁷¹

In fact, in construing legislative intent in the framework of the EU treaties, the consistent case law of the EUCJ on the concept of the essential function of trade marks as one element in securing the functioning of the internal market, was codified in the TMD despite the pressure to abolish the concept and allow for broader protection of new functions of trade marks (e.g. the advertising function). While providing for protection of trade marks with a reputation outside the competitive relationship in Article 5(2) of the TMD, it simultaneously rejected attempts to provide for absolute protection of reputed marks. If this intent was unclear, the EUCJ has articulated several times the limited nature of the trade mark owner's right under Article 5, also outside the specific wording of Article 6 and 7.⁷² Indeed, limiting doctrines, according to the EUCJ, remain imbedded in the wording of Article 5 itself.⁷³

Second, Article 17 of the TRIPS Agreement expressly allows for new limits on the trade mark owner's right than has been afforded under the substantive laws of trade mark. As discussed in the Property Rights Article discussing interpretation of limits on IP rights under WTO law:

"The GI-panel [74] noted that it can be instructive to refer to the interpretation by two previous panels on the interpretation of corresponding articles regarding exceptions to copyrights and patents.⁷⁵ However, there are some significant differences between the provisions that make it important to interpret article 17 according to its own terms. "Unlike the other provisions Article 17 contains no reference to "conflict with a [or the] normal exploitation" {or} "unreasonable prejudice to the legitimate interests" of the ...owner, {instead Article 17 expressly} refers to the legitimate interests of third parties [and] treats them on par with those of the right holder." Article 17 clearly permits exceptions that are not applicable to other intellectual property rights.⁷⁶

71 As will be discussed extensively below.

72 Member states are precluded from granting stronger protection than Article 5 to reputed marks. Member states may provide for a safe harbor for intermediary hosts that preclude the trade mark owner from exercising its right.

73 E.g. Google France "use in the course of trade" and "use for the purposes of distinguishing goods or services".

74 Panel report, *European Communities - Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs*, 7.632, WT/DS290/R and WT/DS174/R (March 15, 2005). (GI-Panel Report)

75 Exceptions to copyrights are regulated in Article 13 of the TRIPS Agreement and was interpreted in Panel report, *United States- Sec 110(5) of Copyright Act*, WT/DS160/R (June 15, 2000). Exceptions to patents are regulated in Article 30 of the TRIPS Agreement, which was interpreted in Panel report *Canada- Patent Protection of Pharmaceutical Products*, WT/DS114/R (March 17, 2000).

76 GI-Panel Report at 7.649.

In ascertaining the meaning of the term “limited exceptions” the GI-panel concluded that the issue is whether the exception to the rights conferred by a trademark is narrow.⁷⁷ Exceptions may apply to 1) a category of third parties; with respect to 2) the identity or similarity of the marks or goods; 3) the degree of likelihood of confusion; 4) a combination of the above; or 5) in some other way, as long as they are limited. The panel noted that “[f]air use of descriptive terms is not limited in terms of the number of third parties who may benefit, nor in terms of the quantity of goods or services with respect to which they use the descriptive terms, although implicitly it only applies to those third parties who would use those terms in the course of trade and to those foods or services which those terms describe.” Still, it satisfies the elements of Article 17.⁷⁸

The number of trademarks or trademark owners affected is irrelevant and the focus remains on the impact on the rights of the trademark owner.⁷⁹ Nevertheless, although the quantity of goods that benefit from an exception might indirectly curtail the exercise of the right to exclude others, preventing acts of making, selling or importing goods are not rights conferred by a trademark.⁸⁰ The trademark right only entails the right to prevent confusing uses.⁸¹ On the other hand, the GI-panel noted that “a GI registration does not confer a positive right to use any other signs or combinations of signs, nor to use the name in any linguistic versions” hence the trademark owner’s rights are not limited against such uses.⁸² Likewise the GI regulation recognizes a ground for refusal of registration based on an earlier trademark hence the trademark owner’s right to exclude confusing uses is not completely diminished even against the GI applicant.⁸³

[On the issue of interpreting ‘legitimate interests’, the GI-panel] [f]ollowing a contextual approach ... concluded that the legitimate interests of the trademark owner must be something different from the full enjoyment of the rights conferred by a trademark. Likewise the legitimate interests of third parties must be something more than simple enjoyment of their legal rights.⁸⁴ Citing *Canada-Pharmaceuticals Patents* the GI-panel concluded that the provision calls “for protection of interests that are ‘justifiable’ in the sense that they are supported by relevant public policies and other social norms”⁸⁵

The GI-panel referred to “the WTO Members’ shared understandings of the policies and norms relevant to trademarks”, when concluding that the protected function of trademarks is the ability to distinguish goods and services from those of other companies in the course of trade.⁸⁶ While it is in the legitimate interest of the trademark owner to receive protection of the source identifying function of its trademark, protection is not absolute.⁸⁷ In contrast to Articles 13, 26.2 and 30 that refer to “unreasonable prejudice”, Article 17 requires only that exceptions “take account” of the legitimate interests of the owner. According to the GI-panel the chosen wording hence suggests that less protection is required for the legitimate

77 GI-Panel Report at 7.650; Citing *Canada-Pharmaceutical Patents* at para 7.30 and expressly noting that relevant inquiry focuses on exceptions to the rights conferred, not to a set of trademarks or trademark owners.

78 GI-Panel Report at 7.653-54.

79 GI-Panel Report at 7.654.

80 GI-Panel Report at 7.655.

81 GI-Panel Report at 7.656.

82 GI-Panel Report at 7.657.

83 GI-Panel Report at 7.658.

84 GI-Panel Report at 7.662.

85 GI-Panel Report at 7.663 citing *Canada-Pharmaceutical Patents* at 7.69.

86 GI-Panel Report at 7.664.

87 GI-Panel Report at 7.670.

interests of the trademark owner.⁸⁸ This reading also corresponds with the absence of specific reference to the rights of third parties in Articles 13, 26.2 and 30.

The GI-panel further notes that the relevant third parties for the purposes of Article 17 include both consumers and persons using a geographical indication.⁸⁹ After all the legitimacy of the interests of GI users is reflected in the TRIPS Agreement itself.”

The TRIPS Agreement thus recognizes the need for allowing legislation outside the field of trade mark law to limit the effects of trade mark protection. Unlike, similar provisions on patent and copyright law⁹⁰, trade mark owners are placed on par with other actors, and are not based on some weighty societal interest, presumptively preferred, when addressing limiting legislation.⁹¹ The legitimate interests of trade mark owners are therefore under international trade mark law, to be balanced with the legitimate interests of other economic actors. It would seem counterintuitive to require that *consideration* of competing interests be limited to the expressed wording of the TMD or even traditional implicit doctrines.

Nevertheless, it could be argued that one should proceed from the inside out, when addressing the issue of limits, i.e. first, ascertain where there is real need or room for outside influence and only after that search for solutions to that specific issue in the specific context. Without addressing the viability of that option, this research intends to show that it is not the only option, even that there are valid reasons for deviating from it. Indeed, proceeding in the opposite direction, i.e. from the outside of trade mark law inside it, allows for a fresh, contemporary look at trade mark law. While all conclusions reached are not revolutionary, indeed some seem self-evident from the inside perspective, other conclusions, it is argued, could not be reached, when using a more traditional approach. The inside-out perspective risks perpetuating the bias for the benefit of trade mark owners and allow for consideration of issues only within the set molds of trade mark logic, and thus elevate the trade mark owner’s interest, in conflict with Article 17 of TRIPS, over other unarticulated, but equally legitimate interests. Similarly, one could argue that the intended result could be reached by employing a more traditional comparative approach that is searching for limits in national trade mark laws. This approach has traditionally been preferred, and one could argue that the EUCJ or more specifically the Advocate Generals, do in fact base their decisions on such a comparison.⁹² There is, however, no set formula for selecting the countries that should be included in such a comparison, or how the various national options

88 GI-Panel Report at 7.671.

89 GI-Panel Report at 7.675 and 7.679.

90 Article 13 and 30 of the TRIPS Agreement.

91 Article 17 of the TRIPS Agreement. See also extensive discussion and analysis in the Property Rights Article at 38-46.

92 De Cruz at 21.

influence the EUCJ in the interpretation of the TMD.⁹³ The choice of rules that are included in EU trade mark law, is thus, neither set nor even predictable on a normative level. Indeed, while different national solutions are presented, including those of non-EU countries, it is ultimately the framework of EU legislation and general principles of trade mark and EU law that determine the outcome of the comparative effort. Thus, for the purpose of performing the task at hand, the focus is on the normative basis of EU trade mark law, which lies not in the national trade mark laws or existing national trade mark doctrines, but in EU law, national constitutional law and international trade mark law.

The adoption of said approach does not argue that national doctrines and traditions are unimportant or have no influence on the formation of EU trade mark law. Quite the opposite, EU trade mark law is a mixture of national laws with elements that stem from consensus or from certain specific countries.⁹⁴ The EUCJ has, however, also specifically marked the independence of EU trade mark law from national trade mark laws, in adopting unprecedented interpretations of

93 Indeed judges may utilize regulatory solutions provided by the legal system from which the judge is drawn, and to some extent comparative studies may simply chart available solutions to any given legal issue in order to achieve systemic knowledge of the operational regulatory context of law in the Member States. Comparison within this meaning gives background for decision-making, but the material gathered cannot be used to predict the solution on the EU level precisely because the comparison more often than not generates different, even mutually exclusive solutions to any given issue. This type of comparison aids understanding of national law pre-decision, however not necessarily EU law post-decision. De Cruz at 20-21.

94 For example, the UK system derives trade mark protection from the tort of passing off and to this day the scope of protection is primarily connected to how a mark is actually used in commerce (at 287). In France, there is a history of viewing a registered trade mark as absolute property that enjoys absolute protection against infringement both under civil and criminal law. While increasing emphasis has lately been placed on removing the clutter of unused registered trade marks in favor of allowing acquisition of new marks, there is an unforeseen emphasis on preserving the Registrar as an accurate reflection of property rights in circulation (at 295 and 298). In Germany, by contrast the merger of interests of unfair competition and protection of trade marks have resulted in an intrinsic, sophisticated approach that views the issue of appropriate scope of protection as a matter of degree cumulatively favoring marks with higher renown and distinctiveness. Accordingly, strong marks enjoy protection under a theory of distance (*Abstandslehre*), which is the result of the interaction of a highly complex network of principles (at 302-303). See Friedrich-Karl Beier, Basic Features of Anglo-American, French and German Trade mark Law, IIC 1975, 6 (3), 285-303 (Beier 1975). All these elements are to some extent present in EU trade mark law. The French notion of allowing access to the Registrar followed by strong rights is clearly present in the structure of the CTMR and perhaps also the TMD. The German ‘theory of distance’ seems to have influenced the scope of protection under Article 5(1)(a) and 5(1)(b) allowing stronger protection the stronger (repute and distinctiveness) the mark and perhaps even the *L'oreal v Bellure* –court (use equals an attempt to free-ride). The case-specific, market-centered approach in the UK, seems to have influenced the court in interpreting limitations and exceptions. It does not follow, however, that the national premises for these doctrines have simultaneously been adopted into EU trade mark law, especially since these premises are mutually exclusive. See also, William Cornish, Intellectual Property: Omnipresent, Distracting, Irrelevant?, 2004 (Cornish 2004) at 77-80.

wording in the TMD that seem to have its origin in similar national terms⁹⁵, or flat out rejected giving specific meanings to provisions based on established practice in some member states.⁹⁶ While of some source-value in predicting and influencing the EUCJ, especially in areas of member state consensus, national traditional doctrines *as such* are much less reliable in new areas of trade mark law, where established practice may carry baggage from pre-EU trade mark law times.

More importantly, however, the national influence on the EUCJ is random and often incomplete, in that the EUCJ tends to adopt elements of national solutions (functional not normative equivalents) to create a solution for EU trade mark law.⁹⁷ The normative basis (i.e. text of the TMD, the role of the court under the Lisbon Treaty, national constitutional law and international trade mark law) for interpretation that the EUCJ employs, is however, at least somewhat fixed as are the general principles of law, and can therefore serve as a predictor and interpretive guide to reviewing the conclusions of the court. This research discusses some decisions of the EUCJ in this framework, focusing on the outcome and conclusions of the EUCJ in light of this general normative framework. While this approach could seem up-side-down from a trade mark law internal perspective, where a wealth of decisions are ripe for systematization and critique (based on trade mark doctrine), this research seeks to offer a non-traditional approach to the limits discussion by anchoring itself in the normative framework and legal context of EU law, from the institutions of which EU trade mark law, at least normatively, stems, and within which it develops.

Lastly, one might argue that trademark law, on the issue of limits, exceptions or limitations, should look to copyright law for guidance. As discussed above,

⁹⁵ Case C-251/95, *Sabel BV v. Puma AG, Rudolf Dassler Sport*, [1997] ECR I-6191 at 26 rejecting the Benelux interpretation of the concept of a 'likelihood of association' and the United Kingdom government interpretation of the meaning of a 'likelihood of confusion': "Article 4(1)(b) of the Directive is to be interpreted as meaning that the mere association which the public might make between two trade marks as a result of their analogous semantic content is not in itself a sufficient ground for concluding that there is a likelihood of confusion within the meaning of that provision." and at 17-18 "It follows from that wording that the concept of likelihood of association is not an alternative to that of likelihood of confusion, but serves to define its scope. The terms of the provision itself exclude its application where there is no likelihood of confusion on the part of the public."

⁹⁶ Case C-251/95, *Sabel BV v. Puma AG, Rudolf Dassler Sport*, [1997] ECR I-6191 at 25 rejecting the concept of 'Motivschutz' that has been developed in German doctrine, and adopted in e.g. Finland and Benelux: "where the earlier mark is not especially well known to the public and consists of an image with little imaginative content, the mere fact that the two marks are conceptually similar is not sufficient to give rise to a likelihood of confusion." On the concept (motiivisuoja) in Finnish doctrine see Y.J. Hakulinen, *Tavaramerkkioikeus, Suomalaisen lakiemiesyhdistyksen julkaisuja*, B-sarja, N:o 65, WSOY, 1954 at 62-63 and Jukka Palm, *Tavaramerkki, kilpailu ja alkuperä* (2002) at 151-152. Joined Cases C-108/97 and C-109/97 *Windsurfing Chiemsee Produktions- und Vertriebs GmbH v. Boots- und Segelzubehör Walter Huber, Franz Attenberger* [1999] ECR I-02779 (Chiemsee) at 35 rejecting the concept of 'Freihalbedürfnis': "It follows from the foregoing that the application of Article 3(1)(c) of the Directive does not depend on there being a real, current or serious need to leave a sign or indication free ('Freihalbedürfnis') under German case-law".

⁹⁷ On functional equivalents see Ch. 2.4.1 and 3.4 infra.

however, one should proceed cautiously in equating trademarks to copyrights and patents, when considering the *leeway given to Member States* in adopting exceptions or limitations on the afforded right. Thus, one must carefully scrutinize any conclusions drawn in the copyright setting based on the application of the “three step-test” originally developed under the Berne Convention⁹⁸, but later adopted into WTO law.⁹⁹ The member states are *more limited* at introducing exceptions and limitations under copyright law.

Another example that points to caution in considering *the scope of rights* can be found in the ISP Liability Article:

[A] reference to counterfeit goods and online shopping sites could be read to include also trademark counterfeiting. This reading seems natural, since copyright piracy and trademark counterfeiting are considered equally reprehensible. Willful trademark counterfeiting or copyright piracy on a commercial scale are both criminally sanctioned in most countries.¹⁰⁰ However, separate laws govern copyright (and related rights) and trademark infringement. Copyright piracy is “the unauthorized copying of copyright materials for commercial purposes and the unauthorized commercial dealing in copied materials”. Copyright, which is based on the exclusive right of authorization, is thus completely high-jacked. Trademark counterfeiting primarily copies the underlying product and attempts to pass the counterfeit good off as the genuine item by using the trademark. Trademark protection, which is based on the exclusive right to prevent uses of a mark on identical or similar goods or services, is inherently limited to only certain uses of marks. While the pirate causes harm it does not as straightforwardly high-jack the right or even the market for legitimate sales. Trademark law also applies in a context of legitimate concurrent use (including advertising) by licensees, retailers, second hand marketers, repair service providers, parallel importers and competitors out of which illegitimate references to trademarks must be technically distinguishable. Unlike in copyright law, the market for legitimate use of trademarks is thus to a large part not controlled by the trademark owner under trademark law. In this light the statements of the Commission, or general intellectual property legislation, should not unequivocally be read to apply as such to trademark law.¹⁰¹

Similarly, there are limits to *the limiting tools* available based on the different nature of trademark rights in comparison to other IP rights. Again an example can be taken from the ISP Liability Article:

98 Article 9(2) of the Berne Convention.

99 Article 1.3 and 13 of the TRIPS Agreement. Exceptions must 1) only apply to certain special cases, 2) not conflict with the normal exploitation of the work and 3) not unreasonably prejudice the legitimate interests of the right holder.

100 TRIPS Article 61: “Members shall provide for criminal procedures and penalties to be applied at least in cases of *willful trademark counterfeiting or copyright piracy on a commercial scale*. Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity. In appropriate cases, remedies available shall also include the seizure, forfeiture and destruction of the infringing goods and of any materials and implements the predominant use of which has been in the commission of the offence. Members may provide for criminal procedures and penalties to be applied in other cases of infringement of intellectual property rights, in particular where they are committed willfully and on a commercial scale.” Author’s emphasis.

101 ISP Liability Article at 32-33.

"Trademark rights are alienable, that is can be freely transferred (Article 21 of TRIPS), but some aspects of the exclusive right are inalienable.¹⁰² For example, the entitlement in Article 21 of TRIPS that prohibits compulsory licensing of trademark rights is inalienable, i.e. cannot be 'transferred'¹⁰³ between a willing buyer and seller, and designed to protect the initial entitlement or even to define the trademark right itself.¹⁰⁴ To support and protect the initial grant, additional protection could in principle be afforded to new entitlements¹⁰⁵ with liability rules.

However, the above-mentioned inalienability of the core of the trademark right distinguishes them from other forms of intellectual property rights, namely copyrights and patents.¹⁰⁶ A consequence of this inherent difference is that the application of liability rules to entitlements in trademark law, that is, allowing transfer of entitlements based on willingness to pay¹⁰⁷, becomes problematic. If the exclusive control¹⁰⁸ of the exclusive use of a trademark is inalienable, that is, not permitted between a willing buyer and a willing seller¹⁰⁹ it is hardly possible to allow release of the entitlement without destroying the initial grant.

For example, while trademarks can be freely sold or licensed, a valid trademark requires ONE trademark owner that controls it. This is because the trademark owner may lose its exclusive right, if it does not itself use or control the use of the trademark by its subsidiaries or licensees. A trademark cannot distinguish the goods and services of an entity, if its use is not coherent and centrally managed. A mark that loses its distinguishing

102 See Stacey Dogan and Mark Lemley, 'A Search-Costs Theory of Limiting Doctrines' in Graeme Dinwoodie & Mark Janis Trademark Law and Theory A Handbook of Contemporary Research, 2008 (Dogan & Lemley 2008a) at 82 discussing the effect of unsupervised licensing of trademarks.

103 This entitlement could be likened to moral rights protection in copyright law (Berne Convention Article 6 bis). Many European countries consider the right inalienable that is, a contract transferring moral rights is *invalid*. It is considered necessary to protect the entitlement from outside pressure or force, be it from government, contract partners or third parties. See also Spyros M. Maniatis, *Trademark Rights— A Justification Based on Property*, [2002] I.P.Q.: No.2 123 (Maniatis 2002) at 152, arguing that the threat of compulsory licensing as well as the time-limit on the right in patent law can be used as a direct means to reset the equilibrium in the commons. In trademark law, where these means are not available (because they would create confusion) he argues that a use requirement could serve a similar purpose; creating a powerful incentive to actually apply the mark.

104 TRIPS Article 21. Calabresi, Guido & Melamed, A Douglas: 'Property Rules, Liability Rules, and Inalienability: One View of the Cathedral', Harvard Law Review, p. 1089-1128 (1972) (Calabresi & Melamed) at 971-972.

105 Dogan & Lemley 2008a at 1670 arguing that the pop-up and keyword cases giving rise to the trademark use debate involve attempts at allowing trademark holders to "assert a new and unprecedented form of trademark infringement claim" and in effect imposing "third-party liability under the guise of direct infringement suits".

106 See Dogan & Lemley 2008a at 82 discussing assignment in gross and naked licensing of trademarks. Note, however, that the search-cost theory legitimizes a narrower confusion-based trademark right than in force in most countries today.

107 Calabresi & Melamed at 971.

108 While trademarks can be freely sold or licensed, a valid trademark requires a trademark owner that controls it. This is because the trademark owner may lose its exclusive right, if it does not control the use of the trademark by licensees. A trademark cannot distinguish the goods and services of an entity, if its use is not coherent and centrally managed. A mark that loses its distinguishing function is no longer a trademark. This requirement was added, when the prohibition of transferring the trademark separately from the firm was removed.

109 Calabresi & Melamed at 971 and 1111.

function is no longer a trademark. To protect the core trademark right (initial entitlement), the requirement of maintained control was specified with an inalienability rule, to allow the prohibition of transferring the trademark without the accompanying firm, to be removed.

This means that an entitlement that allows infringement of a trademark right, i.e. use without the right holder's consent, as long as the infringer pays compensation is not logically possible. Thus, unlike patent or copyright law, the choice or remedy of proscribing the use of a valid trademark under a compensatory scheme¹¹⁰ with a liability rule, cannot be available in trademark law, since it would dilute the distinguishing function of the trademark, which is at the heart of trademark protection. While the heart does not enjoy absolute legal protection, it is the core without which the construct of trademark rights could not exist.¹¹¹¹¹²

Thus, trademark rights apply in an all-or-nothing fashion, while e.g. copyright may take the form of a right to exclude or a right to remuneration. The copyright is designed to allow the holder to exclusively authorize uses and to benefit from the commercialization of the copyrighted work. Copyrights are unregistered rights against the world and there is no distinction between commercial and non-commercial uses. Trespass on the right, unless specifically allowed by a statutory exception, constitutes infringement of the property right in the copyrighted work.

Trademark rights, on the other hand, are primarily limited to uses for the purposes of distinguishing goods or services from those sold by other goods or service providers, and thus firmly anchored in commercial markets and relationships. Others may use their own registered marks that may be identical or similar to the registered trademark in different product categories. Retailers, service providers and traders in second-hand goods may use the mark in advertising of trademarked goods. Competitors may also use registered trademarks in comparative advertising. Thus, whether the trademark right may be used to prevent another's use is a relative and contextual question. Naturally, it follows that exceptions and limitations must also be relative and contextual, and *not automatically conferred from the mere existence of the right*.

The above-mentioned fundamental differences between the copyright and trademark right make analogies between the two difficult without falling into *the trap of assuming normative similarity based on issue-similarity*. Since the dissimilarities are strongest on the issue of limits, reference to copyright in this thesis is made solely for the purposes of contrasting different issues and types of protection. It also seeks to highlight areas where protection designed for copyright has been extended to trademarks by analogy without considering the nature of trademarks and corresponding rights.

¹¹⁰ See Ginsburg, Jane, 'Copyright Control v. Compensation' in Alain Strowel (Ed.) Peer-to-peer File Sharing and Secondary Liability in Copyright Law 2009 at 123.

¹¹¹ See Dogan & Lemley 2008a at 82 discussing assignment in gross and naked licensing of trademarks. See also the case law of the EUCJ on the essential function of trademarks. Note that the inclusion of protection of the investment and advertising function, recognized in L'oreal v Bellure does bring protection closer to being absolute for owners of famous marks.

¹¹² ISP Liability Article at 37.

2.2 The Research Question and Object of Study

2.2.1 Limits and Presumptive Contextualism

What is meant by limits? First, one could view limits as borders or outskirts in relation to something more inland and ‘core’. Thus phrased, ‘limits’ indicate being far away from something, or even as far away that you can go without stepping outside. In this sense, this research does not operate in or at the core of trade mark law, but on the fringes. Consequently, it concerns itself not with the majority of trade mark cases; the relatively easy, classical infringement cases in a commercial competitive relationship, however largely defined. Instead, the research focuses on *the relatively few, hard cases that challenge the traditional premises* of trade mark law. Indeed, its focus lies on *core issues* on the *outskirts* of trade mark law.

Second, one could view ‘limits of trade mark law’ as a discussion of specific limitations on the trade mark owner’s exclusive right, e.g. it only applies to uses that cause likelihood of confusion, or take unfair advantage of a reputed mark without due cause. Similarly, one could interpret ‘limits of trade mark law’ to refer to more general, yet concept-specific limitations, such as ‘use in the course of trade’, or ‘use for the purposes of distinguishing the goods or services of one actor from those of another’. Yet another way to understand ‘limits of trade mark law’ is to indicate specific defenses or categories that are excluded from application of trade mark law. All of the above¹¹³, view limits through *double negatives*: the trade mark owner is not entitled to prevent uses that do not create a likelihood of confusion, uses that are not in the course of trade, or uses that are for some other reason categorically excluded.

Locating ‘limits of trade mark law’ in this research, is a search for a self-referential, independent phenomenon with its normative basis outside trade mark law, i.e. not derived from the trade mark owner’s exclusive right. These ‘limits’ are *abstract and theoretical*, not practical or normative, in the narrowest sense of the word, i.e. manifested in current interpretation of the TMD in court practice. The ‘limits’ in this meaning, are combined independent legitimate interests of third

¹¹³ In line with the mentioned understandings of limits or limitations, one could also view limitations in trade mark law on a temporal spectrum, whether they apply to registrability, infringement or later loss of rights due to e.g. passivity or non-use. One could also view limitations as procedural (burden of proof) or substantive (exclusions of state emblems), practical (referring to marks in common language) or theoretical (need to keep free). All these, types of limitations follow from the statutory structure of trade mark law and thus are defined through the trade mark owner’s exclusive right, whether on the issue of creating such a right, enforcing it, or maintaining it. As further elaborated below, the following research discusses limits on a higher level of abstraction and in a setting not defined by trade mark law and the trade mark owner’s interest.

parties that place *lex superior*¹¹⁴-limits on trade mark law and consequently, should be taken into account in its application.

These limiting third party interests can be *translated into positive statements* within trade mark law, instead of implicit or expressed limitations in its application.¹¹⁵ These positive statements could level the playing field in new areas of trade mark law, where a presumption in favor of the trade mark owner would not allow principled scrutiny of whether protection is warranted. Limits within the meaning employed here, are thus not competing presumptions, exceptions or defenses, instead they may form narrow discretionary platforms for equal balancing of legitimate interests, when certain elements are triggered.

Approaching the issue of ‘limits’ in this meaning, from within trade mark law and established concepts, implicit or expressed in the statutory text, would be problematic. Everything in contemporary trade mark law rests ultimately on the premise that trade marks are protected, a premise that makes implied or doctrinal, even statutory limitations weak filters in practice. Trade mark owners in the contemporary market place have stretched, mangled and convoluted traditional concepts in practice, and consequently have transformed, however, doctrinally

114 These ‘*lex superior*-limits’(which will be discussed extensively below) take the form of societal interests and can be derived from constitutional rights, such as freedom of expression or the right to property (ECHR, fundamental rights charter for the EU and national constitutions); from international law such as the TRIPS Agreement informed by general international law; or from the constitutional treaties and general principles of EU law (as manifested in principles that support the functioning common market, known in trade mark law e.g. as the essential function of trade marks). ‘Unfair competition’ or ‘unfair competition law’ therefore, is intended to reference these interests and *not* what in national law is often referred to as *general unfair competition law* (as a counterpart to competition law and a fall back legislation to more specific IP laws). It should be noted that member states are free to implement the provisions of the TMD within their national laws, as they see fit, i.e. through trade mark specific legislation or through laws of unfair competition. Once implemented however, these rules must be interpreted in line with EUCJ rulings on the interpretation of the TMD and cannot by way of implementation choice be divorced from EU trade mark law. See Ch. 3.2. *infra*. EU trade mark law, is thus, in practice a broader field than traditional Trade mark Act specific including principles with broader application that cap trade mark protection in the interest of freedom of competition (Compare to discussion Article 5(5) of the TMD in Ch. 5.)

115 See for instance Andrew Griffiths, The Trademark Monopoly: An Analysis of the Core Zone of Absolute Protection under Article 5(1)(a), [2007] I.P.Q.:No.3, 312-349, (Griffiths 2007) at 317, 332-333.

sound limiting concepts into logically leaking watersheds.¹¹⁶ Attempts by the EUCJ to reintroduce rigor in such concepts, while at the same time, introducing new EU-level solutions to traditional concerns and re-furbished solutions to new concerns, produce an extremely complicated and scattered bundle of rulings, utilizing wording that is arguably on its face, neither transparent nor clear.¹¹⁷

Partially, these problems are caused by the text of the TMD, which predates modern technology and most contemporary uses of trade marks on the internet. While trade marks and the legitimate and illegitimate use of them are no longer confined to real market commerce, however, the statutory text of EU trade mark law is.¹¹⁸ In line with contemporary practice that challenges trade mark law as a closed system, this research seeks to open up and reconnect trade mark law with other fields of law, in order to allow outside normative concerns to pinpoint the strengths and weaknesses of the system, and ultimately give a place to limits, where warranted. At the same time, this research is designed to allow for a *narrowly defined and limited channel* of these outside concerns, instead of allowing e.g.

116 Felix Cohen, Transcendental Nonsense and the Functional Approach, 35 Columbia Law Review 809 (1935) at 815-817 and 838. "Almost every crossroads of [EU trade mark] law is being tested by businesses calling for green lights." Cornish 2004 at 82. "it has become common practice for a number of corporate trade mark holders to try to use their intellectual property rights to prevent criticism of their company's products or policies by certain organisations." Christophe Geiger, Trade marks and Freedom of Expression, 38 IIC 3/2007, 317-327 (Geiger 2007) at 317. "strong industry interest in recouping investments in brand image will finally lead to shift towards brand image exploitation rights." Martin Senftleben, The Trade mark Tower of Babel, 40 IIC 1/2009 45-77, (Senftleben 2009) at 77. See also Study on the EU Trade Mark System at 2.202 referring to "the current wave of litigation against internet service providers and auction platforms." and at 2.205-7 while referring to the principle that a use on the internet could only be infringing if it has commercial effect, however, recognizing that an enterprise offering third parties 'commercial services always uses the mark "in the course of trade", if a trade mark is used in connection with this service.

117 For example the Google France -case. See also Suvi Sankari, Could the Court of Justice Have Done Differently? in Kaarlo Tuori and Suvi Sankari (Eds.) The Many Constitutions of Europe, 2010 at 199.

118 EUCJ in Google France and 5(3) of TMD.

constitutional and thus hierarchically superior¹¹⁹ limiting concerns to flood trade mark law, and consequently drown the legitimate interests of trade mark owners.¹²⁰

Contextualism in law generally refers to decision-making that is context-dependent (static), but could also be understood as mandating consideration of inter-relationships of subjects, objects and affected interest groups (dynamic).

¹¹⁹ Lex superior conquers lex specialis. It is important to note that ‘constitutional’ here refers not only to the ‘EU Charter of Fundamental Rights’ but also the EU Treaties and the general principles of EU law enshrined in them. These principles may be applications and interpretations of fundamental rights conflicts, but may also solely originate in other treaty provisions. Nevertheless, they are constitutional interests with equal (if not more concrete) effect on EU secondary legislation. General principles of EU law are layered and overlapping with partial or complete support in the case law of the EUCJ and the Treaties or solely derived from EUCJ case law interpreting the Treaties in light of national constitutional traditions (Spaventa at 206). The Charter of Fundamental Rights now provides an explicit channel of these constitutional interests. Lenaerts and Gutiérrez-Fons at 184-185. On the primacy of teleologism as an interpretive method for normative coherence and the particular role of normative coherence as a characterizing objective of EU law, see Mylly at 126.

The discussion on constitutional pluralism vs. a hierarchical relationship (classical constitutionalism) between the EU and member states legal systems, is sidestepped here. For an account of different views on constitutional pluralism in Europe see Matej Avbelj and Jan Komárek, Four Visions of Constitutional Pluralism, EUI Working Paper 2008/21. This thesis supports a view that excludes the radical ends (the classical constitutional ((purely integrationist giving absolute preference to EU law)) approach and those who argue for preserving constitutional diversity in the EU as a value in itself that inherently curbs the jurisdiction and discretion of the EUCJ) of that discussion and subscribes to primacy of EU law regarding the ‘core nucleus of shared values’ and treats these values similarly to those enshrined in the European Convention of Human Rights that *obligates* member states and the EU alike *to give some weight* to all the rights mentioned and *to balance* conflicting interests (See also Spaventa at 201). It therefore is proximate to those approaches that view constitutional values from the point of view of co-existence of pluralist values and constitutional pluralism as not an end in itself, but an accurate reflection of normative reality and as an element inherent in any theory of constitutionalism. Accordingly, the EUCJ and EU institutions operate in an environment of pluralist values, pluralist politics and pluralist legal (constitutional) sources. Maduro at 3. It is thus, not a question of whether, but of how constitutional pluralism affects e.g. judicial adjudication. Furthermore, this thesis operates within ‘core nucleus of shared values’ that neither the EU institutions nor national institutions can neglect in the process of decision-making (Spaventa at 206). Thus, whether the EU constitution is considered thin or thick the adjustments advocated in this thesis fall within on the one hand, the most developed area of EU law, and on the other hand, general relatively uncontested common values that are increasingly recognized in written EU primary law. Mylly at 122-123. Consequently, in this area it could be said that the EU constitution is thickening, while national constitutions are not retracting or thinning, since they and national institutions are central for the actual realization of this ‘core nucleus of shared values’ in the application and implementation of EU law (Article 51, Charter of Fundamental Rights). See also Eleanor Spaventa, The Horizontal Application of Fundamental Rights as General Principles of Union Law in Anthony Arnall, Catherine Barnard, Michael Dougan and Eleanor Spaventa (Eds.) A Constitutional Order of States Essays in Honour of Alan Dashwood 2011 at 199-200.

¹²⁰ See Mylly at 126 arguing that *coherence as a normative objective* i.e. the higher level norm, including principles and standards for its application, automatically and always conquers the ratio of the lower, is flawed. Instead, the analysis of different level norm conflicts requires an understanding of the interaction between fields or levels. “A pluralistic and interactive analysis of the European Union legal system is preferable to a monist and hierachal one (taking as its starting point either the state or the European Union). Mylly at 127.

Confusion analysis in trademark law is context-dependent within both meanings, since any decision is *per se* dependent on the context of the particular case, while there are also established factors¹²¹ for consideration of whether likelihood of confusion in the normative sense, exists. Substantive and normative contextualism is thus inherent in trademark law. There are, however, also established rules on when certain degrees of confusion in relevant factors mandate a finding of infringement.¹²² These types of rules in fact delimit the influence of context in the decision-making process, and de-contextualize, i.e. allow less weight to varying circumstances of the case in influencing the outcome of decision-making. Contemporary trademark law seems to favor *ex ante* rules over *ex post* context as determinants of infringement, although trademark law is and will always remain contextual within the truest meaning of the word. Some commentators have argued for introducing limits through counter-rules or counter-concepts (e.g. a trademark use requirement) others by increased contextualism¹²³ in decision-making.

In that light contextualism in this research aims at increasing the normative relevance of interests that have traditionally been reflected in the contexts of trademark infringement decision-making, and thus, due to the above-mentioned preference for rules, have lesser relevance *in fact* today. *Presumptive contextualism* introduced by Pöyhönen is, however, *a normative method that determines both the starting-point and process of decision-making*.¹²⁴

First, it substitutes Rights-positions as a starting point for decision-making with so called Positions of risk. Indeed, Pöyhönen contends that legal theories include explicit or implicit conceptions of social relationships, so called factual commitments that “rely on a conscious or unconscious view of the economic field of action, its steering mechanisms and developmental tendencies”¹²⁵ In fact, he argues, this context serves as a bouncing board in all decision-making to which the decision-maker tests the soundness of different solutions in application of the law. In EU trademark law the economic field of action, includes not only the trademark owner (holder of Right), but consumers, competitors, other trademark owners and entrepreneurs. While a Right-based approach starts from a *normative presumption* of infringement pending certain circumstances, a presumptive contextualist approach starts from normative risk positions of all relevant actors and assesses whether and which positions have suffered harm. These normative risk positions are based on consideration of general norms and principles, not necessarily restricted to a specific statute or narrow field of law. Contextualism within this meaning thus potentially remedies increased fragmentation of law into

121 Case C-342/97 *Lloyd Schuhfabrik Meyer* [1999] ECR I-3819 at 19 and 20; Case C-39/97 *Canon* [1998] ECR I-5507 at 17-18.

122 Case C-342/97 *Lloyd Schuhfabrik Meyer* [1999] ECR I-3819 at 19 and 20. Beier 1975 at 302-303.

123 Dinwoodie & Janis 2007a 1605-1606.

124 Juha Pöyhönen, *Uusi varallisuususoikeus*, 2000 (Pöyhönen 2000). Juha Pöyhönen, *Oikeudellisista teorioista*, Helsingin yliopiston yleisen oikeustieteen laitos, 1981 (Pöyhönen 1981).

125 Pöyhönen 2000 at 159. Pöyhönen 1981 at 5-6, 77-79 translated by Tuori in Tuori 2011 at 197.

specific narrow fields, as is prevalent in civil law traditions and allows principled consideration of all affected interests.¹²⁶

Presumptive contextualism, however, also concerns the inter-relationships of holders of different positions of risk and the degree of recognition and relative weight given to them. Thus, the task of the decision-maker is not to enforce a right, but to prevent distortion in social relationships.¹²⁷ It *mandates* principle-based interpretation and decision-making (*ex ante and ex post*) and does not recognize predetermined harm or remedies (*ex ante*).¹²⁸ Thus, presumptive contextualism could be paraphrased as *principle-based decision-making on principle*. In EU trademark law this means that the scope of a right equals the scope of trespass, and that a decision that recognizes a right where there is no harm, a remedy without harm, or a disproportionate remedy to the harm caused, is inherently flawed.¹²⁹ Extension of protection in new settings or against new types of uses of trademarks, thus mandate consideration of the relevant Positions of Risk in that setting, instead of assuming increased harm to *only* the trademark owner due to change.

It could be argued that merely increased contextualism de facto, i.e. more nuanced decision-making can adequately resolve hard cases. This may be true in some cases, but it may also not be true especially when there are specific rules that lead decision-makers away from considering context and using discretion. Then, context gives way to interpretation of regulation, which often results in viewing the task at hand as a question of which rule is to be given precedence. Indeed, Mylly describes current intellectual property lawmaking in the EU as “the normative fencing of intellectual property exclusivity against limitations and outside threats”.¹³⁰

126 Fluidity in allowing consideration of varying interests and multiple right positions is necessary to define rights and consequently consider its consequences and justification. See Sports Merchandising Article and Mylly at 377.

127 Pöyhönen 2000 at 184-185.

128 Pöyhönen 2000 at 186. See also Mylly at 383.

129 Neil MacCormick, On the Very Idea of Intellectual Property: an Essay according to the Institutionalist Theory of Law, [2002] I.P.Q.:No.3, p. 227-239 at 232, 236 and 238. “where there is no property or where property does not extend, there is no theft” The limits on the right should be retained and adjusted to the realities of the market place.

130 Mylly at 228 and 377.

¹³¹ Increased contextualism on principle is thus hard to reach in EU trademark law without legislative intervention, since current normative presumptions forbid it.¹³²

This research thus aims at increasing principle-based decision-making instead of rule-based decision-making in hard cases. In certain circumstances (as the ones before us) it is not possible to reach *consideration* of other interests, if traditional presumptions remain.¹³³ Consideration would only be possible by constitutional intervention, i.e. freedom to provide services or freedom of expression trumps trademark protection; the solution to a rules conflict is to recognize one rule to the detriment of another.¹³⁴ Principle-based decision-making can apply several principles, or not apply some principles without thereby affecting the validity of them.¹³⁵ By utilizing principle-based decision-making it is possible to *highlight areas, where as a matter of law, other interests than trade mark interests should be considered and given relative weight in the circumstances of each case without thereby concluding that the right either exists or not.*

Highlighting these areas as positive statements in the statutory text specifies an inherently complex question, and allows consideration not only of abstract depictions of existing rights (e.g. trademark registry) or abstract legal concepts (prohibition of concurrent use, or the distinctiveness requirement at registration) in the infringement setting, but more attuned with the reality of the market place including recognizing trademark thickets and gaps between entitlements. Presumptive contextualism views substantive provisions of competing regulation as islands in a sea of regulation, where the sea consists of EU primary law that guides interpretation of all regulation and allows the bridging of gaps (existing

131 Compare to Study on the EU Trade Mark System at 2.264, 2.265 discussing inclusion of limits on proposed new limits in the text of the TMD.

132 The imbedded propertarian bias is aggravated by the use of powerful terminology such as property and piracy, when arguing for increased protection. On the language and meaning of piracy see Catherine Seville, Nineteenth-century Anglo-US copyright relations: the language of piracy versus the moral high ground in Lionel Bentley, Jennifer Davies, Jane Ginsburg, Copyright and Piracy an Interdisciplinary Critique, 2010 at 24-25 and 27 and on property rhetoric, Margaret Jane Radin, Information Intangibility in Ove Granstrand (Ed.) Economics, Law and Intellectual Property Seeking Strategies for Research and Teaching in a Developing Field, 2003 at 399-401 and Hanns Ullrich, Legal Protection of Innovative Technologies: Property or Policy? in Ove Granstrand (Ed.) Economics, Law and Intellectual Property Seeking Strategies for Research and Teaching in a Developing Field, Kluwer Academic Publishers 2003 (Ullrich 2003) at 465. See also Loraine Gelsthorpe, Copyright infringement: a criminological perspective in Lionel Bentley, Jennifer Davies, Jane Ginsburg, Copyright and Piracy an Interdisciplinary Critique, 2010 at 395, 401, 404 and 407 and Neil Weinstock Netanel, Copyright's Paradox, 2008 at 7 and 154-168.

133 Mylly at 380 arguing that strong intellectual property protection seems to be a generic solution to new circumstances.

134 Ronald Dworkin at 24. Alexy 2004 at 57.

135 Ronald Dworkin at 26. Note that civil law principles are different from common law principles. At common law cases come first and principles afterwards, which means that principles are never greater than the case it summarizes. Likewise judges tend only to state reasoning necessary to solve the case on the facts without connecting the solution to the principles they may have applied. Holmes at 213-214 and 245 and Postema at 15, 17-19.

or unforeseen grey areas) through principle-based decision-making. Presumptive contextualism allows creation of a conceptual framework where the principles justifying or placing limits on extensions are brought to the fore and thus can be weighed against the Rights-position reflected in the TMD. Presumptive contextualism thus creates both the tools and the process for principle-based decision-making for resolving the hard cases.

2.2.2 Included Subject Matter

2.2.2.1 Existence of Rights and Infringement of Rights

All articles focus on the *infringement setting*, i.e. when trade mark rights are exercised against someone else's use of an identical or similar sign. In these circumstances trade mark holders seldom assert only one registered right, but instead refer to a portfolio of exclusive rights¹³⁶, which are usually valid. Thus, in the setting chosen for review in this thesis, it is not a question of whether the trade mark owner has rights in a mark, but *whether the right can be exercised against a particular use*. Therefore limits on registrability are only sparingly discussed. There are reasons for this omission.

First, limits on registrability are reviewed in administrative procedure in an abstract context in relation to classes of goods or services and previously registered (not used) marks. The assessment is divorced from how the mark may be used in the course of trade. Indeed, the applicant must convince the Registrar that its mark is sufficiently distinctive to serve as a mark, not whether it can use it to exclude a particular use of an identical or similar mark. Since this research focuses on (particular) new types of uses in new settings existing limits on registrability do not address the research question.

Second, whether a mark is distinctive or has acquired a secondary meaning may serve as a factor that affects the scope of protection, however, it is not determinative of the scope of protection afforded in a particular case.¹³⁷ Thus, whether a mark is distinctive for the purposes of registration does not address the question, whether a mark's distinctiveness is affected by the use of an identical or similar mark in relation to e.g. uses for dissimilar goods or services, non-commercial uses, uses in comparative advertising or uses for descriptive purposes.

Third, the EUCJ has frequently stated that the societal interest in keeping certain elements free for all traders to use is not a threshold issue in assessing

¹³⁶ This portfolio may also include other intellectual property right such as copyright. Derclaye and Leistner at 13.

¹³⁷ Case C-342/97 *Lloyd Schuhfabrik Meyer* [1999] ECR I-3819 at 19 and 20.

registrability¹³⁸, instead these issues are legitimately addressed in Article 6 and 7 of the TMD, when rights are exercised against uses by others in the course of trade.¹³⁹ This is highly relevant for our purposes, since traditionally most national trade mark laws, in fact counted on the registrability threshold to limit trade mark law. If the EUCJ is removing limiting hurdles at registration¹⁴⁰ and pointing towards Article 6 and 7 that are novel in the sense that the language is a hybrid of limits from national laws, it would be increasingly important to know what Article 6 and 7 mean, when interpreted in light of EU primary law by the EUCJ. Therefore, since this research *focuses on limits for the purposes of protecting certain types of uses of marks*, it follows where the EUCJ has indicated that they exist, instead of focusing on what limits remain at registration without thus indicating that the remaining limits are somehow less important. Quite the opposite, limits on registrability are very important in practice, they merely do not address the questions asked in this research, i.e. whether the trade mark owner may exclude new types of uses in new settings.

Fourth, the case law of the EUCJ on registrability indicates the novel and progressive nature of the EU trade mark system in relation to the national traditions pre-TMD. The case law indicates a shift that includes marks in the trade mark register that may not have survived scrutiny under national trade mark laws.¹⁴¹ One reason may be that the EU trade mark system exists parallel to national systems and has had to compete with established national systems throughout its existence. A high registrability threshold coupled with higher registration fees may have frustrated the harmonization effort, while a lower threshold for registration

138 Even if it were a threshold under Article 3.1 (b)-(d) these thresholds can be overcome by showing that the sign has acquired secondary meaning. Thus, signs which would be considered devoid of any distinctive character under 3.1(b), signs that may serve in trade to designate characteristic of products or services under 3.1 (c) or signs which are customary in trade or bona fide established practices are all still registrable under Article 3.1 (e), regardless of the underlying societal interests to keep them free for others to use.

139 Chiemsee at 35.

140 This removal by interpretation raises a practical problem, since the national court must henceforth decline to give effect to the inconsistent national rule. However, the national provision does not automatically become invalid or void, but a positive act of national legislature is required to remove it. This is true even though a Member State may be held liable for failure to comply with Treaty obligations. Only national legislatures may change national law. Arnall at 100.

141 Article 2 of the TMD: "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."

conversely would attract enterprises in choosing avenues for protection of their marks.¹⁴²

Another reason behind this shift may be that the TMD only applies to registered marks, while marks acquired through use may be valid under national trade mark law or nonetheless enjoy protection under national unfair competition law. There is no EU equivalent to general unfair competition law that exists in most member states.¹⁴³ Thus, rather than rejecting signs that are already used on the EU market (leaving them unprotected), it may be of practical value to include in the registers as many of the marks as possible that are actually used. Inclusion and following completeness of the register on earlier rights creates more certainty than exclusion.¹⁴⁴ The French system operates under the theory that a property right only arises through registration and third parties receive notice of property rights through the trade mark register. The French system likely influenced the EU trade mark system in some regard during negotiations.

2.2.2.2 Types of Uses and Marks

This thesis primarily concerns itself with uses of trade marks or signs as words. Sometimes these uses are *uses as trade marks* within the meaning of trade mark law, sometimes they are merely *uses of trade marks*. They may be uses for the purposes of distinguishing goods or services, but may also be uses for other purposes or hybrid uses with e.g. both distinguishing and expressive elements. Uses of trade marks in this thesis are not pre-categorized or post-categorized as falling inside or outside trade mark law. They are merely uses to which *trade mark law may apply* with the result favoring either the trade mark owner or the third party. The aim of the thesis is to *create a platform for evaluation of competing interests*, i.e. legitimate interests of trade mark owners and third parties, *within trade mark law*. This thesis thus concerns itself with the *process of decision-making*, not the result. The research is triggered by the lack of *clearly expressed limits as positive statements* within EU trade mark law that *national courts could anchor balancing* of fundamental third

142 Study on the EU Trade Mark System e.g. at 1.22 discussing effect of fees at the OHIM on national filings in the Benelux and Hector MacQueen, Charlotte Waelde, Graeme Laurie and Abbe Brown, Contemporary Intellectual Property Law and Policy, 2nd Ed.-, 2011 (MacQueen et. al) on the tension between registration and use at 570-571 indicating that once the mark is registered consumer confusion is no longer relevant (mark against market) instead the mark is protected against parasitic and detrimental uses by other traders (mark against competing signs).

143 Anselm Kamperman Sanders Unfair Competition Law, The Protection of Intellectual and Industrial Property, 1997.

144 New trade-mark system for the Community- Proposed Directive and Regulation, Bulletin of the European Communities, Supplement 5/80 (1981) (Proposal) at 56 discussing the novel system that allows all types of signs to be registered as trade marks and registration as the only alternative for acquiring rights in a community trade mark.

party interests in, and based on which national courts could perform the open and equal balancing of interests that the EUCJ repeatedly asks of them.¹⁴⁵

When discussing trade marks as words the types of marks at issue are primarily word marks. In the conflict between trade marks and geographical indications, as in the first article, the designations in question constitute word marks.¹⁴⁶ In the context of the internet and intermediary liability the marks at issue are typed word marks that translate into 0s and 1s and the question becomes, whether the trade mark owner has control over all uses of the mark in that form.¹⁴⁷ In the second article discussing the balancing of property rights and freedom of expression the discussion covers both word marks and logos (picture marks or symbols) and their combination.¹⁴⁸ The discussion however, centers on uses where reference is made to the *trade mark as a name*. The third article, on the sport merchandising right also concerns reference to the trade mark as a name or to indicate the actor and its activities behind the trade mark. Again, the issue becomes whether the trade mark owner can prevent all uses of the trade mark for all purposes in that form, or whether the right is constrained only to some uses of marks for some purposes.¹⁴⁹

In this context discussion of other types of marks, i.e. pictograms, color marks, three-dimensional marks, sound marks, taste marks or smell marks is, although the EUCJ has articulated that there are limits on registrability of such marks¹⁵⁰, not necessarily on point. Similarly, in discussing uses of marks on the internet, for non-commercial purposes, for criticism or parody or comparative advertising, the question whether some features of a product may not be registered as a trade mark under Article 3.1.(f) of the TMD prohibiting the registration of functional elements as trade marks, is not necessarily triggered. This is not to say that this particular limit that already exists in EU trade mark law and unlike many others, is absolute, is not an important limit of EU trade mark law.¹⁵¹ For the purposes of discussing new types of uses in the specific new settings chosen for inclusion in this thesis, the functionality limit is, however, not relevant. Similarly, discussion on excluding certain symbols, namely armorial bearings, flags, state emblems, abbreviations, names or emblems of international intergovernmental organizations from registration, although triggering interesting practical concerns in contemporary trade mark law, is not possible within the framework of this thesis.

As is evident from these exclusions, this thesis does not discuss all limits in EU trade mark law, indeed its focus lies on *limits that are not traditionally addressed in the statutory text of trade mark provisions*, because, until recently, they have

145 E.g. in *Gillette, Promusicae, Google France and L'oreal v eBay*.

146 Property Rights Article.

147 ISP Liability Article.

148 Expression Article.

149 Sports Merchandising Article.

150 Case C-273/00, *Sieckmann v. Deutsche Patent und Markenamt* [2002] ECR I-11737; Case C-104/01, *Libertel* [2003] ECR I-3793.

151 E.g. Case C-299/99, *Philips v. Remington* [2002] ECR I-5475.

generally in trade mark doctrine been perceived to be outside trade mark law, and therefore trade mark owners have not generally exercised their rights against these types of uses. Now that owners of renowned marks are afforded stronger rights the old limits are questioned. Although one could proceed by addressing existing limits inside trade mark law¹⁵², one could also proceed by assessing new uses and new settings in light of the principles that have traditionally excluded these types of uses in the first place. The latter approach allows *review of the extended protection of trade mark owners in new settings*, again, focusing on the process of review, not the result.

2.2.3 European Trade mark Law

The research focuses on EU trade mark law, its statutory content, its¹⁵³ development in EUCJ case law and its weaknesses. A recent study commissioned by the EU Commission; Study on the Overall Functioning of the European Trade Mark System (hereinafter Study on the EU Trade Mark System) surveyed national and European practices by registration authorities and stakeholders¹⁵⁴, as well as analyzed the provisions of the CTMR and the TMD in light of European court practice. The Study on the EU Trade Mark System highlights areas of concern and makes detailed proposals on how they could be remedied. This research does not attempt an overall study of EU trade mark law within this meaning, nor does it focus on the CTMR or the Community Trade Mark System. As is noted in the Study on the Trade Mark System the TMD proceeded more cautiously, harmonizing only those

152 Ullrich 2010 at 250 asking whether curing what is ailing intellectual property law by “working within the boundaries” will work.

153 The research focuses on the EUCJ, in its role as the highest interpreter of EU trade mark law according to Article 19(3) TEU and Article 267 TFEU. In a sense, it reads the cases as the national judge would, on its face and wording, and discusses possible interpretations in light of general principles of law. The research does not compare or interpret EU trade mark law with existing uncodified doctrines or principles of trade mark law based in national tradition. While the EUCJ has adopted some doctrines and given effect to some principles of trade mark law, it has generally proceeded by rejecting concepts from national traditions, and reached a compromise solution based on elements from different national traditions. While one could attempt to distill these new EU law doctrines from EUCJ case law that approach would be more suitable for core issues of trade mark law. When it comes to limiting doctrines the EUCJ, arguably, is still, pressured by national courts, searching for a path. Thus, the research focuses on these decisions and tests them against the normative framework explained above, instead of testing them against other rulings or national doctrines.

154 ‘Stakeholders’ in this study were 1600 randomly selected users registered in the OHIM database including *proprietors*, *CTM applicants and their agents*. In addition, (according to the Study on the EU Trade Mark System all) *relevant user associations*, such as ECTA, INTA, MARQUES; AIM and BUSINESSEUROPE were invited to comment on a list of questions posed by the Commission (17 replied). The questions referred to three main areas: the evaluation of the CTM system as a whole as well as individual aspects concerning the activities of OHIM and the national offices; possible changes of the CTM system and the fee structure of the OHIM. Study on the EU Trade Mark System at 7.13.

provisions by which the internal market was most directly affected and utilizing optional provisions that allows member states to deviate from the CTMR.¹⁵⁵ The Study on the EU Trade Mark System proposes that further harmonization is necessary also because of the *national differences in understanding and the practical implementation of those provisions that are the same* in all national trade mark laws and in the CTMR.¹⁵⁶

The fact that understanding and practical implementation differs from one member state to another is central for how this research understands and views EU trade mark law. Countervailing societal interests affect trade mark protection differently in member states¹⁵⁷ based on national tradition of market regulation, a tradition that is under-developed and not necessarily even expressed in EU trade mark law, because of field-specific harmonization. The approach proceeds from the point of view of the TMD, an incomplete harmonizing document¹⁵⁸, and interprets its provisions in light, not of national laws or the CTMR, but in light of EU primary law, i.e. the general principles of EU law and the normative framework and functioning market that the treaties; the TEU and the TFEU, seek to establish and maintain. It seeks to ascertain what the provisions entail and how they can be interpreted, however, all the time operating not at the core of trade mark law, but at its limits. It is therefore presumed that there exists a *regulatory grey area* between the provisions of the TMD from 1989 and the new types of uses that challenge trade mark law today.¹⁵⁹ Similarly, it takes as its starting-point that issues like uses of marks on the internet, third-party liability, referential use, non-commercial uses

155 Study on the EU Trade Mark System at 1.18.

156 Study on the EU Trade Mark System at 1.19.

157 As opposed to the OHIM that operates only in a trade mark protection framework.

158 See Arnulf at 515 discussing the famous teleological or purposive approach that the EUCJ has used when addressing questions of interpretation and construing ambiguities in the light of the objectives of the provisions concerned. Note that unlike the EUCJ, national courts are under a *general obligation* to interpret provisions of EU law in light of their objective. See also Fiona Cownie, Anthony Bradney and Mandy Burton, English Legal System in Context, 5th Ed. 2010 at 121 on different modes of statutory interpretation.

159 See Kaarlo Tuori, Ratio and Voluntas The Tension Between Reason and Will in Law 2011 (Tuori 2011) at 185, "Grey zones exist between established fields of law, and the corollary danger also exists of legal doctrine ignoring issues falling in such no-man's-land." The fact that there are not other explicit limitations in the TMD than Articles 6 and 7 is therefore not interpreted to mean that the TMD offers otherwise absolute trade mark protection or that these 'exceptions' should be interpreted narrowly (i.e. would be allowed (e.g. Study on the EU Trade Mark System at 2.262)). Compare also to Study on the EU Trade Mark System at 2.254, 2.261-2.265 referring to a catalogue of explicit limitations and specific requirements for what does not constitute honest commercial use (at 2.265). Similarly, it proposes a general fair use provision in the form of a prohibition of dishonest commercial practices, thus only implicitly allowing for limitation on the trade mark right (at 2.266).

or other seemingly fair uses of trade marks are only indirectly addressed or not at all in the provisions of the TMD.¹⁶⁰

Therefore, it is argued, the interpretations of said provisions by the EUCJ must be fairly narrowly limited to the context of the ruling and understood in light of the questions asked, the procedural and jurisdictional constraints placed on the EUCJ, and above-all in light of whether the issues discussed and the factual setting are new or old in the traditional trade mark law sense. The rulings are therefore not read as authoritative statements on all issues and in all contexts discussed instead weight is given to *repeated statements and interpretations that support consistency* with the general case law of the EUCJ, the treaties and general principles of EU law.¹⁶¹ It is presumed that the EUCJ may de-emphasize controversial statements in later decisions¹⁶² and in effect water down outcomes seemingly inconsistent with the general principles of law, be it trade mark law, unfair competition law or EU law. Therefore, the *interpretation of the statements* of the court, although given in a particular setting, is guided first, by *how the court has treated it in later decisions*, and only alternatively and cautiously, by the factual setting of a particular case underlying a request for a preliminary ruling on the interpretation of the provisions of the TMD.¹⁶³ This approach also means that individual statements by the court are taken at face value and not immediately interpreted to be *given a place* in light of any perceived context of inner trade mark law logic. Only repeated statements and interpretations are, thus scrutinized and then not as part of closed trade mark logic, but *in light of the general principles of EU law*.¹⁶⁴

160 Compare to Study on the EU Trade Mark System at 2.252 referring to a possible need for expansion of “the present catalogue of exceptions and limitations”. It is argued here that some issues are not addressed in the TMD and therefore cannot be imported by way of interpretation. Consequently, new consideration and legislative reform is required on these issues, where the legitimate interests of trade mark owners are balanced against the legitimate interests of consumers, competitors and other commercial actors.

161 Broberg & Fenger at 429-430 and 444.

162 For example Case C-383/99P *Procter & Gamble v. OHIM* [2001] ECR I-6251 and Case C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 (Arsenal).

163 The EUCJ does not decide questions of fact, only gives interpretations on points of law. Similarly, it only hears appeals on CTM applications on points of law.

164 In the increased norms-thicket of national, European and international norms some universal and European values and principles have emerged that tie together “the various bits and pieces and give some stability and predictability to an otherwise somewhat chaotic world constantly on the move.” Rosas at 1. Similarly, the telos of EU law is not simply the telos of particular rules, but also the telos of the legal context in which the rules exists. Interpretation of EU law and the reasoning adopted by the EUCJ, is thus not only teleological, but meta-teleological and balances the needs of national legal traditions with the need to accommodate them to the specific needs of the EU legal order. See Miguel Poiares Maduro, *Interpreting European Law: Judicial Adjudication in a Context of Constitutional Pluralism*, Vol. 1 EJLS No. 2 (2007) at 5 and 7.

For example the EUCJ repeatedly refers to its judgment in the BMW-case from 1999.¹⁶⁵ It was one of the first cases interpreting Article 6 of the TMD and concerned whether BMW could prevent repair shops from advertising that they specialize in repairing BMW cars. While the court recognized that BMW could not prevent third parties from informing the public that they carry out repair services or are specialized in the sale, repair or maintenance of the goods that the proprietor has placed on the market (exhausted rights), it indicated that such use would be preventable, if it may create an impression that there is a commercial connection between the parties, in particular that the reseller's business is affiliated to the trade mark owner's distribution network or that there is a special relationship between the two.¹⁶⁶

In the context of the facts of the case, the court, reversing the national court (at 49-50), indicated that advertising by the reseller that may create such impression is not essential to the further commercialization of the goods and therefore, is a use of the trade mark that the proprietor is entitled to prohibit under Article 7(2) (at 51 and 52). In the Gillette-case the Court, while referring to the general principles set forth in 51 and 52 of BMW, indicated the opposite that mere use of a mark in advertising does not give rise to serious harm, which would entitle the trade mark owner to prohibit reference to and use of the trade mark (at 39 and 49).¹⁶⁷ Subsequently, the court has made reference to the BMW-case within the meaning set forth in Gillette. The court has also repeatedly cited BMW at 62, stating that "Article 5... and Article 6 seeks to reconcile the fundamental interests of trade mark protection with those of free movement of goods and freedom to provide services in the common market [so] that trade marks [can] fulfil their essential role in the system of undistorted competition which the Treaty seeks to establish and maintain."¹⁶⁸

Similarly, the court refers to Parfums Dior¹⁶⁹ at 43 and BMW at 49 for the principle that "the trade mark owner may not rely on Article 7(2) to oppose the use of the trade mark, in ways customary in the reseller's sector of trade, for the purpose of bringing to the public's attention the further commercialization of the trade-marked goods, unless it is established that such use seriously damages the reputation of the mark" even though both cases indicated that on the facts of the case before them, the use would fall within Article 7(2).¹⁷⁰

Most importantly the BMW-case is cited at 22 by the court even outside the context of trade mark law when stating "whatever the applicable national law may be, it must be interpreted, as far as possible, in the light of the wording and purpose of the directive in order to achieve the result pursued by the latter and thereby comply with [189(3)] of the EC Treaty."¹⁷¹

165 Case C-63/97 *Bayerische Motorenwerke AG (BMW) and BMW Nederland BV v. Deenik* [1999] ECR I-905 (BMW).

166 BMW at 64.

167 Gillette at 39 and 49

168 Case C-100/02 *Gerolsteiner Brunnen GmbH & Co. v Putsch GmbH*. [2004] ECR I-691 at 16 and 24, Gillette at 29, 33, 35 and 41, Adam Opel at 27, Case C-102/07 *adidas and adidas Benelux* [2008] ECR I-2439 at 45 and 48.

169 Case C-337/95, *Parfums Christian Dior v. Evora* [1997] ECR I-6013.

170 Case C-355/96 *Silhouette International Schmied GmbH & Co v. Handelsgesellschaft mbH* [1998] ECR I-4799 at 18, Case C-173/98 *Sebago* [1999] ECR I-4103 at 20; Case C-16/03 *Peak Holding* [2004] ECR I-11313 at 37, Case C-348/08 *Boehringer* [2009] ECR I-10143 at 46, Case C-59/08 *Copad* [2009] ECR I-3421 at 55, Case C-558/08 *Portakabin v. Primakabin* [2010] ECR I-0000 at 74-80 and 89-90

171 Case C-107/97 *Rombi* [2000] ECR I-3367 at 54, Case C-343/98 *Collino and Chiappero* [2000] ECR I-6659 at 21, Case C-104/01, *Libertel* [2003] ECR I-3793 at 48, Case C-218/01 *Henkel* [2004] ECR I-1725 at 60, Case C-397-401/01 *Pfeiffer* [2004] ECR I-8835 at 113, Case C-17/06 *Céline SARL v Céline SA*, [2007] ECR I-07041 at 20, and Case C-558/08 *Portakabin v. Primakabin* [2010] ECR I-0000 at 57.

It is also presumed that the EUCJ cannot give weight to issues that are not expressed in the TMD and that the rulings do not constitute a complete understanding of the TMD. In fact, the opposite is presumed. The EUCJ interprets the provisions constrained by the normative context of the TMD and the procedural and factual context of the circumstances of the case as presented to them.¹⁷² The approach adopted here is *normatively holistic* in a way the EUCJ can never be in the current legislative context.¹⁷³ Indeed, it takes the view of a national judge that interprets national law in light of community law and is obliged to consider the law ‘as a whole’ and apply the provisions in a way that does not produce a result that is contrary to the general aim of a TMD.¹⁷⁴ It is argued that legislative reform must also take account of *all relevant law* (not restricted to the incomplete harmonization in the TMD or the CTMR) when deciding issues at the limits of trade mark law.

The aim of the research is to study the limits expressed or implied in trade mark law from an external perspective. The research does not endeavor to compare or interpret EU trade mark law with existing uncodified doctrines or principles of (national) trade mark law. Furthermore, the aim of the research is not to seek or criticize the lack of consistency in EU case law or its interpretation by the EUCJ, but to search for tools that may improve coherence and understanding of EU trade mark legislation informed by EU primary law.¹⁷⁵ In that regard it treats individual cases as narrow, specific and restricted *islands in the sea of EU trademark law, where*

172 Regardless, of the legal complexity or political sensitivity of a certain issue, “[c]ourts remain courts...because they reason in normative terms (by appeal to a certain normative conception of their legal order) and because they are bound by the constraints of legal reasoning, defined by the limits imposed by the text, by the logical rules of practical reasoning, and by the systemic requirements of coherence and consistency.” (internal references omitted) Poiares Maduro at 10.

173 The EU legal (and judicial) system hinges on the interlocking system of jurisdiction between EU and national courts. Roen Lenaerts, The Rule of Law and the Coherence of the Judicial System of the European Union, CML Rev: 44, 1625-1659, 2007 at 1625. Thus, both are integral to the development of EU law, however, constrained by their jurisdiction. National courts are less constrained, since they rule on the complete circumstances, normative and factual, of each case.

174 Lenaerts at 1644. Poiares Maduro at 7.

175 On coherence of EU law see Mylly 123-126. Coherence within the meaning employed in this thesis seeks and prefers an interpretation that supports coherence with EU primary law, without thereby making a statement on coherence or consistency of interpretations of EU secondary legislation. Thus, it seeks to systematize EUCJ case law based on coherence with EU primary law, not primarily seeking to systematize cases or statements interpreting EU secondary legislation. Therefore, the trademark case law of the EUCJ is not viewed as complete, consistent and with inner coherence, but as partial, incomplete with some resonance in EU primary law. The research focuses on elements in EU trademark case law that support consistency, while it deemphasizes interpretations and does not seek to critique statements that seem contradictory to previous rulings of the EUCJ. In essence a search for coherence is a process of conflict avoidance.

*the water in between contains elements of general principles of trademark law (yet underdeveloped), EU primary law and other secondary legislation.*¹⁷⁶

In contrast to the Study on the EU Trade Mark System, which views EU trade mark law as a closed legislative framework that presumes complete harmonization in light of the CTMR and building on that framework¹⁷⁷, the approach employed starts from a different assumption.¹⁷⁸ Instead, it views *EU trade mark law as an incomplete normative framework in the making open to influences from the rest of the legal system particularly through the interpretation of Articles 6 and 7 of the TMD and the established concepts of 'essential function of trade marks', 'honest practices in industrial and commercial matters' and 'the doctrine of exhaustion of rights.'*¹⁷⁹ Similarly, it looks at international instruments and obligations differently, not as tools that expand trade mark protection or mandate such expansion, i.e. restricting the legislative power of the EU, but

176 These cases constitute available interpretations of EU trademark law, without thereby representing all available interpretations or even the best interpretations of EU trademark law. Some interpretations are good and some are bad (or so bad that they are not considered 'possible' interpretations, some limited, some broad and some general and others specific. However, for the purposes of explaining the *contextual approach to interpretation* employed here, it is imperative that an interpretation can be given many meanings in different contexts, which the EUCJ has showed us numerous times. An interpretation can also be given a new meaning, even a contradictory meaning by way of interpretation. That interpretation is new in the sense that it has not yet been expressed and new in relation to the (specific) older interpretation. However, *the interpretation is not thereby normatively new, but a discovery of normative solutions in an existing normative context. The interpretation may also be innovative, as in not known before, however, it does not therefore constitute an invention, normatively speaking.* There may also be different kinds of interpretations; i.e. interpretive pluralism, which means that there can be more than one good interpretation. Non-innovative kinds of interpretation may be conserving (past or present) or retrieving (history or comparison) in relation to which alternatives are innovative kinds of interpretation. See also Joseph Raz, *Between Authority and Interpretation*, Oxford University Press 2009 at 299, 301-305.

177 Study on the EU Trade Mark System at 1.23-1.28 viewing trade mark *protection* as an intrinsic part in the system of undistorted competition and that protection set forth in the CTMR takes account of this principle and allows for protection that preserves fair and suppresses distorted competition. It argues that the provisions of the CTMR *already exhaustively recognizes* the situations where the legitimate interests of *trade mark owners are not adversely affected* by permitting such uses e.g. to indicate a products purpose and rejects an interpretation that would allow *the principle of undistorted competition* to serve as a limiting tool on trade mark protection, instead it argues that said principle *requires* strong and firm protection of trade marks.

178 See also Derclaye and Leistner at 51 noting that apart from Article 6 "there are no exceptions to the rights in trademark law. However, there are some free uses, namely when the trademark is used outside the course of trade, for dissimilar goods or services if the mark is not famous, or for similar goods or services if there is no confusion" and 52 "the defence of due cause, which includes freedom of speech, could also help the parodist". See also Senftleben 2011 at 385.

179 As discussed in detail elsewhere this *openness is part of the process of devising rules* not the result; i.e. that would require constitutional balancing outside or inside trade mark law in the circumstances of each case.

as sources of law with relative influence and binding effect on its signatories according to established rules of international law.¹⁸⁰

2.2.4 European Law and National Law

European integration of markets, including free movement of goods, services, capital and people is normatively well established.¹⁸¹ The Treaty of Lisbon further strengthened the European Union in other fields, such as social and environmental policy or security and defense policy. The European legal order though growing in weight and size is far from complete and depends on national legal systems to operate and national courts to enforce and apply EU law.¹⁸²

While few contest that EU primary law, including the general principles of EU law have developed into a foundation for the EU legal order, it might be argued that it is too thin, random and uneven to serve as theoretical foundation for interpretation of all the rules (i.e. the law) set forth by it.¹⁸³ For example, Tuori hesitates in applying to EU law, his multi-level model of law, where the base of the pyramid is labeled 'deep structure' from which a legal system's 'legal culture' and 'surface level activity' stems and resonates back into. He argues that the multi-layered nature of modern law is essential in solving the problems on limits and legitimacy of law.¹⁸⁴ The law's sub-surface levels must be understood as distillations from surface-level legal material, and consequently, the legal culture and deep structure have their origin at the surface level; these levels also represent common features in surface-level legal material, which only gradually (and relatively slowly) sediment into structures supporting the surface.¹⁸⁵

While it would seem that the origin of all law is at the surface-level, where much activity takes place in the EU legal order, the grounds of departure, according to Tuori, that would constitute the foundation, are too fragmented, co-dependent and incomplete, to constitute mature modern law. Thus, it is (the completeness of) the sedimentation process that is central for the idea of law's multi-layered nature.¹⁸⁶ Tuori may even concede that the EU

180 Compare to the Study on the EU Trade Mark System at 2.125-2.126, 2.133 and 2.140-2.142 arguing that *repeated references* to other parts of the WIPO Joint Recommendation 1999 (non-binding soft law document) contradictory to the specific wording and limitation in Article 16(3) of the TRIPS Agreement (binding treaty obligation), *mandates* the EU to allow for protection of unregistered well-known marks against uses on dissimilar goods or services. Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks, adopted by the Assembly of the Paris Union and the General Assembly of the World Intellectual Property Organization at the Thirty-Fourth Series of Meetings of the Assemblies of the Member States of WIPO, September 20 to 29, 1999. See Alan Boyle and Christine Chinkin, *The Making of International Law*, 2007 at 213 "If the form is that of a non-binding agreement...it will not be a treaty for precisely that reason ...of course it is not easy to determine... [whether the agreement is hard or soft] the question is one of substance and intent". "the argument for using a treaty rather than a soft law instrument is stronger in the case of new law-making or the revision of treaty based law"

181 Article 3.3 TEU.

182 Rosas & Armati at 1.

183 Tuori 2002 at 206.

184 Tuori 2011 at 147.

185 Tuori 2002 at 201.

186 Tuori 2002 at 205 and 207.

legal order after the Lisbon treaty may have the elements for a deep structure, however, he maintains that the lack of an independent EU legal culture through which sedimentation occurs manifestly excludes viewing EU law as an independent legal system and will most likely remain a permanent deficiency.¹⁸⁷ The essence goes back to Tuori's view of law having two faces; a legal system consists of a (normative) legal order and legal practices. Thus, while EU law may constitute a legal order, it lacks the second element of legal practices that produce and reproduce the law, which is necessary for viewing it as a legal order within the meaning of an independent legal system.¹⁸⁸

However, Tuori in his later work recognizes that the aspiration for total coherence in a legal order may no longer constitute a primary goal, instead local coherence within diverse fields of law is to many the (only or even possible) relevant objective.¹⁸⁹ Systematization according to traditional lines has been challenged with new divisions that follow different criteria and transgress traditional divides. However, there is still some value to traditional attempts at (complete) systematization. While recognizing that general doctrines of specific fields of law are rarely substantively connected anymore (internal total coherence) he adopts an external view of systematization; one that connects the legal order to and views it in search of coherence from a sociological and cultural historic perspective.¹⁹⁰

The contemporary task of legal systematization is to achieve a loose principle-based coherence (as opposed to a substantive-classificatory system of norms) that achieves both formal and substantive (fairness in *casu*) justice.¹⁹¹ Nevertheless, also from this perspective he finds the main instrument for achieving substantive coherence in law, in legal doctrine or general doctrine of distinct fields of law, which again finds its expression embedded in legal culture to be articulated and elaborated by legal scholarship.¹⁹² "Predictability and legal certainty cannot be attained without certain unity in legal culture."¹⁹³ In sum, Tuori argues that the plurality of legal sources and legal orders in EU law eliminates the prospect of total coherence within the meaning of achieving a comprehensive substantive-classificatory system. However, he recognizes the possibility of achieving local coherence regardless of source and system pluralism, and even more so over time, as a legal culture emerges.¹⁹⁴

Contrary to Tuori, although utilizing his model of law, Mylly argues that there exists a distinct EU legal culture of inter-systemic interaction (although thin) that makes the EU legal order a modern (total) system of law, which can claim and function as an entity capable of compatibility.¹⁹⁵ Mylly explains that it is "possible to construct this totality as a system of polycentric rules, partly overlapping but capable of compatibility due to a deep interlegality, shared understanding of sub-systemic metanorms as an expression of legal culture, democracy and the rule of law functioning not only as the law's self-limitation in each sub-system separately, but also as a limitation of other sub-system's legal claims."

Contemporary EU trademark law's attempts at coherence merely seek local substantive-classification coherence (closed inner logic), or local coherence within the common law meaning (narrowly based principles of 'artificial reason', rejecting normative classification based on abstraction). In any event, attempts at normative systematization are foreign to procedurally and remedy-oriented common law and still heavily resisted in the United

187 Tuori 2002 at 208.

188 Tuori 2002 at 121.

189 Tuori 2011 at 148-149, 162.

190 Tuori 2011 at 154, 161 and 167.

191 Tuori 2011 at 166.

192 Tuori 2011 at 161, 165.

193 Tuori 2011 at 166.

194 Tuori 2011 at 172.

195 Mylly at 133.

Kingdom legal system¹⁹⁶, while the virtues of practical systematization are more readily accepted in the United States (federal/state parallel systems each spewing cases) although normatively constrained to rules enforced by courts based on social fact.¹⁹⁷

Developments in EU, international and national trademark law seem to have shifted trademark law further and further away from other fields of law enhancing its specificity and uniqueness as well as restricting analogies to other fields of law, and where the common law view of fact sensitive rule-making and mainly narrow and practical systematization¹⁹⁸ seems dominant. The accumulation of precedent increasingly narrows the discretion of judges, even legislators.¹⁹⁹

This thesis argues that loose principle-based coherence can be achieved in EU trademark law, manifested and located in the general doctrine of EU trademark law. While it could be argued that a distinct EU level legal culture exists based on the sheer amount of case law on the interpretation of the TMD and CTMR and thus that there are no obstacles to achieving at least local coherence, i.e. within the specific field, this research is manifestly not only about local coherence.

Consequently, both Tuori and Holmes connect the inner coherence of law to history and social fact. Although, Holmes has been read to truly operate outside of law in search of facts that make law, he really focuses on their impact (not all facts change/make law) on the internal dynamics of law.²⁰⁰ Similarly, Tuori seems to allow entry to these outside concerns through the surface-level, but require completion of sedimentation in order for these impulses to be adopted into law proper.²⁰¹ It would seem incompatible with both views to close the legal order from societal impulses, when a certain level of protection has been achieved. Indeed, Holmes and Tuori both argue that the law is in constant interaction with both internal and external sources of law and remains open to all power-plays in society, not only the dominant policy at any given time.²⁰² Thus, this thesis searches for field-connecting coherence in the form of normative presence of historical and socio-cultural underpinnings of EU trademark law in the statutory interpretation of the EUCJ, informed by EU primary law, in order to be able to sketch general principles of EU trademark law.

Therefore, while the EU legal order is constantly evolving (like any legal order) it has a solid base in what is considered primary EU law; principles and rules that form a constitution or foundation for Europe. These rules and principles have allowed the EU and its legal order to develop into a self-sustained and independent

¹⁹⁶ Already in 1832 John Austin labeled analogous laws or commands as improper laws recognizing only positivist law as proper law. John Austin, *The Province of Jurisprudence Determined*, 1832 available at <http://books.google.com/books?id=yjXxxaeudhoC&printsec=frontcover&hl=fi#v=onepage&q&f=false> last visited 12.9.2011 at 1, 126-129. Holmes, Austin's most vocal critic was equally hard on systematization and principles, although arguing that law derives its force not from positivist law, but legal practice and facts. Oliver Wendell Holmes Jr., *The Common Law*, with a new introduction by Sheldon M. Novick 1991 at 19.

¹⁹⁷ Gerald Postema, *Justice Holmes: A New Path for American Jurisprudence*, 2011 SSRN-id1874112.pdf at 147.

¹⁹⁸ Postema recollects 20th Century scholarship explaining systematization in common law system as "a chaos with a full index" Postema at 9.

¹⁹⁹ The level of trademark protection achieved in the TMD or CTMR cannot be taken away by legislators without infringing the right to property.

²⁰⁰ Postema at 22-23

²⁰¹ Tuori 2011 at 172.

²⁰² Holmes at 5, 19 and 213.

legal system that looks to its own fundamental rules when covering unmapped territory and in consistently interpreting its primary and secondary legislation in light of those rules and principles.²⁰³ The constitutional building blocks; common essential values²⁰⁴, principles and objectives that guide further integration and a basic normative structure and hierarchy, are present.²⁰⁵

Article 2 TEU states that the EU “is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including rights of persons belonging to minorities”; all values that are common to the Member States. Although not necessarily encompassing the substance of specific fundamental rights, it nonetheless, constitutes a commitment to the *principle of protecting the rights and freedoms of citizens*, a commitment that is shared with each national legal system in the EU Member States.²⁰⁶ The principle of protection of fundamental rights includes the *principle of judicial review and the exclusive jurisdiction of the EUCJ*, which constitutes the foundation of EU law.²⁰⁷ In addition, the general principles of EU law that have been repeatedly confirmed by the EUCJ, have the status of primary law although only some (most notably the Charter of Fundamental Rights) of them have been codified into written primary law.²⁰⁸

Accordingly, for the purpose of this research, it is assumed that Member States according to the *principle of pre-emption* may exercise their competence only to the extent that the EU has not, and shall nevertheless not take measures that would frustrate the objectives of EU legislation (*primacy of EU law*). Likewise, national institutions and courts must interpret existing national provisions in light of EU law under the *principle of consistent interpretation*. Conversely, following the view that the EU legal order comprises of not only its institutions, but is also decentralized to Member States’ institutions²⁰⁹, it is assumed that there is no general obligation on Member States to defer to a passive EU legislator in areas of formal EU competence and lay in waiting for a solution from above.²¹⁰

203 See Tritton et al. at 25-29 on how the EUCJ have interpreted intellectual property cases.

204 See Explanations relating to the Charter of Fundamental Rights 14.12.2007 OJ 2007/C 303/02 e.g. at 7 referring to the harmonious interpretation of rights.

205 Rosas & Armati at 4.

206 Rosas & Armati at 42-43 and 47.

207 This principle like most other general principles of EU law find support in the articles of the TEU and TFEU, e.g. on the jurisdiction of the EUCJ Article 19(3)TEU and Art 267 TFEU.

208 Rosas & Armati at 45.

209 See Arnall at 559 discussing the co-dependence between the EUCJ and national courts.

210 Lenaerts and Gutiérrez-Fons at 179-180 discussing the role of national constitutions and constitutional courts in the formation of general principles of EU law. They call this process the ‘bottom-up’ effect. Once the EU through the EUCJ acts the ruling may signal a change in interpretation on some elements of interpretation (‘top-down’ effect), however, there exists a ‘ius commune europaeum’ which forms the basis of decision-making on both national and EU level. See also Mylly at 128-129.

For the purposes of bridging grey areas in trade mark law that trigger issues of primary international law or constitutional interests, it is similarly argued in the Expression Article that national courts or legislators should not be constrained by the text of a statute or the absence of an adequate rule.²¹¹ Instead, the judge is constrained by the international legal framework in seeking to strike an appropriate balance in accordance with the rules set forth by it. This includes recognition of the universality of fundamental rights protection, viewing them as social obligations; as duties on national lawmakers and decision-makers to those they represent. This process is one of optimization that does not necessarily present answers, instead its focus is on excluding incorrect answers; and find answers that interfere as little as possible with the protected rights.²¹² Alexy's two laws of balancing are relevant 1) the greater the degree of non-satisfaction of, or detriment to, one principle, the greater must be the importance of satisfying the other, and 2) the more heavily an interference in a constitutional right weighs, the greater must be the certainty of its underlying premises.²¹³ The answer lies in defining the field of play (normative area) based on specialized and general relevant norms, principles and rules and seeking a middle ground that takes account of these rules in the new normative circumstances triggered by the case at hand.²¹⁴

Instead, because of the combined effect of the *principles of subsidiarity and proportionality* (Article 5 TEU), i.e. EU has competence only to the extent that they have exercised it and shall always limit its harmonizing acts to what is necessary and proportionate to achieve its purpose, Member States *may and should* legislate when necessary and appropriate, to solve problems arising from societal development, guided of course by the *principle of sincere cooperation* (Article 4 TEU). This is particularly important for our purposes, because the rights, freedoms and principles enshrined in the Charter of Fundamental Rights did not extend the competence of the EU (Article 6 TEU). The principles mentioned above are part of the general principles of EU law and thus *binding primary EU law that needs to be taken into account when interpreting provisions of EU secondary legislation or national legislation implementing it.*²¹⁵

It should be noted that the strong tradition of international intellectual property law-making and the sheer volume of decisions from the EUCJ and CFI, from which rules may be derived, in effect may lead national courts to ignore national rules and precedent in favour of resolving a particular issue based on EU sources of law. It is true that national courts increasingly look to the EUCJ for guidance on the interpretation of the TMD, and tend to follow the body of preliminary rulings when interpreting national implementing legislation. Thus, trademark 'law in action' may be less diverse or nationally flavoured than expected, and national courts should really be viewed as passive receivers of EU Trade Mark law, or semi-active interpreters of EU trademark law, but no longer as independent developers of national trademark doctrine. Indeed, trademark law, as a field, is quick to adapt to international influences and substantial international scholarship also raises issues quickly to international debate. In comparison to other fields of law, e.g. tax or criminal law,

211 Expression Article at 692.

212 Expression Article at 692-693.

213 Robert Alexy, *A Theory of Constitutional Rights*, translated by Julian Rivers, 2004 (Alexy 2004) at 102, 401 and 418 as discussed and cited in the Expression Article at 693.

214 Expression Article at 693.

215 Paul Craig The Lisbon Treaty, 2010 (Craig 2010) at 146.

trademark law is extremely harmonized and internationally integrated within the Western world.

However, even EU trademark law does not harmonize national trademark laws completely, nor is even the most pro-integrationist national judge likely or able to set aside, e.g. rules of procedure, evidence, remedies or criminal enforcement, when deciding a case of national trademark infringement. “Law in action” within this meaning will always be nationally flavoured, because of the structure of decentralized decision-making to national courts in the EU, regardless of the relative amount of EU ingredients used. Much like in a federal system, the structure of the court system by itself secures continuous development of both EU and national law. Thus, law in action at any given time, may reflect that national courts give preference to EU rules in many cases, but law in action is also a reflection of the silent legal culture, system and court structure in which national courts operate. This silent structure grows in importance, when judges are faced with claims of infringement through new types of uses of trademarks in new settings that trigger interests that have not traditionally been included in national or EU trademark law. Although trademark laws may be harmonized to a great extent other fields of law triggered in these cases are more likely than not to be diverse on any given issue. How national interpreters/legislators bridge this gap is the focus of ‘law in action’ in this thesis.²¹⁶

Primacy of EU law in this regard works both in relation to interpreting secondary EU legislation and in relation to placing an obligation on Member States to interpret and apply national law, in particular the provisions introduced to implement directives, in conformity with EU law.²¹⁷ In fact, the EUCJ held in the *Promusicae*-case that national courts (and national regulators when transposing directives) when confronted with conflicting provisions of directives are required to balance the fundamental rights at stake and choose the interpretation of EU legislation that strikes a fair balance between competing interests.”²¹⁸ According to the EUCJ this obligation entails the following:

“As to these directives, their provisions are relatively general, since they have to be applied to a large number of different situations which may arise in any of the Member States. They therefore logically include rules which leave the Member States with the necessary discretion to define transposition measures which may be adapted to the various situations possible...That being so, the Member States must...take care to rely on an interpretation of the directives which allows a fair balance to be struck between the various fundamental rights protected by the Community legal order. Further...the authorities and the courts must not only interpret national law in a manner consistent with those directives but also make sure that they do not rely on an interpretation of them which would be in conflict with those fundamental rights or with other general principles of Community law, such as the principle of proportionality.”²¹⁹

216 See also supra note 50.

217 Craig 2010 at 147. Giving effect to both the principle of consistent interpretation and the duty of sincere cooperation. Rosas & Armati at 59.

218 *Promusicae* at 68-69. For a detailed discussion on the Law of Balancing and analysis of the *Promusicae*-case see Groussot, commenting on the *Promusicae* -case at 1757-1762.

219 Author’s emphasis. Internal references omitted. *Promusicae* at 67-68.

Similarly, the basic economic freedoms including free movement of goods and services are part of EU primary law.²²⁰ Protecting intellectual property is nonetheless allowed, however, right holders have been restricted in the exercise of (national) rights, when the exercise unduly restricts free movement of goods (Art. 36 TFEU). However, the economic freedoms do not necessarily trump fundamental rights nor vice versa, instead a balance should be struck between competing interests.²²¹ Only absolute fundamental rights and freedoms, such as the right to life or prohibition of torture and inhumane or degrading treatment are superior to other general principles of EU law.²²²

In addition to the more traditional economic freedoms fundamental rights are of growing importance in interpreting secondary legislation of the EU.²²³ Competing interests triggered in contemporary trade mark disputes may enjoy protection under Articles 11 (freedom of expression and information), 16 (freedom to conduct business), 17 (right to property), 36 (access to services of general economic interest) and 38 (consumer protection) of the Charter of Fundamental Rights. Likewise, the principles of legality and proportionality of criminal offences and penalties enshrined in Article 49 of the Charter of Fundamental Rights are important when assessing extending liability for trade in counterfeit goods.

It is important to note that the principles mentioned above are *not* informative of the *result of balancing*, but their protection should, be taken into account in the *process of balancing*.

220 As developed in EUCJ case law on the interpretation now Article 34 TFEU starting with Case C-8/74 *Dassonville* [1974] ECR 837 and Case C-120/78 *Rewe-Zentral* [1979] ECR 649 (*Cassis de Dijon*) and clarified in Joined cases C-267/91 and C-268/91 *Keck and Mithouard* [1993] ECR I-6097. These freedoms are not absolute, providing the principle of proportionality and general principles of EU law is respected and restrictions are based on explicit TEU and TFEU treaty provisions, case law or secondary legislation.

221 In the Case C-112/00 *Schmidberger* [2003] ECR I-5659 the Austrian government had given permission for a demonstration on Brenner motorway, the sole transit route between Germany and Italy, which in effect would close it for two days and thus hinder the free movement of goods for that time. (Schmidberger also alleged Austrian legislation restricting lorries in excess of 7.5 tons on weekends as well as Bank holidays constituted a restriction on the free movement of goods.) The court noted that the prohibition on imposing obstacles on the free movement of goods in Article 30 and 34 was applicable and the failure of the Austrian government to ban the demonstration was in breach of Article 30 and 34, unless the failure could be objectively justified (at 64). Since both the EU and the Member States were required to respect fundamental rights (at 71-74) (here freedom of assembly and expression) their protection could amount to a justification for restriction of the free movement of goods. The measures, if proportionate in light of the legitimate aim pursued in protecting fundamental rights, would be justified (at 80). See also Craig 2010 at 221-222.

222 Case C-112/00 *Schmidberger* [2003] ECR I-5659 at 80.

223 Article 2 and 6(2) TEU and the Charter of Fundamental Rights. The Lisbon Treaty places an obligation on the EU to accede to the European Convention on Human Rights. Craig 2010 at 201.

Reading the judgments in *Loreal v Bellure*, *Google France*²²⁴ and *L'oreal v eBay*²²⁵ it would seem that although the EUCJ left national courts discretion to strike the appropriate balance, the margin of appreciation that remains is fairly narrow. Read from a trademark law internal perspective new uses of trademarks (where ISPs are aware of infringing conduct or are not neutral) are presumptively included in the exclusive right, unless narrow exceptions apply. Thus, an authoritative statement from the EUCJ that recognizes trademark owner's rights not only under the TMD, but also under the E-Commerce Directive and Comparative Advertising Directive, could be interpreted to restrict practices in Member States that would elevate other interests in these fields to the detriment of trademark owners.

However, such an interpretation is inconsistent with established EUCJ case law that assumes a definite²²⁶ margin of appreciation²²⁷ left to Member States in the constant search for a balance between fundamental rights and interests.²²⁸ This position is grounded in engrained European fundamental rights law, which does not limit Member State discretion to limit fundamental rights and freedoms *per se*, but empowers and obligates states to find an appropriate balance through regulation guaranteeing the actualization of the rights and freedoms of its citizens.²²⁹ European human rights law takes as its starting point that Member States are on principle better situated than the European Courts to assess whether there exists a societal need or justification for interference with someone's rights for the benefit of others.²³⁰ Nevertheless, it is recognized that judges (including the EUCJ and General Court) are not in the best position to deal with a clash between fundamental rights

224 E.g. 94-95 and 98.

225 E.g. focusing on 142 and 144 instead of 143.

226 Case C-124/97, *Lääärä et al* [1999] ECR I-6067 at 35 recognizing that it is within a Member State's discretion to "assess whether it is necessary...[to] totally or partially prohibit ...activities of that kind [gambling] or merely to restrict them and, to that end, to establish control mechanisms, which may be more or less strict." See also Case C-275/92, *Her Majesty's Customs and Excise v. Gerhart Schindler, Jörg Schindler* [1994] ECR I-1039 at 61 mentioning a "sufficient degree of latitude" to be given to Member States.

227 Similarly, while the EUCJ may mention shared values behind common restrictions or exercise of discretion (moral, social, and religious, cultural, economic) it does not thereby necessarily create a standard against which proportionality of measures must be measured. Case C-36/02 *Omega Spielhallen- und Automatenaufstellungs-GmbH v. Oberbürgermeisterin der Bundesstadt Bonn* [2004] ECR I-2609 at 37-38 correcting a misguided interpretation of para 60 of Schindler.

228 Case C-275/92, *Her Majesty's Customs and Excise v. Gerhart Schindler, Jörg Schindler* [1994] ECR I-1039 at 60-61 recognizing societal needs for discretion and Case C-244/06 *Dynamic Medien Vertriebs GmbH v. Avides Media AG* [2008] ECR I-505 at 44 and at 49: "the mere fact that ...[the] system of protection... differs from that adopted by another Member State cannot affect the assessment of proportionality of the national provisions...[but they] must be assessed solely by reference to the objective pursued and the level of protection which a Member State... intends to provide." The court refers to established case law to that effect from Schindler to Dynamic Medien (e.g. Case C-124/97, *Lääärä et al* [1999] ECR I-6067 at 35; Case C-67/98 *Questore di Verona v Diego Zenatti* [1999] ECR I-7289 at 33-34; Case C-6/01 *Anomar and Others v Estado Portugues* [2003] ECR I-8621 at 79-80).

229 Article 1 of Protocol 1 of the European Convention of Human Rights.

230 "the State enjoys a wide margin of appreciation with regard both to choosing the means of enforcement and to ascertaining whether the consequences of enforcement are justified in the general interest for the purpose of achieving the object of the law in question" *Chassagnou and Others v. France*, ECtHR-25088/95, 28331/95 and 28443/95, Apr. 2, 1999 at 75. See also *Fredin v. Sweden* ECtHR-12033/86, 18928/91, Feb. 18, 1991 at 51.

because these rights do not come before the court in an equal manner, which may create an unwarranted presumption of priority of the plaintiff's rights.²³¹

Since balancing is nonetheless required it is worth noting that although all balancing aims at reconciliation, complete reconciliation of interests is rarely possible.²³² Thus, the measure restricting rights or freedoms of others should not go beyond what is necessary for that purpose and the balance struck must be fair from the perspective of all parties whose rights are affected. It may be necessary²³³ to restrict rights to protect the very essence of another's right, but the measures must meet the objectives of general interest and not constitute a disproportionate or intolerable interference with the essence of another's right.²³⁴ Even a necessary restriction may require counterbalancing measures that remedies at least in part the encroachment on a fundamental right.²³⁵

Any measure that affects the protection of fundamental rights or freedoms of others in new circumstances, should call for thorough examination and re-striking of a balance between competing rights.²³⁶ It may be that the outcome of balancing favors the same party as a presumption would, in a particular case, but the process of balancing itself may lend legitimacy to the process of achieving the result.

What place and effect do international agreements or their provisions have upon the EU legal order? International agreements are sub-ordinated to EU primary law in the hierarchy of norms in the EU legal order.²³⁷ However, international agreements to which the EU is party may take precedence over secondary law, namely regulations and directives.²³⁸ Such agreements do not necessarily have direct effect, meaning that EU secondary legislation could be reviewed for legality against specific provisions in an international agreement to which the EU is party. Under settled case law of the EUCJ, all WTO agreements have consistently been interpreted *not* to have direct effect in EU law.²³⁹ Thus, provisions of the TMD or the CTMR cannot be reviewed for legality against the TRIPS Agreement. It is only, when the EU has specifically intended to implement a provision of an international agreement in secondary legislation that provision can be reviewed for conformity

231 Groussot at 1761.

232 Case C-112/00 *Schmidberger* [2003] ECR I-5659 at 71-74 and 80.

233 *Van Mechelen and Others v the Netherlands* ECtHR 21363/93; 21364/93; 21427/93 et.al, 23 Apr 1997 at 58 discussing the relative importance of the essence of the right that is being restricted requiring a similarly weighty counter interest that makes restriction of the former strictly necessary and naturally favoring less restrictive measures, when they suffice to achieve the purpose.

234 Case C-112/00 *Schmidberger* [2003] ECR I-5659 at 77-81.

235 *Doorson v the Netherlands* ECtHR 20524/92, 26 Mar. 1996 at 70, *Van Mechelen and Others v the Netherlands* ECtHR 21363/93; 21364/93; 21427/93 et.al 23 Apr 1997 at 58 and *V. v Finland*, ECtHR-40412/98, 24 April 2007 at 75. Cited in Opinion of the Advocate General in Case C-450/06 *Varec v Etat Belge*, 25(1)0.2007 at 44 and 49 and Opinion of the Advocate General in Case C- 27/09 *French Republic v People's Mojahedin Organization of Iran*, 14.7.2011 at 242.

236 Groussot at 1762.

237 Rosas & Armati at 48.

238 Agreements that are binding under Article 216 TFEU.

239 Case C-93/02 *P Biret International v Council* [2003] ECR I-10497 at 52, and Case C-377/02 *Van Parys* [2005] ECR I-1465 at 39.

in light of the specific obligation under international law.²⁴⁰ In any event the EUCJ, not national courts or legislators, has exclusive jurisdiction to make such assessment.²⁴¹ Thus, neither the TRIPS Agreement²⁴², nor its provisions on trade mark protection²⁴³ can under EU law be interpreted to fix the level of trade mark protection to a level from which the EU or Member States may not derogate.²⁴⁴ This is not to say that provisions of international agreements that do not constitute part of the EU legal order do not or cannot have effect on the interpretation of EU secondary legislation.²⁴⁵ It is merely not superior to EU law, nor binding on EU or national legislators contrary to EU secondary legislation under EU law.

Thus, when implementing EU law, and interpreting national law that implements EU law, national legislators or courts cannot set aside EU provisions based on international obligations under international intellectual property law. By contrast, they are under a constant obligation to interpret EU secondary legislation in light of its objectives and EU primary law, which includes common constitutional values and a commitment to protecting fundamental rights and freedoms of citizens.

Finally, although Member States are under a duty to implement directives and interpret national law that implements directives in accordance with the meaning given to the provisions of the directive by the EUCJ, it does not follow that Member States can, in practice, be faulted for failure to implement the

240 Case C-351/04 *Ikea Wholesale Ltd v Commissioners of Customs & Excise*, [2007] ECR I-7723 at 30 citing *Biret and Van Parys*. Under Article 30 of the Vienna Convention on the Law of Treaties codifying general principles of international law, treaty provisions do not place an obligation to legislate in a particular way or mandate specific legislation. For further discussion see Property Rights Article.

241 Case C-149/96 *Portugal v Council* [1999] ECR I-8395 at 49; Case C-93/02 P *Biret International v Council* [2003] ECR I-10497 at 53; and Case C-377/02 *Van Parys* [2005] ECR I-1465 at 40 and the case-law cited.

242 Case C-238/06 P, *Develey Holding v OHIM* [2007] ECR I-9375.

243 Case C-491/01, *The Queen and Secretary of State for Health, ex parte: British American Tobacco (Investments) Ltd and Imperial Tobacco Ltd, supported by Japan Tobacco Inc. and JT International SA*, [2002] ECR I-11453 at 154-156 rejecting the argument that Article 20 of the TRIPS Agreement stating that “the use of a trade mark shall not be unjustifiably encumbered by special requirements” would have direct effect that would preclude the EU from legislating to prohibit the display of trade marks on tobacco products.

244 In one case the EUCJ has recognized that a specific provision of the TRIPS Agreement, i.e. Article 50a on the obligation of providing effective provisional measures for enforcement of intellectual property rights, although not having direct effect in EU law (at 44), may have direct effect in Member States, if the EU has not legislated in the area (at 45-49). Joined Cases C-300/98 and C-392/98, *Parfums Christian Dior SA v Tuk Consultancy BV (C-300/98) and Assco Gerüste GmbH, Rob van Dijk, trading as Assco Holland Steigers Plettac Nederland, v Wilhelm Layher GmbH & Co. KG, Layher BV (C-392/98)* [2000] ECR I-11307. This point is now mute regarding that provision, since the EU has legislated in the area in the form of the Enforcement Directive.

245 Rosas & Armati at 62. Under the Vienna Convention on the Law of Treaties, whenever interpreting treaty compliance one should choose an interpretation that favors consistency and conflict avoidance.

provisions within the meaning later given by the EUCJ. Therefore, this research does not argue that Member States have failed to implement Articles 6 or 7 of the TMD. Member States are free to implement directives as they see fit for instance via national unfair competition law or trade mark law, and there is no duty under EU law to implement directives *verbatim*.²⁴⁶ Therefore, assessment of Member State compliance with EU rules is always a contextual question based on an overall assessment of national law and practice that takes into account whether protection is afforded in practice, not on the books. Thus, a verbatim implementation that remains dead letter may not be consistent with EU law, while national doctrine that in effect results in compliance may be at least temporarily sufficient implementation into national law. Similarly, member states can, in practice, correct course by treating EUCJ rulings as authoritative statements in subsequent court practice without necessarily correcting statutory language immediately.²⁴⁷

This research operates at the level of EU law and looks into the future, i.e. sketching how EU primary law could influence interpretation of EU trade mark law, when rights are asserted against new types of uses in new settings. It highlights consistencies and inconsistencies in current EU trade mark law as interpreted by the EUCJ, concluding that some may be remedied by way of interpretation and some require legislative intervention; a message intended primarily for national and EU legislators (to act) and only secondarily to EUCJ and national courts (to interpret). Legislative reform relating to new types of uses of trade marks in new settings is currently on the agenda in some Member States, as well as, in the Commission, e.g. on intermediary liability for infringement of intellectual property rights and reform of the CTM system.²⁴⁸

246 On the nature of directives see Article 288 TFEU. See Rosas & Armati at 56 on the difference between primacy and supremacy; and at 61 discussing the obligation of consistent interpretation in relation to the two levels of obligations; first, interpreting national law in conformity with EU law, and second, interpreting secondary EU law in conformity with primary EU law (specifically citing Promusicae).

247 E.g. on remand in the Arsenal-case, where the Court of Appeal restored an interpretation of EU law consistent with the one set forth by the EUCJ in the preliminary ruling given in the specific case. See MacQueen et. al at 653.

248 Study on the EU Trade Mark System at 2.219.

2.3 Why Not Trust in Judicial Review?

2.3.1 Is there Judicial Review in Europe?

Judicial review entails providing for external review by a different branch of government of the legality of legislative acts in a legal system.²⁴⁹ While review of administrative acts in this regard, is common place in the EU and most member states, constitutional *review* of parliamentary acts, remains an exception.²⁵⁰ The

249 “The ECJ is called upon regularly to settle questions regarding the allocation of powers among the various bodies within the EU legal order and to defend the fundamental rights and principles of good governance, as defined by the treaties.” Bo Vesterdorf, A constitutional court for the EU? *Int'l J Con Law*, vol 4, no 4 (Oct 2006) at 609-610.

250 Alexander H. Türk, *Judicial Review in EU Law*, 2009 at 1 and 3. In the context of the discussion on whether and to what extent the EUCJ exercises judicial review, it has been argued that the preliminary rulings procedure of Article 267 TFEU, should serve as an indirect channel for reviewing the constitutionality of acts and thus, allowing individuals redress. See Opinion of the Advocate General in Case C-50/00P *Unión de Pequeño* 21.3.2002 at 37 and 42. See also Türk at 228-231. In the framework of EUCJ practice on Article 263 TFEU (mostly administrative) and channeling challenges by individuals through Article 267 TFEU, there seems to be agreement on the issue of standing that the individual challenging the legality of a community act or decision, must be affected by it, thus it must be a “matter of individual concern”. EUCJ’s interpretation of standing under Article 263 TFEU, thus, usually precludes actions against provisions in directives, since they are addressed to the member states, not individuals. There are set (fairly narrow) criteria, which require something more than a general effect (Juha Raitio, *Eurooppaiketus ja sisämarkkinat* 2010 at 161). It is unclear how this Article 263 TFEU and Article 267 TFEU-specific case law would apply to a fundamental rights challenge under the EU Fundamental Rights Charter. Craig & de Búrca argue that it seems odd that an infringement of a fundamental right would not count as a matter of individual concern. (Paul Craig and Gráinne de Búrca, *EU Law Text, Cases and Materials*, 4th Ed., 2008 (Craig & de Búrca) at 527-530, see also Raitio at 162 who argues that EUCJ pre-Lisbon case law is likely still valid, although cases challenging the narrow standing-doctrine in particular under the Fundamental Rights Charter, are to be expected). The question of validity review, is however, likely time-barred when it comes to the TMD, since a claim under Article 263 TFEU must be brought within 2 months of the challenged decision having taken effect. Although the EUCJ has in certain cases in principle allowed for an extension of that limit in Article 267 TFEU cases, it is likely not unlimited, but reasonably connected to when a (administrative) decision was enforced against the individual. While the question of infringement of fundamental rights is open, it is, due to the history of invalidity challenges of administrative nature, not likely to be presented in the near future in a peer-to-peer business setting as is generally present in trade mark law disputes and even if presented is not likely to be accepted by the EUCJ. Craig & de Búrca at 527.

authority of the EUCJ to ensure the *interpretation* and *application* of EU law under Article 19 TEU, is not judicial review within the meaning of this section.²⁵¹

This research starts from the presumption that national or EU courts interpreting trade mark legislation by way of striking a balance in specific cases between trade mark owners' interests, the constitutionally protected rights of others and fundamental societal interests, would amount to constitutional review of parliamentary acts, i.e. judicial review. The research was triggered by numerous national cases displaying two extremes: 1) a total lack of consideration of these types of limits within trade mark law (i.e. pure application of the letter of the law) and later attempts at external solutions through *in casu* constitutional balancing.²⁵² Pure application could also be likened to viewing the statutory text with neo-liberal underpinnings as a final statement on the appropriate balance between interested parties, i.e. trade mark protection itself is pro-competitive. On the other hand, approaching the issue through constitutional values could be likened to viewing trade mark law as hierarchically inferior to protected constitutional rights and calling for

251 The EUCJ that *does not* have general jurisdiction, but has previously used its authority under Article 19 TEU and Article 267 TFEU, to expand its jurisdiction and establish its contemporary position as what is arguably a constitutional court (Türk at 2, Craig & de Búrca at 67-68, 72 and Raitioat 140) The main purpose of the EUCJ is still, to “ensure that in the interpretation and application of the Treaties the law is observed” and to aid national courts in interpreting EU legislation. The EUCJ is most likely to expand its own jurisdiction by way of interpretation and attempt to build a firm legal base for the EU to stand on, in areas where such base is lacking. The fundamental principles underlying EU economic law have been established during the last century, consequently, the EUCJ is likely to view itself as ‘merely’ an interpreter of acts and resolver of conflicts between them, in this heavily regulated field of EU law (Craig & de Búrca at 73). See for a discussion on judicial review and the role of the court on issues pertaining to second and third pillar jurisdiction, Alicia Hinarejos, Judicial Control in the European Union Reforming Jurisdiction in the Intergovernmental Pillars, 2009 at 183 and 188. See also, Vesterdorf at 607 and 610 “...there can be no doubt that the ECJ already carries out constitutional tasks. But it does much more than that. The ECJ also decides cases that do not have a constitutional dimension: ... (d) preliminary rulings (when member states' national courts refer issues to the court for a preliminary ruling on the interpretation of a point of EU law); and (e) appeals (of rulings by the Court of First Instance [CFI] on points of law. For example, issues of a constitutional nature will arise only rarely in the context of preliminary rulings that specifically request the ECJ to interpret the meaning of ancillary provisions of the directives prescribing the general principles to be incorporated into the environmental laws of the member states...Its role also extends to promoting unity and the consistency of the law, whether constitutional or not, by advising national courts through preliminary rulings and by judging on appeal from the CFI. Accordingly, when seen in this light, the ECJ looks more like a “supreme” court than a “constitutional court” at least to the extent that a constitutional court is supposedly confined strictly to constitutional adjudication.” (emphasis original)

252 See majority and dissenting opinions in *Anheuser-Busch Inc. v. Portugal*, European Court of Human Rights, ECHR- 73049/01, Oct 2005 and Jennifer Davies, A European Constitution for IPRs? Competition, Trade Marks and Culturally Significant Signs, Common Market Law Review 41: 1005-1026, 2004 at 1006 (Davies 2004). Christophe Geiger, *Fundamental Rights, A Safeguard for the Coherence of Intellectual Property Law*, 35 IIC 268, 271 (2004) (Geiger 2004). Hannibal Travis, *The Battle for Mindshare: The Emerging Consensus That the First Amendment Protects Corporate Criticism and Parody on the Internet*, 10 VA. J.L. & Tech. 3 (2005) at 55.

judicial review of parliamentary acts in concrete cases. The underlying premise or hypothesis is that both solutions are unsuitable and inadequate to solving the problems facing contemporary EU trade mark law.²⁵³ It is presumed that there is more to EU trade mark law than meets the eye, regardless of how the scope of protection is thereby affected, but especially when it comes to limits, limitations, exceptions or limiting doctrines. It is argued that allowing these limiting doctrines to remain implicit, patchwork and unclear is not enough²⁵⁴, but that market concerns (legitimate interests of consumers, competitors and other actors) should be included as positive statements in the statutory text.

There are several phenomena that the above-mentioned hypothesis rests on. First, the *European system* that is based on a civil law premise²⁵⁵ does not have courts or judges that are procedurally or normatively equipped to tackle the issues raising unspecified, yet constitutionally, or in general principles rooted, third party interests, within trade mark law. They lack discretion to balance general, even constitutional interests, and are usually constrained by the bounds of a specific statute. The European system refers here to the European Union courts, national community trade mark courts, national courts and European and national registration authorities. There are several aspects to this argument and it is their combination that makes the available process lacking for solving the hard cases. For reasons of democratic legitimacy constitutional review of statutes is not common in Europe, and when it exists it is usually restricted to specialized constitutional courts.²⁵⁶ In line with the civil law tradition, civil-law judges are not trained policy makers, but so called career-judges that are unfamiliar with the degree of policy-making involved in judicial review. It has been argued that they lack the experience, process and mentality for it.²⁵⁷ While this is no longer an accurate description of some courts in some civil law countries and courts in common law countries,²⁵⁸ it

253 This argument is one of fact not of theoretical possibility of meeting these concerns in traditional trade mark confusion or dilution analysis. Compare to Graeme Dinwoodie and Mark Janis, Lessons from the Trade mark Use Debate, 92 Iowa Law Review 2007 (Dinwoodie & Janis 2007b) at 1720. See also Graeme Dinwoodie and Mark Janis, Dilution's (Still) Uncertain Future, Michigan Law Review First Impressions, Vol. 105:98 (2006) (Dinwoodie & Janis 2006) at 102.

254 One could argue that EU trade mark law is “a ‘secret society science’, a finely tuned precision instrument which only a very few specialists are capable of playing perfectly” similar to what Beier claimed the German trade mark law had become in the mid-seventies. He recognized that this highly ‘sophisticated’ approach is frustrating to trade mark owners and constitutes a serious obstacle to international understanding. Beier 1975 at 303. See also David Vaver, Reforming Intellectual Property Law [2009] I.P.Q.No. 2, 143-161 at 145 referring to the “sheer abundance, complexity and messiness of it all” and Gerald Dworkin, Unfair competition: is it time for European harmonisation? in David Vaver and Lionel Bently (Eds.) Intellectual Property in the New Millennium Essays in Honour of William R. Cornish, Paperback Ed.2010 at 175 referring to Cornish’s textbook in 1981 “It was an important area of law, but left to specialists and their clients; the wider world knew little of it or of its significance”.

255 Arnall at 12. Sankari at 198.

256 Türk at 1.

257 Mauro Cappelletti, The Judicial Process in Comparative Perspective (1981) at xviii, 140 and 143.

258 Cappelletti at 133-135 and 141. See also Türk at 1.

is necessarily an argument against *decentralized judicial review* in all the European courts that deal with trade mark law issues.²⁵⁹

It could further be argued that the EUCJ already exercises *centralized judicial review* in trade mark law cases, due to the degree of harmonization of European trade mark law. The EUCJ is the ultimate authority on questions of law through the preliminary rulings procedure²⁶⁰, and hears appeals on issues relating to trade mark registration of community trade marks (CTMs). In theory, the EUCJ could resort to constitutional balancing or fill gaps in the law.²⁶¹ It certainly has done so in the past.²⁶² However, when it comes to interpreting secondary legislation of the European Union the EUCJ has been extremely literal in its interpretation of the text of the TMD or the CTMR.²⁶³ There are no signs of the EUCJ allowing external rules to be balanced against or influence the interpretation of the provisions in the TMD.²⁶⁴

Quite the opposite, the EUCJ displays the archetype of the civil law career-judge²⁶⁵, who exercises his narrow discretion with a strict view of *Montesquieuian* separation of powers.²⁶⁶ The judge applies the law, the legislator legislates; and until

259 This argument is not intended to advocate the position that decentralized or even more centralized review should be preferred. This section only advocates for legislative change that gives clearer guidelines for balancing of competing interests. Giving a face to these interests in trade mark law makes evaluation of hard cases more constrained and thus within the realms of the normal discretion of the ordinary civil law judge.

260 Set forth in Article 267 TFEU.

261 Cappelletti at 164.

262 The EUCJ is famous for its teleological approach to interpretation of the Founding treaties of the EU. Cappelletti at 387 and compare to Hjalte Rasmussen, *On Law and Policy in the European Court of Justice- A Comparative Study in Judicial Policymaking* 1986 at 10-13 and 518.

263 Adam Opel at 16. Gillette at 27.

264 Case C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273.

265 Ullrich 2010 at 43 referring to a 'reluctant court' when it comes to interfering with legislative discretion.

266 Türk at 1-2. The treaties base the availability of direct or indirect remedies to individuals on the distinction between acts of general and individual application. EU legislation can only be challenged directly by individuals when they are of individual application, which leaves only indirect remedies to challenge acts of general application (Türk at 203-204). The EUCJ has been criticized for not exercising judicial review enough in order to protect individuals against the EU institutions or other actors. While judicial review of administrative acts and their application was long lacking within the EU, it is common place in the member states. Review of parliamentary acts, however, is generally not exercised by European courts.

the legislator does so, the court is bound by its expressed provisions.²⁶⁷ The fact that neither the highest court²⁶⁸ nor the lower courts can be expected to depart *en groupe* from this view of their own limited jurisdiction raises the expectation of error costs²⁶⁹, especially when deciding hard cases at the limits of trade mark law.²⁷⁰ Judicial review of the constitutionality of trade mark law is therefore not to be expected in practice.²⁷¹

2.3.2 Who Needs Judicial Review?

One might argue that EU trade mark law does not need external review, indeed the limiting doctrines of trade mark law can be applied satisfactorily to these cases. Indeed, there might not be a need for limiting doctrines, since the legislator has clearly expressed its political choice to favor trade mark holders over other interests on the market.²⁷² It is true that the TMD displays the legislator's choice to afford strong protection to trade mark owners, however, it is not the provisions themselves that are problematic; it is their open-ended generality in potential

267 Because of this approach of the EUCJ their judgments in trade mark law cases have been criticized as making things worse rather than better in new areas of law, and accordingly it has been suggested that national courts should refrain from asking the EUCJ for preliminary rulings until a body of national decisions on a given issue has developed. See Graeme B. Dinwoodie, *Trade Mark Harmonisation – national Courts and the European Court of Justice*, IIC 2010, Issue 1. (Dinwoodie 2010). Cornish shares this distrust in the EUCJ based on the unfamiliar approach of civil law judges to interpretation of EU trade mark law, either literal reliance on statutory provisions or resort to larger principles or generalizations– both of which, from a common law perspective, are clearly far too blunt tools in practice. Cornish 2004 at 79, 80 and 83. See also Arnall at 1 quoting former Prime Minister Margaret Thatcher criticizing the Court's methods of interpreting the law for being "totally different from those of [English] courts and nothing like so exact or so good."

268 Mathias Leistner, *Harmonization of Intellectual Property Law in Europe: The European Court of Justice's Trade Mark Case Law 2004-2007*, CML Rev. 45: 69-91, 2008 at 91 arguing that the EUCJ should not categorize substantial issues as questions of facts, consequently excluding their own jurisdiction and deferring to the general court. "[T]he very assessment of facts in ... sensitive fields very often encompa[ss] essentially legal analyses." Similarly, the EUCJ refer large questions of balancing under provisions of the TMD to national courts, as issues of fact.

269 Stacey Dogan and Mark Lemley, *The Trade mark Use Requirement in Dilution Cases*, 24 Santa Clara Computer & High Tech Law Journal 102 (2008) (Dogan & Lemley 2008b) at 103.

270 Davies 2004at 1011 "Faced with a statement of substantive law, whose *raison d'être* derives from its role in enhancing competition, the relevant courts, both national and the ECJ, are finding it increasingly difficult to privilege other social or cultural concerns."

271 This thesis does not advocate for judicial review of EU trade mark law by the EUCJ. It argues for an understanding of EU trade mark law *in light of* the fact that the EUCJ does not and likely will not exercise judicial review of EU trade mark law under the current EU constitution. A truly contextual solution detached from the legislative bias inherent in the TMD, to the problems facing trade mark law at its limits, when resolving hard cases, cannot therefore be expected in practice.

272 This neo-liberal approach to trade mark law argues that strong trade mark protection *is* pro-competitive and that the market is the ultimate authority on its legitimate scope. International and EU intellectual property rights instruments are proponents of this approach. See Davies 2004at 1007 and 1011.

application, which give room for ever expansive application and interpretation.²⁷³ *The open-ended generality here does not refer to the statutory language used, but the legislative method chosen, affording strong rights accompanied with a right to exclude without clearly defining the scope of application.* Current trade mark law relies on abstract balancing tests (likelihood of confusion, unfair advantage) founded on legal concepts such as ‘use in the course of trade’, ‘use for the purposes of distinguishing goods or services’, or ‘use as a trade mark’; concepts that each in turn struggle in addressing new uses and new settings.

Together and separately, these concepts view the world through the trade mark owner’s perspective, asking whether the use is one that the trade mark owner is entitled to prohibit. This trade mark bias makes trade mark law open-ended in that it is potentially applicable to any type of use that from the trade mark owner’s perspective affects the trade mark. Regardless, of whether trade mark law actually is applicable (which is not always the case in practice), the *perceived generality in application raises question of legitimacy* of trade mark protection from the perspective of those interests that are not expressly considered. Implicit or doctrinal limits are not precise or visible enough in the process of decision-making to *mandate* consideration in cases where other legitimate interests than those of the trade mark owner are triggered. Although protection of the trade mark owner is perfectly legitimate under contemporary law, *perceived illegitimacy of the process may be harmful*. In practice, the above-mentioned tendency of civil law judges combined with open-ended generality and a constant demand for increasing protection result in both juridical and practical pressure on judges to find in favor of the trade mark owner without room for consideration of countervailing interests.

Another practical systemic reason against leaving the hard cases solely in the hands of judges is procedural. Judges may not pick their cases²⁷⁴, nor can the defendant be expected to enlighten the judge regarding the intricacies of trade mark law, nor the law supporting their defense.²⁷⁵ The principle of *iura novit curia*, i.e. the judge knows the law, bars the judge from finding in favor of the plaintiff, if the law does not support the infringement action.²⁷⁶ However, traditionally in a civil law trade mark statute, the text of the provisions of trade mark law always supports an infringement claim, since the statute only affords negative rights and does not

²⁷³ Rasmussen at 521. See also Kur 2008 at 172 regarding the tendency to interpret trade mark rights broadly.

²⁷⁴ Cappelletti at 48. See also Michal Bobek, Learning to Talk: Preliminary Rulings, The Courts of the New Member States and the Court of Justice, CML Rev. 45: 1611-1643, 2008 at 1614 discussing the difficulties inherent in the preliminary rulings procedure, “in borderline cases, the key factor is often not the issue itself, but the way in which the request for a preliminary ruling is framed.”

²⁷⁵ Cappelletti calls the civil law judge a “crippled law-maker” at 37.

²⁷⁶ Glenn at 135.

mention, but specific limits or defenses.²⁷⁷ The limiting doctrines are buried under murky legal concepts such as “use in the course of trade”, “use for distinguishing purposes” and “passivity”.²⁷⁸ A glance at contemporary jurisprudence or doctrine will show that the interpretation of these vary, and if the judge were to look for traditional limiting doctrines, he is likely to find that they are, piece-by-piece losing ground in favor of expanding rights.²⁷⁹ Thus, lack of *clear* limiting provisions or doctrine, not to mention guidelines to their application, all but bars the civil law judge from finding in favor of the defendant in practice.

The randomness of cases involving limits on trade mark rights also makes the judge’s task harder. Very few cases in practice raise questions that require intrinsic constitutional review, however, most cases *at the limit* require a *level playing field that allows review* of other than the trade mark owner’s interests. The built in presumptions favoring the trade mark owner bars²⁸⁰ such a finding, unless Article 6 or 7 of the TMD applies.²⁸¹ The often diffuse and unorganized interests of the increasing group of defendants are almost impossible to master in a regular trade mark infringement procedure.²⁸² Civil law judges are jurisdictionally, normatively and procedurally ill-equipped to decide cases that require access to both judicially and socio-economically relevant fact.²⁸³ Even, if they were thus equipped to

277 Geiger 2007 at 319-320. Davies 2004 at 1012, arguing that while the EU approach to creating competitive markets (the structure/conduct/performance paradigm) is based on (state) interference, the TMD may be argued to reflect a neo-liberal approach that mainly considers markets themselves as the self-regulating ideal trade mark protection. Contemporary trade mark law jurisprudence dances between these views of what ‘entity’ is to decide the scope of trade mark protection Davies 2004 at 1013. See also at 1022-1023 arguing that the case law of the ECJ is “constrained by the terms of the Directive, into discussing social benefits of registering... culturally significant signs solely in the language of competition (here meaning fixed pro-trade mark protection)...neither...did the ECJ have available to it an alternative language which might have recognized the need to protect a public domain of socially or culturally significant sign which constituted more than a potential economic asset.” Similarly Ullrich 2010 at 24 arguing that attempts to get around Community exhaustion doctrine with the TMD failed.

278 Kur 2008 at 165.

279 See e.g. Spyros Maniatis, Post-sale effects of a trademark: Conceptual necessity or a gift to trade mark proprietors? in Guido Westkamp, Ed. Emerging Issues in Intellectual Property Trade, Technology and Market Freedom; Essays in Honour of Herchel Smith 2007 (Maniatis 2007). It is argued here that there are more decisions departing from traditional limits (Chiemsee, Gillette) than those enforcing them as those limiting doctrines have traditionally been understood. It is not argued that limiting doctrines have disappeared, only that they are hard to find and even harder to define on the EU level, since the EUCJ so far has rejected ‘specific’ national understandings of limiting doctrines in favor of new, not yet clearly defined, EU trade mark law limiting doctrines.

280 While different tests apply to cases under Article 5(1) (a), 5(1)(b) and 5(2), it is argued here that the built in presumptions (albeit differently under each provision) do not provide a level playing field, where the judge could weigh competing interests without procedural constraint.

281 Gillette at 27. C-17/06 *Céline SARL v Céline SA* [2007] ECR I-07041 at 36.

282 Cappelletti at 272 discussing the problem of standing and meta-individual (diffuse) interests.

283 Rasmussen arguing against judicial activism by the EUCJ. Cappelletti at xviii, 140 and 143. Glenn at 136.

perform such balancing, civil law countries, systematically and inherently prefer that they do not.²⁸⁴ Such thorough review of complex and controversial matters, are generally reserved for the legislature. However, such mastery of trade mark law is sometimes required to weed out the hard cases that require application of the limiting doctrines.²⁸⁵

Second, contemporary legislation affecting European trade mark law is highly complex, contradictory and incomplete.²⁸⁶ Thus, *substantive trade mark law* is in flux and increasingly applicable in new settings.²⁸⁷ EU trade mark law is tailored to

²⁸⁴ See D.J. Galligan, *Discretionary Powers- A Legal Study of Official Discretion*, 1986 at 1: it is often suggested that the proper legal strategy is to keep [discretion] to a minimum, and to make efforts towards its regulation by fixed and certain rules."

Compare to Robert Burrell & Dev Gangjee, *Trade marks and Freedom of Expression – A Call for Caution*, IIC 2010, 41 (5), (Burrell & Gangjee) 544-569 arguing that legislative action to create defenses is inappropriate and courts correcting course is to be preferred e.g. when it comes to narrowly tailoring dilution protection in practice. Debate about dilution protection has raged for decades with strong arguments both for and against. (See J. Thomas McCarthy, *Dilution of a trade mark: European and United States law compared* in David Vaver and Lionel Bently (Eds.) *Intellectual Property in the New Millennium Essays in Honour of William R. Cornish*, Paper Back Edition 2010at 159) For a thorough account of the different approaches to protection against dilution by blurring see Ilanah Simon Fhima, *Dilution by Blurring: A Conceptual Roadmap*, [2010] I.P.Q.: No. 1, 44-87 (Simon Fhima 2010). See also Cornish 2004 at 86-87, 101-105, discussing the 'red-lighters' and 'green-lighters' for dilution protection. It is argued here that fixing the scope of protection is a *political question* (not a fact-finding mission, nor uncontroversial in economic theory (thereby excluding a pure neo-liberal approach)) and therefore unsuitable for solving by adjudication.

²⁸⁵ Burrell & Gangjee at 568-569 arguing that a "robust interpretation of existing trade mark doctrine would seem more promising than an attempt to reach out to constitutional principles." Compare to Dinwoodie 2010 Editorial, arguing that the EUCJ lacks trade mark expertise to decide complex matters. Burrell & Gangjee as well as Dinwoodie argue for recourse to the judiciary to solve the problems facing trade mark law. While both recognize that we have passed a point to where courts get it wrong, they argue that it is not yet too late to correct the course by courts (not legislatures) reinforcing existing limiting doctrines (Burrell & Gangjee) and that national courts rather than the EUCJ should act as laboratories in new settings before the question is presented to the EUCJ (Dinwoodie). See also Davies 2004 at 1024 on how UK courts successfully have carved out an "irreducible public domain"; an English language commons despite legislative effort to fix trade mark protection in statutory terms. Either approach may seem appropriate from the point of view of a single large member state or common law country, where there is a history of resolving such issues within the judiciary and there are numerous cases on point to balance and rebalance interests until an appropriate balance is reached. The situation is quite different in small member states and civil law countries, where courts of first instance (sometimes only one court) have little discretion to balance interests, have no framed defenses to balance with (compare to Sec 10(6), 11(1-3) and 12(1) of the UK Trade mark Act) and only rarely get to consider the same issue twice. Compare to Leistner at 70 stating that cases before national supreme courts are adding to the increasing amount of case law, however, "these national decisions deplorably tend to assess CTM infringement cases from a rather national perspective." Note here that judges should apply EU law, i.e. the Community Trade mark Regulation, not national law, when deciding CTM infringement cases.

²⁸⁶ Kur 2008 at 166 discussing the unclear and seemingly contradictory decisions of the EUCJ.

²⁸⁷ Graeme Dinwoodie, Lewis & Clark Law School Ninth Distinguished IP Lecture: *Developing Defenses in Trade mark Law*, Lewis & Clark Law Review, Vol. 13, No: 1, Spring 2009, 99-153 (Dinwoodie 2009) at 142.

real market commerce, and struggles with addressing new uses of trade marks as well as uses of trade marks on the internet.

For example, Article 5.3 of the TMD expressly includes the acts of “offering the goods, or putting them on the market or stocking them for these purposes under th[e protected] sign, or offering or supplying services thereunder; importing or exporting goods under th[e protected] sign and using the sign on business papers and in advertising”, as acts that the trade mark owner is entitled to prohibit. Although, clearly within the realm of the trade mark owner’s right in territorially defined real market commerce, these traditionally commercial acts are mixed with other acts on the internet.²⁸⁸

The traditional one-on-one infringement setting²⁸⁹ in real market trade mark law is increasingly challenged on the internet, where there may be one or millions of traditional infringers, but also intermediaries, who regardless of intent, in fact facilitate direct infringement of trade mark rights. European trade mark law entails no distinction between direct or indirect infringement, nor a safe harbor for intermediaries²⁹⁰. The internet also blurs the territoriality embedded in trade mark law: whose rights apply to acts on the internet and what acts can an intermediary be held accountable for? Together, these issues mount increasing pressure on the *doctrine of exhaustion of rights*, one that has traditionally been limited to the “first-sale” and focused on its territorial dimension.²⁹¹

The increasing focus on enforcement in international intellectual property law also affects the scope of application of trade mark rights in practice.²⁹² It should be noted that enforcement issues are frequently resolved on summary judgment and often constitute the end, not the beginning, of the dispute in practice.²⁹³

288 Eric Goldman, Online Word of Mouth and Its Implications for Trade mark Law in Graeme Dinwoodie & Mark Janis Trade mark Law and Theory, 2008 at 404-405.

289 On the inadequacy of the two-party affair in modern societies see Cappelletti at 271.

290 Although the E-Commerce Directive can be interpreted (allows national legislators) to provide for such a safe harbor to hosts (Google France) it does not in fact provide one. Instead, it is up to national legislators to take active measures. Therefore, despite the Google France -ruling, which allows an expansive reading of the E-Commerce Directive that allows for a safe harbor that limits trade mark rights, Article 14 of the E-Commerce Directive cannot be said to have *direct effect* with the effect of providing for a safe harbor to ISPs, when none has been provided by national law.

291 Tritton et al. at 253 and 700.

292 See Kur 2008 at 172 arguing that application of the provisions of the enforcement directive to trade mark law is inappropriate.

293 Commission Staff Working Document Analysis of the application of Directive 2004/48/EC of the European Parliament and the Council of 29 April 2004 on the enforcement of intellectual property rights in the Member States accompanying document to the Report from the Commission to the Council, the European Parliament and the European Social Committee on the application of Directive 2004/48/EC of the European Parliament and the Council of 29 April 2004 on the enforcement of intellectual property rights COM(2010) 779 final (Commission Analysis on Enforcement Directive) at 13: “With some exceptions, interlocutory injunctions generally seem to be granted rather quickly by the courts and often lead to a settlement between the parties so that the proceedings on the merits of the case can be avoided ...For most stakeholders...interlocutory injunctions are the main enforcement remedy.”

The Directive on the Enforcement of intellectual property rights (Enforcement Directive) applies to trade marks.²⁹⁴ Under Article 2, it does not affect Articles 12 to 15 of the E-Commerce Directive, and thus, does not affect the liability of information society services. Nevertheless, the 23rd recital of the Enforcement Directive states that “right holders should have the possibility of applying for an injunction against an intermediary whose services are being used by a third party to infringe the rightholder’s industrial property right”. It is left to national law to determine the conditions and procedures relating to such injunctions.²⁹⁵

Together these rules, some specific and some general, put pressure on the national legislator that is required to give effect to the provisions of various directives in national law.

For example, in Finland, specific substantive provisions such as Article 5 of the TMD²⁹⁶, Articles 12-14 of the E-Commerce Directive²⁹⁷ and almost all of the Enforcement Directive²⁹⁸ have been implemented into national law using either the same or similar language as used in the respective directives. However, Article 6 of the TMD and Article 15 of the E-Commerce Directive did not receive corresponding wording in national law.²⁹⁹ Instead, reference was made to limiting doctrines as understood in national law or not discussed at all (which is natural and typical on the issue of limits in trade mark law.³⁰⁰

However, later preliminary rulings of the EU CJ have trashed national traditions, by e.g. rejecting consideration of ‘a need to leave free’ in the registration procedure.³⁰¹ Likewise, the EU CJ in the Google Adwords-case stated that search engines may fall within the ‘hosting’ exemption of Article 14 of the E-commerce Directive.³⁰² In the Finnish E-Commerce Act, Article 14 only applies in a copyright setting.³⁰³ Since the actual wording of the more or less general limiting provisions; Article 6 of the TMD and Article 15 of the E-Commerce Directive, were not implemented, national courts have no fall-back provision by which to give effect to this new line of reasoning by the EU CJ.

While these rulings by the EU CJ were triggered by different interests (allowing for registration of marks with acquired distinctiveness) and opening a *possible* safe

²⁹⁴ Corrigendum to Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (OJ L 157, 30.4.2004) Official Journal L 195, 02/06/2004 P. 0016 – 0025. See also Statement by the Commission concerning Article 2 of Directive 2004/48/EC of the European Parliament and of the Council on the enforcement of intellectual property rights (2005/295/EC).

²⁹⁵ Recital 23 to the Enforcement Directive 2004/48/EC. See also *Loreal v eBayat* 125-144.

²⁹⁶ Trade Mark Act (tavaramerkkilaki 10.1.1964/7), 4-6 §.

²⁹⁷ E-Commerce Act (Laki tietoyhteiskunnan palvelujen tarjoamisesta 5.6.2002/458)

²⁹⁸ Act on securing evidence civil in industrial and intellectual property cases (Laki todistelun turvaamisesta teollis- ja tekijänoikeudellisissa riita-asioissa 7.4.2000/344)

²⁹⁹ Trade Mark Act and E-Commerce Act.

³⁰⁰ Government Bill on Revising the Trade Mark Act (Hallituksen esitys tavaramerkkilain muuttamisesta HE 309/1992) and Government Bill on the E-Commerce Act (hallituksen esitys laiksi tietoyhteiskunnan palvelujen tarjoamisesta HE194/2001).

³⁰¹ Chiemsee at 35, 50 and 52.

³⁰² The Google France -case.

³⁰³ Hallituksen esitys laiksi tietoyhteiskunnan palvelujen tarjoamisesta HE 194/2001.

harbor for search engines³⁰⁴, it paradoxically, takes away traditional limits without the legal force of providing new ones. While national courts are under a general duty to interpret the provisions of directives (which have been implemented) in line with the preliminary rulings of the EUCJ, they are bound by national law (that has chosen not to implement other provisions) and cannot expand the specific wording of statutory text contrary to the specific intent of the national legislature that has implemented the Directive. Such an act requires, under both EU and national law, legislative intervention.

Nevertheless, the EUCJ has, albeit in a copyright setting³⁰⁵, ruled on how the seemingly conflicting provisions of different directives should be interpreted and what obligations and rights are set forth. After all, the directives in the end leave to the national laws of the Member States to strike a fair balance between the fundamental interests at stake. In the *Promusicae* –case the court held that Article 8 of the Enforcement Directive does not lay down an obligation to communicate personal data in order to ensure effective protection of copyright in the context of civil proceedings.³⁰⁶ However, the court also held that the same provision does not preclude Member States from imposing an obligation to disclose to private third parties personal data relating to Internet traffic in order to enable them to bring civil proceedings for copyright infringement.³⁰⁷ It is for the national court, when presented with a *justified and proportionate request*, to determine whether a right of information is appropriate.³⁰⁸ In this determination the national courts (and national regulators when transposing the directives) are required to *balance*

304 E-Commerce Directive indicated that this issue could be left to self-regulation. The Commission had later approved of the trend in which some member states had, when implementing the directive, included search engines in the the definition of 'hosting' in Article 14 of the E-commerce Directive. First Report on the application of Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (Directive on electronic commerce); Brussels, 21.11.2003; COM(2003) 702 final (First Commission Report) at 74-75.

305 EU copyright law places Internet service providers under stricter scrutiny than does the E-Commerce Directive standing alone. Thus, if this duty is limited in copyright law it would logically follow that internet service providers are not under a stricter duty under trade mark law, which is regulated only on a general level.

306 *Promusicae* at 55.

307 *Promusicae* at 54. The ruling was confirmed by order in Case C-557/07, *LSG-Gesellschaft zur Wahrnehmung von Leistungsschutzrechten*, [2009] ECR I-1227.

308 *Promusicae* at 58.

*the fundamental rights at stake and choose the interpretation of EU legislation that strikes a fair balance between competing interests.*³⁰⁹

Similarly, national courts are, under contemporary European trade mark law³¹⁰, required to perform an extremely difficult task without the procedural capability to ensure the factual information necessary to perform such task and also required to perform the very task that they are historically both reluctant and ill-equipped to perform, because of the legal culture of civil law countries.³¹¹

2.4 The Comparative Method and Its Limits

2.4.1 In Search of Functional Equivalents

“In law there is invention, imagination, discovery, progress – but also oblivion, laissez faire and decline. To express these matters comparative law should not be content with pre-existing legal concepts.”³¹²

Locating or defining the limits or limiting doctrines imbedded as general principles of law in EU statutory trade mark law is the challenge of this research. Although the research could look at the historical development of limits in trade mark law, it could easily be argued that the traditional limiting doctrines do not apply, or apply differently to contemporary expanded trade mark law. Consequently, expanding trade mark rights seem to trigger lawsuits against new defendants, based on new types of uses in new settings.³¹³ The two-layered comparative method here employed,

309 “As to these directives, their provisions are relatively general, since they have to be applied to a large number of different situations which may arise in any of the Member States. They therefore logically include rules which leave the Member States with the necessary discretion to define transposition measures which may be adapted to the various situations possible...That being so, the Member States *must*...take care to *rely on an interpretation* of the directives which allows a fair balance to be struck between the various fundamental rights protected by the Community legal order. Further...the authorities and the courts *must not only interpret* national law in a manner consistent with those directives but also *make sure that they do not rely on an interpretation* of them which would be in conflict with those fundamental rights or with other general principles of Community law, such as the principle of proportionality.” Author’s emphasis. Internal references omitted. Promusicae at 67-68.

310 E.g. Google France and L’Oreal v eBay.

311 For a discussion of how different views of democracy “democracy as rule of law” and “democracy as way of life” affects how one views and constrains judicial review see Uffe Jakobsen, The Conception of “Nordic Democracy” and European Judicial Integration Nordic Journal of Human Rights 2009 27(2) p. 221-241 at 221. “the closer conceptions [on a spectrum] of democracy are to ‘democracy as a form of life’, the more difficult it is to transform democracy to the supranational level. If democracy is conceived of as ‘rule of law’, or as participation in general elections, democracy can more easily be transformed from the national to the supranational level than when democracy is conceived ...as responsiveness of the governing to the governed.” (at 221-222).

312 Hannu Tapani Klami, Comparative Law and Legal Concepts, The Methods and Limits of Comparative Law and its Connection with Legal Theory, Oikeustiede Jurisprudentia XIV 1981 at 93.

313 Dinwoodie 2009 at 142. Maniatis 2007.

first searches for the common core that shows the implied and undefined limits, and then compares different approaches to considering these limits and tests them for inclusion in the EU trade mark system.

A starting point for the comparative method employed is that these concrete problems of trade mark law require contextual research.³¹⁴ In a sense, context is even more central here, since the objects of comparison are not easily defined functional equivalents. In a sense the functional equivalences for comparability in this research are partly found in the context, not in the already existing and defined legal concepts in trade mark law.³¹⁵ If the social context was disregarded, i.e. only the scope of the afforded trade mark right was compared, it would become a comparison of empty concepts removed from their function in the institutional setting, which give them content. Therefore, for the purposes of this research the exclusive right in a trade mark cannot be studied without its legal counterpart to be found in the context, *the principle of freedom of competition*.³¹⁶

The strength of the comparative method is that it can reveal the common core behind these concepts and the ideological limits that the nature of legal relations and the present social situation set on legal regulation.³¹⁷ Contextualism also has practical benefit, specifically in trade mark law, where the long tradition of international regulation has produced near identical laws on the books that may serve different purposes in practice.³¹⁸

Thus, it is arguably warranted to search also for limiting rules or principles in new places, i.e. outside trade mark law. It is not however, the purpose of this research to remove some trade mark questions to be decided outside trade mark law.³¹⁹ Removal of some issues risks divorcing them from substantive trade mark law and losing sight of the interests protected in this highly specialized field of law. Instead, *the goal is to define modern limiting doctrines informed by*

314 Klami at 19 and 21. Esin Örücü, Developing Comparative Law 43-66 in Esin Örücü and David Nelken (Eds.) Comparative Law a Handbook 2007 at 47 and 53.

315 Örücü at 47.

316 Klami at 22-23.

317 Klami at 31. See also Örücü at 45.

318 Michael Bogdan, Comparative Law (1994) at 54-56.

319 Kur 2008 at 170.

international³²⁰, constitutional³²¹, property³²², procedural³²³, criminal³²⁴, liability³²⁵ and unfair competition law³²⁶ rules and principles³²⁷ and devise guidelines and rules for interpretation and the balancing of competing interests within trade mark law in light of the protected interests in contemporary expanded trade mark law. It is equally important to assess the trade mark interests vested in trade mark law, when on excursion in the rest of the legal system outside trade mark law. In this setting, the defined trade mark right is placed in a broader context and tested against other defined or general societal interests.

The research is conducted in four articles, each discussing a contemporary conflict that raises the question of limits. The first article looks at trade mark protection afforded under the TRIPS Agreement and the limits Article 17 places³²⁸ on that right. Informed by property theory and the general principles of international treaty interpretation, it tests the trade mark property right against another protected intellectual property right, protection for geographical indications. The article locates and defines *the international common core of trade mark protection.*

320 Charter of Fundamental Rights Article 52.3 and 53.

321 Charter of Fundamental Rights Article 52 (scope of protection) and 54 (prohibition of abuse of rights).

322 Charter of Fundamental Rights Article 17.

323 Charter of Fundamental Rights Article 54

324 Charter of Fundamental Rights Article 48 (presumption of innocence) and Article 49 (principles of legality and proportionality of criminal offences and penalties).

325 Charter of Fundamental Rights Article 8 (protection of personal data), Article 11 (freedom of expression and information), Article 16 (freedom to conduct business), Article 17 (right to property), Article 20 (equality before the law), Article 36 (access to services of general economic interest), Article 38 (consumer protection), Article 47 (right to a fair trial), Article 48 (presumption of innocence and right of defence) and Article 49 (principles of legality and proportionality of criminal offences and penalties). It is argued here that no right trumps the other, but recognition is one of degree protecting at least the essence of every right. It is a question of optimization of rights. In the context of EU trademark law the rights combined may be viewed as expressing a general principle of freedom of competition.

326 Charter of Fundamental Rights Article 16 and 54.

327 Charter of Fundamental Rights Article 49.1 "No one shall be held guilty of any criminal offence on account of any act or omission which did not constitute a criminal offence under national or international law at the time when it was committed." and 49.3 "The severity of penalties must not be disproportionate to the criminal offence."

328 One could argue that Article 17 of the TRIPS Agreement does not place limits on the trade mark right, but only allows member states to provide for exceptions to trade mark protection. While the corresponding Three-Step-test in copyright law, only allows for *narrowly tailored limited exceptions* to be made to the copyright, a similar dynamic that would preclude exceptions that are not thus limited (despite the chosen wording), is not present in trade mark law. Instead, Article 17 of the TRIPS is, according to the GI-panel report, to be interpreted to allow for limited exceptions as long as they take account of the legitimate interests of trade mark owners and third parties. Article 17 of TRIPS thus sets a level playing field that prevents an interpretation by analogy to copyright or patent law that the ability/right of member states to limit trade mark rights would be *inherently* limited. See Property Rights Article.

The second article conducts constitutional balancing between the property interests vested in trade mark right and the freedom of expression interests of competitors or others. It concludes with a *set of balancing guidelines* for national judges, where the degree of necessity in protecting trade mark rights and the availability of measures varies according to the use the defendant makes of the mark.

The third article discusses the sports merchandising right and what limits can, may or should be placed on it in light of preserving the functioning of the market. This article reviews the advisability of granting a near absolute right to one market actor from the point of economic and practical sustainability, not from the perspective of a certain competing interest. It argues that such rights should be narrowly tailored in *sui generis* regimes in order to avoid the error costs and *cabin the effects* of expansive enforcement and interpretation.

The fourth article discusses the liability of intermediaries for direct and indirect infringement. Since no clear rules defining these categories or restricting available measures exist, it argues that internet intermediaries should presumptively enjoy protection in the form of a *strong safe harbor* against individual trade mark law suits. The chilling effect of verdicts such as those in France and Germany multiplied by each instance of infringement of each trade mark owner's trade marks world wide, will likely have innovation inhibiting effect on the online service provider industries. Instead, it argues that trade mark owners pool their resources in their legitimate fight against piracy and counterfeiting, and reach a higher level of enforcement through *cooperation* with online service providers.³²⁹

Each article employs the comparative method in three different ways on two levels.³³⁰ First, the external interests are considered globally with a focus on common values in the Western systems. Second, the internal interests are considered *de lege lata* on the EU and international (notably TRIPS) level, it being understood that the TRIPS Agreement reflects the Western view of intellectual property rights protection. Third, EU trade mark law is considered *de lege lata* based on EU primary and secondary legislation as interpreted by the EUCJ and applied by national courts in the member states.

The comparative method is used *de lege ferenda* to reflect both theory and practice. The choice of *tertium comparationis* differs based on the issue discussed and the approach it reflects, not based on origin of the court, nationality, legal system, or trade mark law in place.³³¹ This is done by *comparing selected approaches*

329 The E-Commerce directive chose to leave many issues to self-regulation, which although some issues clearly need regulating, has proven efficient in e.g. developing notice-and-take down procedures.

330 Örücü at 52 "It would be odd to allow comparative law research but one methodology, 'functional inquiry', which has only a technical perspective. Therefore, although employing 'functional equivalence' as a tool of comparability at the micro level for specific projects is appropriate, comparatists opt for a multiplicity of approaches, compare differents and contexts, and extend comparison beyond functionally equivalent rules."

331 Örücü at 48.

to reaching a solution in a limits-conflict as exemplified by a decision in national or regional court. The approach of the court is informed by globally recognized theoretical approaches. The differences, benefits and weaknesses are highlighted and compared with each other.³³² Lastly, the approaches are fitted for inclusion in EU trade mark law.

There are limits to the selected method. Traditionally, the comparative method is used to compare legal systems or substantive law in a specific field.³³³ The aim of traditional comparative research is to learn from another system and possibly transplant functioning solutions from one system to the other.³³⁴ Trade mark law, however, is in practice harmonized internationally on the majority of substantive law issues. Trade mark law legal transplants today occur mostly between Western countries and the rest of the world, not between Western countries. The differences that remain between Western countries are based on deeply rooted tradition that stems from systemic differences, e.g. registration or used-based systems.³³⁵ These differences do not necessarily affect the question of expanded rights and the following limits discussion; indeed, limits are on the agenda in all Western countries.

Focusing on Western countries as a group breaks with the traditional division of legal families. Indeed, Western countries consist of both civil law and common law legal systems. Zweigert & Kötz criticize attempts to divide systems into legal families, since it is one-dimensional and seeks to have “everything turn on a single criterion”. To Zweigert & Kötz it is the legal style of a system that matters and the comparatist must use distinctive stylistic traits in the grouping of legal systems.³³⁶ Indeed, this research uses the stylistic traits of civil and common law systems to explain differences in approach to limits and the socio-cultural limits of legal actors on the national and regional level, when comparing law in action. In international trade mark law, where the object is the law on the books, these system differences³³⁷

332 Örücü at 46.

333 Örücü at 57. Konrad Zweigert and H. Kötz, *An Introduction to Comparative Law*, translated by Tony Weir, 3rd Ed. 1998 (Zweigert & Kötz) at 1.

334 However, this type of research could be likened to comparative method employed by the European Commission preceding legislation. Comparison with the aim of accurately describing the law of each member state and deriving from that knowledge a common European core on which harmonizing legislation can be built more closely resembles the type of comparison here employed. The goal is not to improve national law, but to make people conscious of a European law common to all the countries in Europe. See Zweigert & Kötz at 29-30.

335 Graeme Dinwoodie and Mark Janis, *Trademarks and Unfair Competition*, Second Edition, 2007 (Dinwoodie & Janis 2007c) at 215. Kur 2008 at 173.

336 Zweigert & Kötz at 67-68.

337 International trade mark law builds on the similarities between the systems not on the differences. Even common law countries have historically been influenced by the unitary legal outlook of *ius commune*. Zweigert & Kötz at 29. See also Glenn at 131-134 on the civil law tradition and Jan M. Smits, *Convergence of Private Law in Europe* 219-240 in Esin Örücü and David Nelken (Eds.) *Comparative Law a Handbook* (2007) at 229-230.

between civil and common law legal systems are, however, of limited importance.³³⁸ This research does not attempt further macro comparison.³³⁹

For the purposes of addressing limits and trade mark protection this comparative study starts from a high level of *substantive similarity* and compares approaches to conflicts in a new setting.³⁴⁰ In a sense, it treats the Western systems as one, with three common denominators, shared expansive trade mark protection, liberal market economy and common constitutional values. Likewise, the method treats national and regional courts as national laboratories that based on persuasiveness of the reasoning may reach broader global recognition and following outside its jurisdiction.³⁴¹ Therefore, the goal is to learn not from superior knowledge in another system, but from the *combined knowledge* of several systems. While the solutions are tailored to EU trade mark law, the chosen method forces discussion of the issue of limits on an abstract level. Thus, the conclusions and solutions are analogously relevant in other Western systems and WTO Member States as well.

Unlike traditional comparative legal studies this research does not look to transplant or learn from one jurisdiction for the benefit of another.³⁴² Indeed, in international intellectual property law national jurisdiction has always been more fluid a concept than in other areas of law.³⁴³ While the principle of territoriality has been cemented in international treaties for over a century, the high level of

338 This is not to say that the research does not apply a contextual approach at the international level only that the law is not applied to a specific fact pattern at this level. Common core principles are more general and abstract on this level and the comparison, hence is of theoretical-descriptive form. On the national and regional level the research goes further employing the applied form of comparison, i.e. suggesting how a particular problem can most appropriately be solved under present socio-economic circumstances. See Zweiger & Kötz at 11.

339 Zweigert & Kötz at 4. Örçü at 57.

340 One could say that it starts from a presumption of similarity not only of the contents of the rules, but also the practical results they produce. Zweigert & Kötz at 40.

341 See Expression Article at 690-691. Graeme Dinwoodie, A New copyright Order: Why National Courts Should Generate Global Norms, 149 U. Pa. L. Rev. 469, 478 (2000) (Dinwoodie 2000b) and Graeme Dinwoodie, The Development and Incorporation of International Norms in the Formation of Copyright Law, 62 Ohio State Law Journal 733, 735 (2001) (Dinwoodie 2001)

342 Örçü at 47.

343 The central principle of territoriality in all intellectual property treaties would seem to prove the contrary that is that national jurisdiction is paramount. This principle is one of general international law; one that ensures sovereignty and comity as well as prevents conflicts of rights and overlapping jurisdiction. See Austin at 412, and at 419-422 on why it's difficult to follow in practice. However, the level and specificity of international harmonization in the field of intellectual property law combined with the border-transcending nature of intellectual property rights, has led to unforeseen transfer of factual law-making power to international forums, namely the WIPO, in practice, and corresponding lack of principled scrutiny of these conclusions on the national level. Only recently, and namely regarding copyright law or issues related to IP and development, has this 'secret and specialized' international law-making procedure been truly questioned and the substantive rules debated in democratically elected forums with a corresponding public debate. Trade mark law issues, are still routinely discussed only within a narrow group of international and national specialists, and although the rules may be considered unfair, there is little organized grass-root movements (akin to open source or A2K) to challenge and demand reconsideration of trade mark protection.

international cooperation has favored centralized solutions to the extent that substantively questions of jurisdiction have become somewhat secondary both in theory and in practice.³⁴⁴ The adoption of the Most-Favored Nation Principle in the TRIPS Agreement has had similar effect globally. Furthermore, in the age of the internet, globalization and satellite broadcasting the principle of territoriality and rules of private international law are constantly under pressure. While procedurally jurisdictional divides remain, the practical substantive influence of foreign judgments is high, especially in new areas of application.

Therefore, the research seeks to find an alternative to the fast-paced development of substantive law based on practical transplants and international political compromise tailored to global needs. It seeks to build a common theoretical framework for discussion of limits against which national judges can compare the solutions reached by others internationally. The methodological choices are based on preserving *legitimacy of decision-making, common values and maintained market sustainability*. The method is designed in response to criticism of the democratic deficiency in international intellectual property law-making, of the lop-sided enforcement of trade mark law and of the perceived imminent market failure from absolute rights.

2.4.2 National Laboratories and Cases as Examples

The idea of national courts as necessary international laboratories is discussed in the Expression Article.³⁴⁵

“Dinwoodie argues that development of international intellectual property rules on the national level—more specifically, through private litigation—is preferred to the development taking place in international fora.³⁴⁶ National decision-making is fast, flexible, efficient, and thus more apt to keep up with technological advancement and social change. Furthermore, national courts are less likely to be trapped in a narrow trade-related frame of mind, since they naturally apply trade regulation as part of a complete legal system. Nor are cases in private litigation as likely to be affected by political interests.³⁴⁷

While the results of national courts are not formally binding on other nations, they function as international laboratories producing results that gain international legitimacy through the persuasiveness of the rule that is set forth. Each decision is tested by the force of its own argument in justifying the chosen approach.³⁴⁸ It is imperative that this test occurs in the context of local analysis by another court.³⁴⁹ Critical scrutiny of foreign decisions, including testing, analyzing, distinguishing, rejecting, and borrowing, is an essential part

344 Graeme Dinwoodie, William O. Hennessey, Shira Perlmutter, International Intellectual Property Law and Policy (2001) at 1 and 89.

345 Expression Article at 689-693.

346 Dinwoodie 2000b at 474–75 and Dinwoodie 2001 at 735.

347 Dinwoodie 2000b at 474–475, 569, 577–579; Dinwoodie 2001 at 766, 772, 775, 781.

348 David Beatty, Law and Politics 44 AM. J. Comp.L. 131 (1996) at 145.

349 Sarah K. Harding, Comparative Reasoning and Judicial Review, 28 YALE J. INT'L L. 409 (2003) at 427.

of the development of a legitimate body of international law.³⁵⁰ Thus, rather than being binding, the developing body of international law is premised on the law of reason.³⁵¹

The level of persuasiveness depends on both the issue to be decided and the degree of conflict with international law. On the other hand, the lack of consensus on one issue of trade mark protection does not preclude the influence of international law on another related issue.³⁵² National courts engage in an international dialogue that “neither undermines local authority nor disconnects legal analysis from its local origins”; on the contrary, the dialogue is essential to the authority of the rule itself.³⁵³³⁵⁴

More recently, Dinwoodie has elaborated on the idea of national courts as laboratories also in the context of EU trade mark law. He argues that national courts should refrain from asking the EUCJ for a preliminary ruling until the issue at hand has been tried in national courts, thus preventing a jurisdictionally and normatively constrained EUCJ from prematurely considering issues in undeveloped fields of law without the benefit of a body of lower level decisions.³⁵⁵

The method employed in all four articles treats selected national cases as examples of solutions to a specific problem of trade mark law within this meaning. These cases constitute the basis for *issue-based* comparison and the conclusions of the national courts are first, compared with each other and second, tested against the legal framework of EU primary law in order to find a solution for treating the broader issue in EU trade mark law. Like Dinwoodie this research recognizes the problems inherent in the preliminary rulings procedure at the current state of normative development in EU trade mark law. While national courts may be procedurally better equipped (deciding both questions of fact and law) to decide cases in complex new settings, the varying jurisdiction and discretion of national courts in the EU does not necessarily provide for a better solution to *developing law* than what can be offered by the EUCJ. Likewise, abandoning the preliminary rulings procedure and consequently removing EUCJ jurisdiction is problematic from the point of view of EU law, which rests heavily on the primacy of EU law and the court’s exclusive role in the interpretation of it.³⁵⁶

350 Harding at 424–425.

351 Dinwoodie 2000b at 550–552, 570.

352 *Laugh it Off Promotions CC v South African Breweries Int'l*, 2005 (1) (CC) at 33.

353 Harding at 464. Harding also states that “the point . . . [is] to broaden the scope of analysis on the use of foreign law, to understand the larger context of decision-making in which the use of foreign law is just a piece, and through such larger context to determine whether connected concerns about legitimacy, certainty, coherence, and utility are valid.” (at 461).

354 Expression Article at 690–691.

355 Dinwoodie 2010. See also Thomas de la Mare and Catherine Donnelly, Preliminary Rulings and EU legal integration and Stasis in Paul Craig and Grainne de Burca Eds. *The Evolution of EU Law*, 2nd Edition, Oxford University Press 2011 at 391–392 arguing that the EUCJ should refrain from accepting all references for preliminary rulings and place more trust in national courts to implement EU law. For another view, see Broberg & Fenger at 35–36 arguing instead that some preliminary rulings should be transferred to the General Court.

356 See also Broberg & Fenger at 25–36.

Another approach would be for the EUCJ to more openly stress when it in fact enters a grey area where conflicts of fundamental interests arise, including addressing the normative basis of each interest in turn, thereby signaling when they operate solely within core issues of trade mark law. However, recent rulings seem to treat each legal issue alike (whether traditional or new) and pressing *questions of law* in all cases into concepts such as ‘use in the course of trade’, ‘use as a trade mark’ or ‘use for the purpose of distinguishing goods or services’ to the detriment of inner logic or coherence of the preliminary ruling itself.³⁵⁷ If the rulings do not make sense in light of the circumstances of the case at hand, it is even more difficult to find an inner logic of EU trade mark law from the scattered statements in a body of preliminary rulings. Confusion on the content and meaning of EUCJ case law in trade mark cases can also be attributable to the text of the TMD, which would seem to point to a more adequate solution in the form of legislative intervention. Legislative reform would also sit more easily both within the tradition of civil law countries that prefer balancing of interests by the legislature as with EU law, thus preserving established jurisdiction between EU institutions and member states.

In the meanwhile this research focuses on comparing normative approaches to dealing with trade mark cases at the limits of trade mark law, where new uses of trade marks occur in new settings. National cases are not treated as authoritative statements of law, but as examples of how an issue may be addressed and how competing interests are given weight. Thus, national examples of balancing or weighing of interests are contrasted, compared and weighed against the normative recognition of these interests in EU primary law. The rulings of the EUCJ are then interpreted in light of the result.

The rulings of the EUCJ are naturally authoritative statements of law under the TEU and established principles of EU law.³⁵⁸ However, it is not clear which elements of a particular preliminary ruling have such effect.³⁵⁹ Therefore, this research does not treat each preliminary ruling as a final statement of law on the factual issue at hand, which would allow for a deduction of rules of law based on fact (*context of fact*). Instead, it treats preliminary rulings as affirmations of principles of law, i.e. as results of balancing, even though any such balancing may only be implicit or even

357 Google France discussing what use constitutes ‘use’ at 49-105 and L’Oréal v eBay at 51-104.

358 Today it is no longer disputed that preliminary rulings have binding effect also on others than the parties in the proceedings i.e. the referring national court. Broberg & Fenger at 441.

359 The binding general effect of preliminary rulings includes the *ratio* of the ruling. Broberg & Fenger at 443. The EUCJ, however, does not consider itself bound by its own previous rulings, but attempts to act in line with its previous rulings. Broberg & Fenger liken the EUCJ’s approach to that of Scandinavian Supreme Courts and their treatment of precedent and contrasts it with Anglo-Saxon doctrine of stare decisis, which regards previous decisions as binding. Broberg & Fenger at 444. On the Nordic tradition see also Andreas Follesdal and Marlene Wind, Introduction-Nordic Reluctance towards Judicial Review Under Siege, Nordic Journal of Human Rights 2009, 27 (2) at 131-132.

lacking in the chosen wording.³⁶⁰ As evidenced by the approach in all four articles, the point of this exercise is not to improve EUCJ case law, but to interpret EU trade mark law in light of outside interests enshrined in EU primary law. As a result, the principles that are affirmed by the EUCJ in each preliminary ruling are placed in a broader *context of law* as opposed to a context of fact, which would be a natural approach in a common law system.

However, it could be argued that the only relevant context of law as recognized by the civil law tradition is the context of trade mark law. All four articles included in this research argue the opposite that the *relevant context of law* in resolving hard cases in trade mark law *must take account of other protected interests* than those explicitly expressed in the language of the TMD or Community Trade mark Regulation. These cases concern new types of uses of trade marks or uses of trade marks in new settings.

2.5 Summary

Unlike a traditional comparative approach that would look to national traditions in selected jurisdictions and compare their solutions to the issue of limits in trademark law, this thesis looks elsewhere, namely to EU primary law, for guidance to developing a doctrine of EU trademark law. It recognizes the central role of national decision-makers (legislators and courts) in EU trademark law and argues that decisions on limits are only adequately addressed from their perspective, with the complete factual and normative setting applicable to the circumstances at hand. It is to enrich this decision-making process that this thesis seeks guidance from outside EU trademark law to solve issues that have traditionally been viewed as falling outside trademark law, although recently targeted by trademark owners alleging harm to their reputed trademark. While exclusive trademark rights have expanded during the last decades, limits, exceptions and limitations have not faced similar reform or debate, until recently. The text of the TMD dates back to the 1980s, when limits or the need for them were viewed from the perspective of real market commerce. At the same time the provisions on the scope of trademark rights have been interpreted to encompass new types of uses in new settings. This thesis focuses on limits on trademark rights in that setting; how are judges to assess whether and to what extent these new types of uses of trademarks in advertising or uses of trademarks on the internet are uses that the trademark owner is entitled to prevent under Article 5 of the TMD?

This thesis looks for implicit and explicit limits on the exercise of the trademark right that could be translated into general principles of EU trademark law and to positive statements recognizing the legitimate interests of trademark owners and

³⁶⁰ See Broberg & Fenger at 429-430 stating that “[i]n some cases, this practice [of laying down principles] has led the Court of Justice to lay down principles that later turned out to be too far-reaching, so that it has been necessary to limit or significantly modify this in subsequent cases.”

third parties. The research focuses on the process of decision-making and tools available to allow consideration of competing interests. It focuses on creating a platform for evaluation of competing interests that is narrowly tailored to prevent outside concerns from flooding trademark law to the detriment of protecting the legitimate interests of trademark owners.

It is argued that most of these new uses in new settings fall into a regulatory grey area that the EUCJ asks national courts to map, without presenting them with adequate guidelines to performing review and balancing. Neither does current national law, necessarily, allow for national courts to perform the task entrusted with them, since national statutes tend to focus on awarding rights, not limits. Limits in EU trademark law are buried under murky concepts, such as “use for the purposes of distinguishing goods or services” or “use in the course of trade”. At the same time trademark rights have explicitly expanded, seemingly at every turn, which may lead national courts to question national limiting doctrines. An approach that reviews EUCJ cases in light of EU primary law allows locating equivalent limiting doctrines in EU trademark law that consequently allow balanced development and regulation of uses of trademarks in the modern market place. The research employs presumptive contextualism, i.e. assumes that outside concerns, competing interests, influence decision-making, interpretation and balancing in each case, instead of reviewing EU trademark law through the prism of uses that the trademark owner is entitled to prohibit.

3 Normative Basis

3.1 International trade mark law: minimum standards for limits?

3.1.1 A network of treaties and international cooperation

International intellectual property legislation has an impressive history. After 10 years of preparation and negotiation, the Paris Convention on the protection of industrial property was signed in 1883³⁶¹, and only three years later in 1886, the Berne Convention on the protection of literary and artistic works was signed.³⁶² The intellectual property conventions stemmed from a growing concern that international trade, investment and innovation was impeded by the diversity between national laws.³⁶³ In 1967, the member states also established the World Intellectual Property Organization (WIPO) with the mandate of *promoting the protection of intellectual property throughout the world through cooperation among states and in collaboration with other international organizations.*³⁶⁴ In an effort to respond to criticism of this one-dimensional agenda, WIPO revised and expanded

361 Paris Convention for the Protection of Industrial Property of March 20, 1883, as revised at Brussels on December 14, 1900, at Washington on June 2, 1911, at The Hague on November 6, 1925, at London on June 2, 1934, at Lisbon on October 31, 1958, and at Stockholm on July 14, 1967, and as amended on September 28, 1979 U.N.T.S. 828, p. 1. The Acts concluded in Brussels 1893 and 1900 and in Washington in 1911 are no longer in force, however, all other revisions still have significance. Most contracting parties are party to the Stockholm Act of 1967. WIPO Intellectual Property Handbook: Policy, Law and Use, WIPO Publication No. 489, (WIPO Handbook) at 241-242.

362 Berne Convention for the Protection of Literary and Artistic Works of September 9, 1886, completed at Paris on May 4, 1896, revised at Berlin on November 13, 1908, completed at Berne on March 20, 1914, revised at Rome on June 2, 1928 at Brussels on June 26, 1948 at Stockholm on July 14, 1967, and at Paris on July 24, 1971, and amended on September 28, 1979, U.N.T.S. 1161, p. 3.

363 WIPO Handbook at 241.

364 Resembling a neo-liberal approach to trade mark protection, i.e. that protection is pro-competitive.

its strategic goals as part of “a comprehensive process of strategic realignment” in its 2008/2009 Program and Budget.³⁶⁵

However, from the century-long coherent tradition follows exceptional harmonization of intellectual property law in the Western world and disproportionate political influence of international negotiations and decisions on the national level.³⁶⁶ Unlike most other fields of international law, member states have unanimously accepted the goal of increasing protection, which has led to the adoption of a total of 24 treaties on intellectual property, all administered by WIPO. Eight treaties concern trade mark law, including the establishment of the Madrid system for international trade mark registration, the Nice and Vienna Agreements on classification systems and treaties that harmonize substantive law, i.e. expand the minimum standards of international trade mark protection.³⁶⁷

The Singapore Treaty on the Law of Trade Marks attempts to create a modern and dynamic international framework for the harmonization of administrative trade mark registration proceedings, including increased use of electronic application procedures and the removal of administrative hurdles for registration, such as requiring translations, certified copies or local agents for the completion of the registration process. Substantively it recognizes non-traditional trade marks, such as holograms, three-dimensional marks, sound, color, taste, smell and feel marks, as objects of protection.³⁶⁸ What makes the Singapore treaty

365 Revised Program and Budget for the 2008/09 Biennium, Approved by the Assemblies of the Member States of WIPO on December 12, 2008. Available at http://www.wipo.int/about-wipo/en/what_is_wipo.html The following nine goals were adopted: 1) balanced evolution of the international normative framework for IP; 2) provision of premier global IP services; 3) Facilitating the use of IP for development; 4) coordination and development of global IP infrastructure; 5) world reference source for IP information and analysis; 6) international cooperation on building respect for IP; 7) addressing IP in relation to global policy issues; 8) a responsive communications interface between WIPO, its Member States and all stakeholders; and 9) an efficient administrative and financial support structure to enable WIPO to deliver its programs.

366 Graeme B. Dinwoodie (2000), The Integration of International and Domestic Intellectual Property Lawmaking, *Columbia – VLA Journal of Law and the Arts* 23, pp. 307-315 (Dinwoodie 2000a) at 307.

367 Trade Mark Law Treaty of 1994, Singapore Treaty of 2006 on the Law of Trade marks, Nairobi Treaty on the Protection of the Olympic Symbol adopted in Nairobi September 26, 1981. U.N.T.S. 1863, p. 367.

368 Singapore Treaty on the Law of Trade marks, Regulations under the Singapore Treaty on the Law of Trade marks and resolution by the Diplomatic Conference supplementary to the Singapore Treaty on the Law of Trade marks and the regulations thereunder adopted by the Diplomatic Conference on March 27, 2006 U.N.T.S. 2073, p. 35.

internationally controversial is that it thereby departs³⁶⁹ from the requirement of graphic representation of marks, which most countries, including the European Union, have held as an absolute requirement for the registration of a trade mark.³⁷⁰ Twenty-four countries have to date signed the Singapore Treaty.³⁷¹

Nevertheless, the Agreement on Trade-Related Aspects of Intellectual Property Rights reached under the auspices of the World Trade Organization (WTO) sets the substantive minimum standard for international trade mark law in most countries today.³⁷² Articles 15-21 cover protectable subject matter, rights conferred, exceptions, the term of protection, requirements and licensing and assignment. In addition and breaking with the tradition of international law, Part III of the TRIPS agreement addresses the enforcement of intellectual property rights, including general obligations, civil and administrative procedures and remedies, provisional measures, border measures and criminal procedures.³⁷³ The minimum standard set forth in the TRIPS Agreement introduces several new elements, e.g. provisional measures and increases the scope and level of protection both in theory and in practice in many countries. Traditionally, the minimum standard has been set according to those elements *already existing* on the national level upon which unanimous agreement can be reached.³⁷⁴

369 One could argue that a treaty provision that provides for member states to register marks that cannot be represented graphically does not require member states to depart from any requirement in national law. This line of argumentation is in line with the international practice and trade mark protection approach that argues for an expansive solution to a concrete issue of limitation by way of inclusion of previously excluded elements without recognizing that it is in effect challenging the traditional theories and ways of limiting trade mark protection. Similarly, one could argue that the Singapore Treaty is procedural, not substantive, i.e. does not grant protection to otherwise unprotectable marks, merely provides a procedural avenue for simplifying the registration of non-traditional marks. The procedural requirement of graphic representation has in EUCJ jurisprudence served as a conceptual and substantive limit (see Article 2 of the TMD and Tritton et al. at 265) on what marks can be registered. Removing the procedural hurdle, unequivocally removes the substantive limit. See also Burrell & Handler at 390-391 arguing that the bureaucratic requirements of registration can have a role in shaping intellectual property law and policy.

370 Case C-273/00, *Sieckmann v. Deutsche Patent und Markenamt* [2002] ECR I-11737 at 45.

371 Information on contracting parties available at <http://wipo.int/treaties/en/ip/singapore/>

372 Tritton et al. at 228-229. The Agreement on Trade-Related Aspects of Intellectual Property Rights (The TRIPS Agreement) is Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization, signed in Marrakesh, Morocco on 15 April 1994 U.N.T.S. 1867, p. 3.

373 Tritton et al. at 53-54.

374 Dinwoodie 2000a at 247.

The specific requirements of the TRIPS Agreement on enforcement have spurred numerous task forces³⁷⁵, increased cooperation³⁷⁶ and treaty negotiations on enforcement³⁷⁷. The most notable examples are the Enforcement Directive in the EU³⁷⁸ and the Anti-Counterfeiting Trade Agreement reached between the world's leading economies concluded at the end of last year.³⁷⁹ These rules affect the substantive minimum of protection in practice. The TRIPS Agreement also incorporates the provisions of the Paris Convention³⁸⁰, and thus subjects also established international trade mark law to potential scrutiny in binding WTO Dispute Settlement Proceedings. The TRIPS Agreement, which is binding on all 153 members of the WTO, thus, has clearly broader significance throughout the world than any of the treaties administered by WIPO.³⁸¹

3.1.2 Substantive minima and their effect on limits in practice

The Property Rights Article discusses the level of international trade mark protection reached and the limitations allowed on that right under international trade mark law. International treaties do not confer rights instead they place obligations on member states to provide a certain minimum level of protection to foreign nationals in their territory. Thus, the discussion really focuses on the limits international intellectual property law treaties recognize to the obligations the same treaties set forth. However, a quick review of the basics principles of international intellectual property law is needed, before elaborating on the argument and conclusions of the Property Rights Article.

375 The European Commission has launched several initiatives for fighting counterfeit goods, such as the Anti-counterfeiting operation DIABOLO II, increased dialogue between customs authorities and certain industries, the joint customs operation INFRASTRUCTURE as well as adopted an Action Plan to combat counterfeiting and piracy. Available at http://ec.europa.eu/taxation_customs/customs_controls/counterfeit_piracy/commission_initiatives/index_en.htm

376 WIPO maintains IPEIS Electronic Forum where enforcement and intellectual property office officials and IP holders can share information. Also the International Bureau collects data on IP enforcement issues by posting surveys and questionnaires on this forum.

377 The secret negotiations on an Anti-Counterfeiting Trade Agreement (ACTA) were exposed when a draft was leaked in January 2010. The negotiating members released a draft of the treaty in May 2010.

378 Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights.

379 Information of the EU Agenda and involvement available at <http://ec.europa.eu/trade/creating-opportunities/trade-topics/intellectual-property/anti-counterfeiting/> Other countries involved Australia, Canada, Japan, Korea, Mexico, Morocco, New Zealand, Singapore, Switzerland, and the United States.

380 Article 1.3 of the TRIPS Agreement incorporates the 1967 version of the Paris Convention.

381 The WTO has 153 members on 23 July 2008. Available at http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm

The Paris Convention introduced the format for international intellectual property treaties.³⁸² Two principles designed to gradually harmonize national laws were paramount: the principles of introducing minimum standards and demanding national treatment.³⁸³ The minimum standard sets the floor for protection, from which a nation is free to derogate and offer more protection. The principle of national treatment, however, requires nations to protect foreign nationals at the same level of protection given to nationals.³⁸⁴ This in effect raises the minimum level of protection, since most nations are likely not to favor foreigners over their own nationals. Likewise, nations are unlikely to maintain a lower level of protection than their national industries require. Thus, together these principles effectively induce increased protection of intellectual property rights.

The TRIPS Agreement added the Most-Favored Nation principle, which demands that a nation afford the same level of protection to a national of any WTO Member State that it affords to the WTO Member State most favored by it. Thus, regardless of the minimum standard set forth in the TRIPS Agreement, if a nation concludes a bilateral treaty with another WTO Member State, in which it contracts to afford a higher level of intellectual property protection to nationals of that country, it in effect is obligated under Article 4 of the TRIPS Agreement to grant the same level of protection to all other WTO Member States. Both the European Union and the United States have been criticized for demanding high-level protection for intellectual property rights, today called TRIPS-plus standards, in return for trade benefits to developing nations.³⁸⁵ Although this level of protection arguably makes economic sense to some global industries, e.g. pharmaceuticals, globally harmonized, extensive intellectual property protection does produce dead-weight loss in other fields that cannot necessarily be offset.³⁸⁶

Therefore, while the minimum substantive law standards set forth in the TRIPS Agreement, in practice, by way of other international trade mark law treaties may have already been adopted and surpassed by most WTO Members, the standard still has relevance, when assessing the limits of trade mark law. This is because under Article 17 of the TRIPS Agreement the right of Member States to make exceptions to the exclusive trade mark right is regulated.

Article 17- Exceptions

Members may provide limited exceptions to the rights conferred by a trade mark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trade mark and of third parties.

382 Tritton et al. at 229.

383 Article 2 of the Paris Convention. The convention set forth specific rules for the minimum standard with great practical influence on the development of international trade mark law, such as the registration priority and the *telle-quelle* principle. See Tritton et al. at 246.

384 Article 2 of the Paris Convention.

385 Gustavo Ghidini, Innovation, Competition and Consumer Welfare in Intellectual Property Law at 19 refers to the *Washington consensus* and citing Jerome Reichmann, Beyond the Historical Lines of Demarcation: Competition Law, Intellectual Property Rights and International Trade after the GATT's Uruguay Round, 20 Brook. J. of Int'l Law, 1993 at 119 who refers to "a discredited intellectual property rights system [that] risks collapsing of its own overprotectionist weight" and continues "The risk of collapse...arises precisely from the danger that intellectual property rights could be transformed from a tool for the promotion of innovation and competition, into a protectionist barrier in favor of dominant enterprises: that is to say, into a factor that restricts supply and slows down the dynamic processes that generate innovation, while also reducing consumers' alternatives of choice."

386 Mylly at 250-251.

Under the TRIPS Agreement a member state is obligated to afford protection to “any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of another undertaking”.³⁸⁷ Thus, member states may not categorically refuse protection of any type of mark. However, as compared to the Singapore treaty, member states may require that signs are visually perceptible (i.e. fulfilling the registration requirement of graphic representation).³⁸⁸ A novelty was to allow registration of marks that lack inherent distinctiveness, if distinctiveness has been acquired through use. The owner of a registered mark must be granted “the exclusive right to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trade mark is registered, where such use would result in a likelihood of confusion. [When] an identical sign is used for identical goods or services, a likelihood of confusion shall be presumed.”³⁸⁹

The TRIPS Agreement also grants protection to well-known marks, where they are well-known, although not used or registered in the country in question.³⁹⁰ This protection is based on Article 6bis of the Paris Convention and is available both when the conflicting sign is used for identical, similar and dissimilar products and services.³⁹¹ Protection of well-known marks should not be confused with expanded protection for famous marks in some national and regional laws. An action for famous mark holders against dilution or tarnishment is not recognized in the TRIPS Agreement, and thus, is not part of the minimum standard³⁹² of protection under international trade mark law.³⁹³

It should be noted that trade mark protection differs from other forms of intellectual property in two ways. First, the registration of a trade mark is indefinitely renewable,

387 Article 15 of the TRIPS Agreement.

388 See Derclaye & Leistner at 12-13 and 53 noting that audible and olfactory marks could thereby be excluded.

389 Article 16.1 of the TRIPS Agreement.

390 Article 6bis of the Paris Convention. Tritton et al. at 230-231.

391 Article 16.2 and 16.3 of the TRIPS Agreement

392 It could be argued that the WIPO Joint Recommendation on the Protection of Well-Known Marks adds to the accepted minimum standard of international trade mark law, since it has been adopted by the Members of the Paris Union and the General Assembly of WIPO. This soft law instrument has not, however, been made part of the normative framework of international intellectual property treaties, instead could be construed as an element, where consensus has not been reached to the extent necessary for inclusion in a treaty on issues that transcend Article 16 of TRIPS. Therefore, the provisions of the WIPO Joint Recommendation is not included as part of the “minimum standard of international trade mark law” as understood in this thesis. This decision does not mean to argue that the WIPO Joint Recommendation or some parts of it does not have practical significance in WIPO member states. See also Boyle & Chinkin at 213.

393 Kur, Annette, *Well-Known Marks, Highly Renowned Marks and Marks Having a (High) Reputation: What's It All About?* IIC 1992, 218-231 (Kur 1992) at 218-219. Kelbrick, Roshana, *The Term Well-Known in South African Trade-mark Legislation: Some Comparative Interpretations*, XXXVIII CILSA 2005 p. 435-452 at 436. This issue is extensively discussed in Ch. 3 of the Sports Merchandising Article.

and in practice lasts as long as the mark remains registered or is used.³⁹⁴ Countries are, however, allowed to make the trade mark right dependent on use.³⁹⁵ Second, although trade marks can be licensed or assigned with or without the business to which it belongs, the compulsory licensing of trade marks is prohibited under Article 21 of the TRIPS Agreement. The remedy frequently used in copyright law and less so in patent law that with or without the holders consent allows the use of another's trade mark against remuneration (based on prior licensing fees) is therefore not available in trade mark law.³⁹⁶ Such a remedy would dislocate the trade mark from its albeit anonymous source, which runs counter to the very premise of trade mark law (protecting signs that distinguish the goods of one actor from that of another).³⁹⁷

The relationship between Article 16 and Article 17 of the TRIPS Agreement is thoroughly analyzed in the Property Rigths Article.

First, it can be noted that "even when all four elements of Article 16(1) are satisfied and a mark is used in commerce on identical or similar goods in a way that causes a likelihood of confusion, the use may nonetheless be lawful."³⁹⁸

Second, national legislation must satisfy two elements: "1) the exceptions must be limited and (2) must take account of the legitimate interests of the trade mark owner and of third parties."³⁹⁹

Third, "[a]ny interpretation of either element that excludes the example "fair use of descriptive terms" is necessarily incorrect."⁴⁰⁰ "Fair use of descriptive terms is not limited in terms of the number of third parties who may benefit, nor in terms of the quantity of goods or services with respect to which they use the descriptive terms, although implicitly it only applies to those third parties who would use those terms in the course of trade and to those foods or services which those terms describe."⁴⁰¹

Fourth, "[U]nlike the other provisions [Articles 13 and 30] Article 17 contains no reference to 'conflict with a [or the] normal exploitation', no reference to 'unreasonable prejudice to the legitimate interests' of the right holder or owner, and it not only refers to the legitimate interests of third parties but treats them on par with those of the right holder. Article 17 clearly permits exceptions that are not applicable to other intellectual property rights."⁴⁰²

Fifth, "[e]xceptions may apply to 1) a category of third parties; with respect to 2) the identity or similarity of the marks or goods; 3) the degree of likelihood of confusion; 4) a combination of the above; or 5) in some other way, as long as they are limited."⁴⁰³

Sixth, "...the focus remains on the impact on the rights of the trade mark owner."⁴⁰⁴

394 Article 18 of the TRIPS Agreement.

395 Article 15(3) of the TRIPS Agreement.

396 Derclaye and Leistner at 14. Compare Articles 21 and 31 of the TRIPS Agreement.

397 For a thorough discussion see ISP Liability Article.

398 Property Rights Article at 184.

399 GI-Panel Report at 7.648.

400 GI-Panel Report at 7.648.

401 GI-Panel Report at 7.654.

402 GI-Panel Report at 7.649.

403 Property Rights Article at 187.

404 Property Rights Article at 187.

The Property Rights Article focuses on *conflicts between property rights*, namely the protection of trade marks, when protection raises a conflict with the protection of geographical indications as in the WTO Panel Report in *European Communities - Protection of Trade marks and Geographical Indications for Agricultural Products and Foodstuffs*. It analyses the conclusions of the WTO Panel in light of 1) other panel reports on the interpretation of the provisions of the TRIPS Agreement⁴⁰⁵, 2) the Dispute Settlement Understanding and general WTO law⁴⁰⁶, as well as, 3) in light of the general principles of international law, namely as manifested in Article 31.1 in the Vienna Convention on the Law of Treaties⁴⁰⁷ and 4) by contrasting and comparing the conclusions of the Panel with different approaches to property and to solving property conflicts as exemplified with three examples of such conflicts in national and international courts.⁴⁰⁸ All four categories aim at sketching the *context of law* in which the specific treaty provisions operate and should be interpreted, thus giving a voice for other relevant interests in *resolving a true conflict* between equally weighty fundamental interests.

Instead of approaching interpretation of international trade mark law from a “property against property” dead lock, the article argues for an interpretation and solution of intellectual property rights conflicts based on a theory of co-existence of rights.⁴⁰⁹ A presumption of co-existence of rights precludes the question of which right trumps the other, since such an approach would lead to the creation of a hierarchy of constitutional or fundamental rights. Human rights law, EU fundamental rights law and national constitutional laws in Western nations⁴¹⁰ are moving away from viewing certain rights as fundamentally more important than

405 Exceptions to copyrights are regulated in Article 13 of the TRIPS Agreement, and was interpreted in Panel report, United States- Sec 110(5) of Copyright Act, WT/DS160/R (June 15, 2000). Exceptions to patents are regulated in Article 30 of the TRIPS Agreement, and was interpreted in Panel report Canada-Patent Protection of Pharmaceutical Products, WT/DS114/R (March 17, 2000).

406 The Agreement Establishing the World Trade Organization, *supra* note 1, includes Annex 1A: General Agreement on Tariffs and Trade and 12 specialized agreements; Annex 1B: General Agreement on Trade in Services; Annex 1C: Agreement on Trade-Related Aspects of Intellectual Property Rights; and Annex 2: Understanding on Rules and Procedures Governing the Settlement of Disputes. Five basic rules and principles complete WTO law, or what is known as the multilateral trading system: the principles of non-discrimination (MFN and national treatment), the rules on market access, the rules on unfair trade, the rules on conflicts between trade liberalization and other societal values and interests, including rules on special or differential treatment of developing countries; and the rules promoting harmonization of national regulation in specific fields. For an elaboration see Peter van den Bossche, *The Law and Policy of the World Trade Organization*, Text, Cases and Materials, Second Edition 2008 at 37-42.

407 Vienna Convention on the Law of Treaties, May 23, 1969, 1155 U.N.T.S. 331. (VCLT)

408 Property Rights Article at 172-183 and 195-200.

409 Also in line with the *reconciliation approach* to ascertaining the impact of international human rights on general international law. Menno T. Kamminga, *Final Report on the Impact of International Human Rights Law on General International Law*, Report of the 73rd Conference of the International Law Association 2008 at 2.

410 See Expression Article at 679 on the common acceptance of human rights obligations in the Western world.

others.⁴¹¹ Instead, contemporary law views rights as permanent obligations on Member States to secure to its citizens, unless exceptions are expressly provided for by law and only to the extent necessary to meet the specific purpose of the exception (usually guaranteeing fundamental rights of others).⁴¹²

Although trade marks may seem a more ideal candidate for property rights protection than other intellectual property rights due to its clearer object and the prohibition against compulsory licensing⁴¹³, no international human rights instrument views some property rights as more valuable than other property rights.⁴¹⁴ Thus, an interpretation that would allow specific treaty obligations (text) to be balanced in isolation of the *context of law* in which it is placed would reduce treaty interpretation and conflict solutions to a frozen moment in time and ignore the dynamic nature of law as well as the incompleteness of international law.⁴¹⁵ International treaties cannot be compared to national laws in that they would

411 With the exception of the absolute prohibition of torture and inhumane and degrading treatment (Article 5 of the Universal Declaration on Human Rights and Article 3 of the European Convention of Human Rights). Various human rights instruments and national constitutions have historically favored different human rights. An evident example is the separation of International Covenant on Civil and Political Rights from the International Covenant on Economic, Social and Cultural Rights that has historically strongly favored the former (see e.g. Andreas Rahmantian, Trade marks and Human Rights in Paul L.C. Torremans (Ed.) Intellectual Property and Human Rights, Enhanced Edition of Copyright and Human Rights, Wolters Kluwer, 2008 at 343). Similarly, the European Court of Human Rights has historically interfered with Member State discretion under the European Convention of Human Rights to protect rights such as the right to a fair trial (Article 6) and freedom of expression (Article 10), while e.g. the right to property is not included in the Convention itself. Instead, it was added in the (First) Protocol that entered into force 18.5(1)954, however not binding on all Member States. The European Court of Human Rights has until recently shown great deference to Member States, when it comes to limiting the property rights of their citizens. Property Rights Article at 174-178. See also Laurence R. Helfer, The New Innovation Frontier? Intellectual Property and the European Court of Human Rights in Paul L.C. Torremans (Ed.) Intellectual Property and Human Rights, Enhanced Edition of Copyright and Human Rights 2008 at 27 and at 31 and 76 arguing that the European Court of Human Rights should reserve review of intellectual property claims under Article 1 of the Protocol to cases of arbitrary government conduct and restore wide discretion to member states (adhering to what Helfer calls “the rule of law paradigm” that finds support in ECtHR case law at 60). Similarly, he argues that the ECtHR should resist proposals to balance intellectual property rights against other human rights (at 70) or to require states to provide enforcement mechanisms for the protection of intellectual property rights under the Protocol (at 64). By contrast, national constitutions tend to emphasize the protection of property over other more vague freedoms or rights. E.g. the Takings Clause in the US Constitution. Rahmantian at 345.

412 A provision should be given a meaning that is least destructive of other entrenched rights. 31.1 VCLT.

413 See Expression Article at 674 and ISP Liability Article at Ch. 5(1).2.

414 See also Expression Article at 676 discussing competing constitutional rights that are inherently equal.

415 Martti Koskenniemi, From Apology to Utopia: The Structure of International Legal Argument 1989 (Koskenniemi 1989) at 4 “The concreteness of international law manifest itself in its responsiveness to changing State behavior.” See also Robert McCorquodale, Impact on State Responsibility in Menno T. Kamminga and Martin Scheinin (Eds.), The Impact of Human Rights Law on General International Law, Oxford Scholarship Online 2009 available at <http://www.oxfordscholarship.com/oso/public/content/law/9780199565221/toc.html> last visited 12.9.2011 at 235.

amount to even a somewhat complete legal system.⁴¹⁶ Nor does a single treaty constitute a fixed framework for legislation in a certain field of law that defines the outer parameter of rules applicable in the field. The Property Rights Article in effect argues that viewing the TRIPS Agreement, not as a minimum standard treaty obligation, but as setting fixed levels of protection *ignores* the international nature of the agreement and the grey area that remains unregulated by the agreement, i.e. *all those issues that the member states have not agreed upon or have agreed upon differently elsewhere.*⁴¹⁷ A general principle of international law and treaty interpretation states that member states as a rule cannot, but expressly, contract out of their previous international obligations nor can subsequent treaty provisions be interpreted to in effect do so.⁴¹⁸ Likewise, member states cannot be interpreted to contract into a specific treaty obligation that they have not expressly agreed upon.⁴¹⁹ Thus, ignoring the *context of law* (i.e. general procedural and substantive rules and principles of international law) and the unregulated or only partially regulated grey areas in international law amounts to a violation of international law on treaty interpretation.⁴²⁰ This conclusion is supported by Art. 1.1 of the TRIPS Agreement, which secures the right to Member States to freely determine how best to meet their obligations under the TRIPS Agreement within the context of their own legal systems.⁴²¹

The Property Rights Article analyzes and interprets the provisions of the TRIPS Agreement infused with the general principles of public international law and concludes that the entire text of the TRIPS Agreement provides a binding analytical framework for assessing the legitimate scope of trade mark protection under international law. The existing analytical framework can be derived from three sources:

- 1) The minimum standard of protection set forth in the agreement (art. 16 (1));
- 2) the degree of derogation allowed from the afforded rights under art. 17 and;
- 3) the context and structure of the TRIPS Agreement.

Under established WTO praxis the questions should be addressed in this order, i.e. from the specific to the general. The specific provision and the issue it regulates constrains and guides interpretation on the more general levels. However, the general level provides a background and framework for choosing between alternative

416 See Rahmantian at 337 discussing “the TRIPS Agreement, which provides trade mark provisions that are unusually detailed for an international instrument [and that] the underlying or conflicting human rights regime has by no means reached this level of international harmonization at least as far as human rights are concerned that are *enforceable* by individuals against authorities and, increasingly, non-state entities, especially businesses.” (emphasis original)

417 Property Rights Article at 189-195.

418 See Expression Article at 680.

419 Property Rights Article at 197, when applying the rules to the GI-Panel Report.

420 Property Rights Article at 190-191 and 198. See also Expression Article at 682.

421 As confirmed in Appellate Body Report, *India Patents (US)*, WT/DS50/AB/R, DSR 1998:I at 59.

interpretations regarding the meaning of the terms used in a specific provision.⁴²² For example, the structure of the TRIPS Agreement is designed around minimum standards, which presupposes that member states may and often do grant stronger protection in national laws. An interpretation that prevents a member state from granting stronger protection than the minimum level mentioned in the TRIPS Agreement seems to defy the context and structure of the Agreement itself.⁴²³

3.2 EU Trade Mark Law: Maximum Standards for Limits?

3.2.1 Jurisdiction

3.2.1.1 Legislative competence

Trade mark law, although not completely harmonized in the European Union, is increasingly influenced by centralized decision-making both by law and in practice.⁴²⁴ The TMD that includes provisions of substantive trade mark law entered into force in 1989 and has since been implemented by old and new member states.⁴²⁵ The Directive was amended in 2008 without substantive changes in order to improve

422 See Appellate Body Report, *Japan- Taxes on Alcoholic Beverages* 40, WT/DS10/AB/R, WT/DS11/AB/R, WT/DS8/AB/R (Oct. 4, 1996); and Appellate Body Report, *United States-Prohibition of Certain Shrimp and Shrimp Products* 116, 121, WT/DS58/AB/R (Oct. 12, 1998).

423 van den Bossche at 750.

424 Joined cases C-414/99 *Zino Davidoff v A&G Imports*, C-415/99 *Levi Strauss v Tesco Stores* and C-416/99 *Levi Strauss v Costco Wholesale* [2001] ECR I-8691 at 39: “Articles 5 to 7 of the Directive embody a complete harmonisation of the rules relating to the rights conferred by a trade mark and accordingly define the rights of proprietors of trade marks in the Community”; Arsenal at 43-46 stating that the TMD constitutes a complete harmonization and “defines the exclusive *rights of trade mark proprietors* in the Community”. The court continues at 47-48 to view the trade mark right as an essential element in the system of undistorted competition and in that context the essential function of a trade mark is to guarantee the identity of the origin of the marked goods and services to the consumer. While the Directive completely harmonizes the standard of protection given in Article 5, these references by the court do not state that the directive harmonizes completely or defines *the limits* on the trade mark owner’s right. Instead, these statements are made in the *context of rejecting competing national standards of trade mark protection* for inclusion in EU trade mark law. Harmonization of the exclusive right of the proprietor can therefore not be interpreted to detach TMD from the context of EU freedom of competition and trade -values. Instead, the harmonization is complete on the issues directly addressed by the TMD e.g. Community-wide exhaustion or likelihood of confusion including a likelihood of association. Kur 2008 at 154-155.

425 First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks OJ L 40, 11.2.1989, p. 1-7.

clarity and rationality.⁴²⁶ The Community Trade mark Regulation (CTMR) introduced a community-wide trade mark right (CTM) in 1994 administered by the Office for Harmonization in the Internal Market (OHIM) in Alicante, Spain.⁴²⁷ The CTM, which spans the entire European Union co-exists with national rights available in most Member States. In substance, the TMD and the CTMR set forth the same provisions. In addition, the CTMR sets forth numerous procedural rules. Although not directly and entirely intended for harmonization of national registration procedures the CTMR has in fact had a strong harmonizing effect on national registration practice. New and contested issues tend to proceed from the OHIM by way of appeal to the General Court and the EUCJ, the rulings of which are considered authoritative statements on the interpretation of the identical provisions in the TMD (which are binding on national registration authorities) as well.⁴²⁸

The Study on the EU Trade Mark System describes harmonization of trade mark laws in Europe as follows:

“TMD and CTMR were developed jointly, as coordinated steps towards removal of barriers to trade within the internal market. While the CTMR aimed directly at removing obstacles resulting from territoriality by creating a unitary right (CTMR, recital 4), the TMD proceeded more cautiously, harmonizing only those provisions by which the internal market was most directly affected (TMD, recital 4). This means that the core elements of trade mark protection, such as the essential grounds for refusal as well as provisions governing the scope of protection and limits of that protection, were brought into full harmony with each other, and are also congruent in their contents with the CTMR. Other provisions corresponding to those of the CTMR, such as extended protection for reputation marks, remained optional; a number of other optional provisions – mainly concerning absolute and relative grounds for refusal – allows to deviate from the CTMR. Lastly, the TMD expressly abstained from regulating rules of procedure concerning registration, revocation and invalidity, including the effect of cancellation (TMD, recital 6); it also does not contain anything on sanctions for infringement. However, the latter lacuna was filled by Directive 48/2004/EC (Enforcement directive).”⁴²⁹

426 Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks, OJ L 299/25, p. 25-33. Some numerical changes relevant for our purposes have occurred. The previous 10th recital of the TMD, which states that protection in the case of double identity is absolute is now included in the 11th recital of the TMD. Similarly, the 9th recital that referred to a use requirement in order to maintain rights in a mark now constitutes the 10th recital of the TMD. Article 3(1)(e) that previously included three bulleted sentences has now been divided into subparagraphs and numbered (i)-(iii).

427 Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark, OJ L 011, 14.1.1994, p. 1.

428 Tritton et al. at viii “In the field of trade mark, the ECJ and the CFI have been busy in handing down a cornucopia of decisions. This has led to considerable clarification of provisions of the TMD and Regulation. Indeed, it can be said that there is now a “bedrock” of case law relating to these provisions which is unlikely to be questioned or overruled. For institutions who have no *stare decisis*, this is to be welcomed. The inconsistency of approach that in the past, characterized the Community court’s decisions has largely gone.” See also at 262.

429 Study on the EU Trade Mark System at 1.18.

This paragraph can be interpreted from three different perspectives; as a statement on 1) jurisdiction; 2) procedure and 3) substance. The latter two can also be divided in two, whether the measures constitute *specific regulation* of certain rules of procedure or substance, or whether measures constitute a *complete regulation* of specific rules of procedure or substance. The following discussion includes consideration of all of these perspectives, keeping foremost in mind the focus of this dissertation, *the limits of EU trade mark law*.

First, the areas of common commercial policy as well as securing the functioning of the internal market are squarely within the goals of the EU Treaties, which means that Member States have clearly attributed powers in these fields to the EU.⁴³⁰ From the perspective of jurisdiction, or competence between Member States and EU, it seems clear that the EU by regulating has asserted jurisdiction in the area of trade mark law.⁴³¹ The limits of EU competences are guided by the principle of conferral, i.e. the EU can act only within the competence conferred to it by the Member States in the Treaties to attain objectives therein.⁴³² Hence, the EU has exclusive jurisdiction in the field of trade mark law to the extent that they have legislated in the field, under Article 5(2) TEU. This means that only the EU may legislate or enter into international agreements⁴³³ on the substantive questions that are covered by EU legislation or the Treaties.

However, competence to legislate on issues that have not been harmonized tend to be shared with the Member States, which means that both may legislate, but Member States are bound by the principle of pre-emption, i.e. they may exercise their competence only to the extent that the EU has not.⁴³⁴ Similarly, according to the principle of sincere cooperation in Article 4(3) TEU Member States must not take measures that could jeopardize the achievement of the objectives of the EU. However, even while operating in the field of exclusive

430 Rosas & Armati at 19.

431 The Federal Order of Competences in Armin von Bogdandy and Jürgen Bast, *Principles of European Constitutional Law*, Revised 2nd Edition, Hart Publishing, 2009 (von Bogdandy & Bast) at 280.

432 Article 5(1) and 5(2) TEU.

433 Article 3(2) TEU. See also von Bogdandy & Bast at 282.

434 Rosas & Armati at 19.

competence the power of the EU to regulate for example on rules of procedure or sanctions, is not uncontested.⁴³⁵

Nevertheless, competence within this meaning confers a power to act in the abstract, and the exercise of competence is “directed and delimited by legal norms that specifically provide formal, procedural and substantive requirements for the proper exercise of the particular competence, as well as by the general scheme relating to the lawful exercise of power, such as fundamental rights.”⁴³⁶ Thus, while the CTMR and TMD include specific rules of trade mark registration procedure, it does not follow that it is within the exclusive competence of the EU to regulate registration procedure. Indeed, we could distinguish between substantive rules of trade mark registration procedure and procedural rules of trade mark registration procedure⁴³⁷, the former being largely within the exclusive competence of the EU, while the latter would seem to be within the shared competence of the Member States and the EU.

Similarly, EU exclusive competence to act would seem natural on the substantive issues mentioned above, while the excluded substantive issues would remain within Member State and EU shared competence. It would seem that the former rules in the TMD and CTMR on the scope of protection and limits constitute specific regulation of certain rules of procedure and substance within the meaning that the EU has exclusive *competence to act and to exercise* legislative competence on these issues. Member States are therefore not free to deviate from the substance of these provisions in national law under EU law. Since the entry into force of the TMD and CTMR, the EU legislature has also asserted jurisdiction in nearby fields, such as the Enforcement Directive that affect the substantive scope of EU competence. Similarly, factual implementation by Member States of optional provisions, e.g.

435 While the EU may be considered to have implied powers under the treaties to determine sanctions to enforce the policies defined by the EU legislature, the EUCJ decisions recognizing such power have been hotly debated. Case C-176/03, *Commission v Council* [2005] ECR I-7879 and Case C-176/03, *Commission v Council* [2005] ECR I-7879 concerned the ability of the EU to require that member states adopt serious criminal penalties for serious environmental offences in the following circumstances: “when the application of effective, proportionate and dissuasive criminal penalties by the competent national authorities is an essential measure for combating serious environmental offences, from taking measures which relate to the criminal law of the Member States which it considers necessary in order to ensure that the rules which it lays down on environmental protection are fully effective.” (Case C-176/03, *Commission v Council* [2005] ECR I-7879 at 48 and Case C-176/03, *Commission v Council* [2005] ECR I-7879 at 66) mentioned in von Bogdandy & Bast at 282.

436 von Bogdandy & Bast at 283.

437 See also Study on the EU Trade Mark System that discusses these issues separately in Chapter 3 and 4 respectively.

Article 5(2) has, in the case law of the EUCJ, conferred exclusive jurisdiction on the EU also on the scope of protection for reputation marks.⁴³⁸

3.2.1.2 Completeness of regulation

Second, whether the TMD and the CTMR constitute *complete regulation* of certain procedural and substantive rules could again be understood in two ways. Completeness could refer to the exclusion of Member State jurisdiction or to substantive completeness that cannot be derogated from even by the EU. A solution that squarely finds in favor of completeness of EU jurisdiction as well as completeness of regulation on scope of protection and limits is tempting. Thus, the level of protection afforded under Article 5 and the limits mentioned in e.g. Article 5⁴³⁹, 6 and 7 constitute a complete regulation of the substantive issues of trade mark law with the effect of excluding national jurisdiction completely. The Study on the EU Trade mark System approaches the issue of limits from this perspective, i.e. that the TMD and the CTMR set forth a closed catalogue of exceptions and limitations from which the Member States may not derogate.⁴⁴⁰

The Study on the EU Trade Mark System recommends that the case law on the interplay between Articles 5 and 6-7 would be codified (specifically the implicit thresholds to application of said provisions that allow e.g. honest referential use) and that a fair use provision may be contemplated for flexibility in situations not previously envisaged, in particular in the context of the internet.⁴⁴¹ It is further suggested that a provision stating, when a use of a trade mark will not be considered as complying with honest business practices, should be added, including adding an explicit reservation that a use of a trade mark cannot be considered honest referential use, when the goods or services have not been placed on the EU or EEA market with the trade mark holders consent.⁴⁴²

The discussion relating to the conflict between trade marks and geographical indications in the Study of the EU trade mark System could however, indicate that *completeness of the scope of limitations* be interpreted less strictly on the

⁴³⁸ The EUCJ has struck a compromise (From Case C-251/95, *Sabel BV v. Puma AG, Rudolf Dassler Sport*, [1997] ECR I-6191 to Case C-408/01, *Adidas-Salomon AG, Adidas Benelux v. Fitnessworld Trading Ltd.* [2003], ECR I-12537) between national traditions, rejecting mere association (Benelux) and narrow likelihood of confusion or dilution type damage (UK common law of passing off) that *required* a showing of a likelihood of confusion (however broadly). Cornish & Llewelyn, Intellectual Property: Patents, Copyright, Trade mark and Allied Rigths, 7th Ed., 2010 (Cornish & Llewelyn 2010) at 679 and 709.

⁴³⁹ The Study on the EU Trade mark System recognizes that Article 5 includes a negative dimension or a threshold to its application which is implicit in the “use requirement” imbedded in concepts that have developed in EUCJ case law. Likewise, Article 6 and 7 require establishment of an “infringing use” in order to apply at 2.249.

⁴⁴⁰ Study on the EU Trade mark System at 2.239, 2.249 and 2.252.

⁴⁴¹ Study on the EU Trade mark System at 2.259-2.263 and 2.266.

⁴⁴² Study on the EU Trade mark System at 2.264 and 2.265.

issue of completeness of the TMD. It recognizes that most Member States have included provisions in their national laws that allow for an absolute or relative ground for refusal of a trade mark application on the basis of conflict with an earlier geographical indication, despite the absence of a provision to that effect in the TMD.⁴⁴³ It is proposed that the TMD be amended to provide for mandatory preference to geographical indications over a later trade mark application. This protection supersedes the level of protection of geographical indications in the TRIPS Agreement⁴⁴⁴ by acknowledging that geographical indications protection extends to ‘comparable’ products or other products, if use of the mark would exploit the reputation of the protected geographical indication.⁴⁴⁵

Unlike Article 22 and 23 of the TRIPS Agreement this level of protection for geographical indications covers geographical indications for wines and spirits, but also geographical indications for foodstuffs and agricultural products.⁴⁴⁶ To this effect the conclusions of the Property Rights Article are confirmed, Article 17 of the TRIPS Agreement allows for Member States to derogate from what the Study on the EU Trade Mark System refers to as the “current (minimum) consensus at the international level” on protection for geographical indications without breach of their obligation to provide for protection for trade marks under Article 16 of the TRIPS Agreement.⁴⁴⁷

Likewise, Article 5(5) of the TMD also seems to contradict the interpretation that the TMD *at the time of entry into force constituted a complete regulation of the scope of protection and limits of trade marks.*⁴⁴⁸ That provision expressly allows

443 Study on the EU Trade mark System at 2.287 and 2.302. It is true that Member States have done so based on EU regulations. However, the source of national rules is immaterial for the purposes of discussing *whether the TMD constitutes complete regulation of limits to trade mark protection*. Only regulation on wines predates the TMD and does not contain reference to trade marks (Regulation 2392/1986/EEC). Council Regulation 510/2006/EC of 20 March 2006 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, Council Regulation 479/2008/EC of 29 April 2008 on the common organization of the market in wine, amending Regulations 1493/1999/EC, 1782/2003/EC, 1290/2005/EC, 3/2008/EC and repealing Regulations 2392/1986/EEC and 1493/1999/EC, OJ L 148/1 and European Parliament and Council Regulation 110/2008/EC of 15 January 2008 on the definition, description, presentation, labeling and the protection of geographical indications of spirit drinks and repealing Council Regulation 1576/89/EEC, OJ L 39/16.

444 Study on the EU Trade mark System at 2.288 and 2.299.

445 Study on the EU Trade mark System at 2.314.

446 As is evident from Article 24 of TRIPS Agreement that obligates member states to continue negotiation for increased protection of geographical indications for wines and spirits and the mandatory review by the TRIPS Council in Article 24.2, which has since the entry into force of the TRIPS Agreement entailed discussion on increased protection also of other geographical indications. See also Study on the EU Trade mark System at 2.312.

447 Study on the EU Trade mark System at 2.299.

448 The EUCJ has also indicated that Article 5 (3) of the TMD does not constitute a complete list of uses that the trade mark owner is entitled to prohibit, since the legislator could not possibly have foreseen the technological advances and uses of trade marks in contemporary reality. Google France at 66.

Member States to protect signs “other than for the purposes of distinguishing goods or services, where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark.” Article 5(5) expressly exempts protection under national trade name or unfair competition acts that is conferred on commercial signs.⁴⁴⁹ The Study on the EU Trade mark System proposes that this provision be made mandatory and included in the CTMR, which would in effect *strengthen the rights of holders of national trade names and unregistered marks* against registered trade mark rights, even when such use without due cause takes unfair advantage of the trade mark.⁴⁵⁰

At the same time the proposed amendment seems a two-edged sword in favor of increased protection, be it of national or EU commercial signs. It is proposed that making the provision mandatory would deter practices in member states that protect uses of trade marks for other than distinguishing purposes to prevent protection of uses of trade marks “regarding activities with trans-border effect, such as use in the digital environment.”⁴⁵¹ The mandatory inclusion of Article 5(5) thus, in effect would *curtail limitations under national law* on the trade mark right that allow use of a trade mark for other than distinguishing purposes, e.g. in (comparative) marketing. While some Member States allow for extended protection of trade marks under their national unfair competition laws (e.g. Benelux and Scandinavia), others limit the effect of trade mark protection by allowing use of a protected trade mark in comparative advertising, for purposes of criticism or parody or otherwise allowing uses that may negatively affect the trade mark (e.g. the United Kingdom).⁴⁵²

Lastly, it is worth considering the relationship between EU trade mark law and other EU law, including EU primary law in relation to *completeness within the meaning of absoluteness of the scope of trade mark protection and its limits*. As noted above, the exercise of competence is “directed and delimited by legal norms that specifically provide formal, procedural and substantive requirements for the proper exercise of the particular competence, as well as by the general scheme relating to the lawful exercise of power, such as fundamental rights.”⁴⁵³ Thus, the TMD cannot be interpreted as complete regulation of trade mark protection or limits on that protection in the sense that it would tie the hands of EU institutions to consider other EU law or EU primary law, in its application (i.e. interpretation).

⁴⁴⁹ Study on the EU Trade mark System at 2.176 stating that uses of signs for other than distinguishing purposes is governed by national law and referring to Case C-23/01 *Robelco* [2002] ECR I-10913 at 31 and Case C-245/02 *Anheuser-Busch Inc. v Budějovický Budvar, národní podnik* [2004] ECR I-10989 at 62 and 64. The Study on the EU Trade Mark System, however, notes at 2.167 that the EUCJ in Case C-17/06 *Céline SARL v Céline SA*, [2007] ECR I-07041 has considered that Article 5(1) of the TMD applies where the public considers use of a company name as (also) relating to the goods or services offered by the company at 23.

⁴⁵⁰ Study on the EU Trade mark System at 2.211.

⁴⁵¹ Study on the EU Trade mark System at 61.

⁴⁵² See for example Davies 2002 at 348-349.

⁴⁵³ von Bogdandy & Bast at 283.

Consequently, the neo-liberalist view of trade marks as property that would fix the level of protection and limits at a certain level, from which derogation would constitute a deprivation of constitutional property rights does not find support in EU law.⁴⁵⁴

Indeed, the TEU, TFEU, general principles of EU law and the Charter of Fundamental Rights are binding on Member States and EU institutions, regardless of competence, whenever either legislates or interprets EU law or national law implementing EU law.⁴⁵⁵ The competences of the EU are intrinsically linked with the competences of the Member States.⁴⁵⁶ This means that conferral of competence on the EU does not lead to a total loss of competence that would prohibit member states from exercising legislative competence in the widest sense, i.e. legislating.⁴⁵⁷ Instead the member states are under duty to take positive acts⁴⁵⁸ in securing compliance with EU law.⁴⁵⁹ While this competence may be categorized as ‘mere application and enforcement of Union acts’⁴⁶⁰ directives and regulations by nature more often than not expressly confer on Member States discretion to interpret general provisions

454 Even if this were the case, Member State or EU legislatures may limit constitutional rights as long as it is provided for by law and respects the essence of the rights and freedoms of the Charter of Fundamental Rights.

455 Article 6 TEU and Title VII, Article 52 of the Charter of Fundamental Rights.

456 von Bogdandy & Bastat 285. See also Paul Craig, Institutions, Power, and Institutional Balance in Paul Craig and Grainne de Burca Eds. The Evolution of EU Law, 2nd Edition, Oxford University Press 2011 (Craig 2011) at 75-77 on the role of national parliaments in EU law-making.

457 A fluid concept of competence has the advantage of avoiding unforeseeable legal consequences that a sharp and formal division of competence may result in. This view is also in tune with the reality that national courts (and legislatures) see themselves as organs of their state and try to fit their duties under EU law within the framework of powers attributed to them by their national legal system and its constitution. This reality is in conflict with how the EUCJ views the relationship between national and EU law, i.e. that EU law supersedes national constitutions. Bruno de Witte, Direct effect, primacy and the Nature of the legal order in Paul Craig and Grainne de Burca Eds. The Evolution of EU Law, 2nd Edition, Oxford University Press 2011 at 351-352. The question of whether the EUCJ or national Supreme or Constitutional Court has competence-competence is not relevant for our purposes, which discusses the effect of EU primary law in the interpretation of EU secondary legislation.

458 The duty to disapply conflicting national law squarely requires a positive act of non-application. However, invalidity of the national provision does not follow from inconsistency with EU law. It is within national legislative discretion to determine to what extent the provision of national law must be revised. de Witte at 340-342.

459 von Bogdandy & Bastat 285. This duty may follow from expressed provisions or solely from the nature of directives, which require implementing legislation to have effect in national law (Article 288 TFEU). The issue of direct effect of directives is side-stepped here.

460 von Bogdandy & Bastat 289. von Bogdandy & Bast discuss core competence issues on an abstract level (*de jure*), but excludes e.g. the (*de jure*) competence of the EUCJ to interpret EU law from review. Similarly, they do not focus on *de facto* national discretion, which occurs at the border of EU and Member State competences and national competence in implementing EU legislation.

in light of the objectives set forth by the relevant EU institutions.⁴⁶¹ The case law of the EUCJ on the interpretation of the TMD also entails numerous referrals to national discretion to strike a proper balance between competing interests.⁴⁶² For the purposes of the limits discussion the role of the member states in interpreting and applying limits on trade mark protection is crucial.

3.2.2 Substantive provisions

Community-wide protection is only available to registered marks, thus, unregistered marks are protected under national laws of trade mark or unfair competition. Similarly, independent protection of trade names is not regulated by EU trade mark law, although a trade name or firm name may of course enjoy protection as a trade mark as well. It should be noted that member states are not required to implement the provisions of the TMD in their national trade mark acts, and many member states have given effect to EU law through their unfair competition laws.⁴⁶³ However, the choice of implementation does not, according to the EUCJ, affect the interpretation of the provisions of the TMD, and recourse to the national ‘meaning’ of these provisions cannot be allowed to the detriment of interpretation

461 See also Kieran St Clair Bradley, Powers and procedures in the EU Constitution: Legal Bases and the Court in Paul Craig and Grainne de Burca Eds. *The Evolution of EU Law*, 2nd Edition, Oxford University Press (2011) at 99 discussing the scope of permitted measures available to EU legislatures in areas of exclusive competence such as commercial policy and at 105 stating that “the question of the Community/Union’s power to act is rarely the stark matter of ‘yes’ or ‘no’, but ‘who’, ‘how’, and ‘how much.’” Naturally, member state powers mirror the fluidity of EU powers, so as not to leave power vacuums between EU and national law.

462 Gillette, *Promusicae*, Adam Opel.

463 The United Kingdom initially, despite verbatim implementation in Article 10(3) of the Trade Mark Act, intended to give effect to Article 5(2) of the TMD, through its established passing-off doctrine. The passing-off doctrine in UK case law, required a likelihood of confusion to be established and ‘taking unfair advantage’ was not considered possible, if confusion (in a broad sense) was not shown. The choice to implement the provisions of the TMD by equating it to existing national doctrines, does not save the United Kingdom from adopting the opposite interpretation of the same wording of Article 5(2). despite the fact that Article 5(2). was an optional provision. In line with the principle of harmonious interpretation (‘indirect effect’) established by the EUCJ in Case C-14/83, *Von and Kamann v. Land Nordrhein-Westfalen* [1984] ECR 1891 at 26; Case 79/83 *Harz* [1984] ECR 1921 at 26, and Case C-185/97 *Coote* [1998] ECR I-5199 at 18. In direct response to an assertion to the opposite effect regarding interpretation of Article 5(2) of the TMD in the United Kingdom the EUCJ reiterated that national decision-makers are under an obligation to interpret national law in conformity with directives (Case C-408/01, *Adidas-Salomon AG, Adidas Benelux v. Fitnessworld Trading Ltd.* [2003], ECR I-12537 at 17-18). After choosing to implement an optional provision, member states are bound by the interpretation of the provisions of the Directive by the EUCJ (Case C-408/01, *Adidas-Salomon AG, Adidas Benelux v. Fitnessworld Trading Ltd.* [2003], ECR I-12537 at 19-21). On the legal effect of directives and the principle of harmonious interpretation see Craig & de Búrca at 287-296.

in light of the TMD and its purposes.⁴⁶⁴ Many national provisions have thus been transformed through the preliminary rulings of the EUCJ and (without legislative reform) been disconnected from their national tradition.⁴⁶⁵

The TMD is modeled on the traditional premise that affords an exclusive right to trade marks for the purpose of distinguishing goods or services in the course of trade. Protection is three-fold.⁴⁶⁶ Article 5(1)(a) affords protection against the use of identical mark in relation to identical goods or services. The 10th recital of the TMD states that this protection is absolute, however, the EUCJ has in some landmark cases interpreted this provision to set forth a rebuttable presumption of infringement.⁴⁶⁷ These cases lie at the outskirts of traditional trade mark law, where absolute rules may lead to results inconsistent with the traditional premise of trade mark and EU law.⁴⁶⁸ However, in most cases at the core of trade mark law, e.g. in cases of counterfeiting or when using a competitor's trade mark with only slight alterations, the protection is in fact absolute.

Article 5(1)(b) affords protection for identical or similar marks for use on identical or similar goods or services, when there exists a likelihood of confusion

464 Case C-251/95, *Sabel BV v. Puma AG, Rudolf Dassler Sport*, [1997] ECR I-6191 at 26. Case C-425/98 *Marca Mode CV v. AG Adidas AG and Adidas Benelux BV* [2000] ECR I-4816 at 42.

465 Cornish & Llewelyn 2003 at 571. Katja Weckström, Protection of Trade marks Having A Reputation: A Comparative Study of Recent Case Law in the EC and the US, Turun yliopiston oikeustieteellisen tiedekunnan julkaisuja, Julkisoikeuden julkaisusarja B:15 2002 at 51. (Weckström 2002)

466 It should be noted that the Proposal for the TMD and Community Trade mark Regulation mirrored national laws in effect in the member states at the time more closely. The draft proposal did not include a specific provision for use of identical marks on identical goods nor one for use on dissimilar goods or services. Likewise, it did not mention 'likelihood of confusion including likelihood of association', but instead referred to a 'serious likelihood of confusion' (Article 3 of the proposed directive). The Commission justifies this choice as follows "Is therefore one of the main aims of this Directive to align the national rules, which in practice lead to a differing and in some cases very wide degree of protection in different Member States... The Directive rules out protection of trade-marks except in respect of identical or similar goods, i.e. protection for trade-marks having a reputation is excluded" (at 14) Indeed, the Commission viewed such protection as inherently against Community rules on free movement and competition. "As indicated in the preamble, such protection may be given neither under trade-mark law or any other branch of Member States' law, such as the law on unfair competition." (Proposal at 14). In the CTM Regulation proposal however, the Commission did include a provision on reputed marks (Article 8.1(b)). It would seem that the type of protection of reputed marks envisioned by the Commission was something between protection under Article 6 bis of the Paris Convention (less repute) and what Article 5(2) of the TMD (more exceptional) confers today (Proposal at 58). Neither, provision thus proposed, made it into final legislation. The proposal does however, reflect the Commission's struggle in introducing new EU trade mark law rules where national rules similar in name, in practice lead to very different results. It specifically excluded application of national trade mark laws on the point of scope of exclusive rights (at 14 and 58).

467 Case C-17/06 *Céline SARL v Céline SA*, [2007] ECR I-07041 at 32. Compare to Article 15(1) of the TRIPS Agreement, which states that a likelihood of confusion shall be presumed in the case of double identity.

468 Arsenal at 51. Case C-245/02 *Anheuser-Busch Inc. v Budějovický Budvar, národní podnik* [2004] ECR I-10989 at 59 and Adam Opel at 21.

on the part of the relevant public. The TMD broadened⁴⁶⁹ the traditional concept of likelihood of confusion, to include a likelihood of association. Thus, a trade mark owner could receive protection although the consumers were not confused *per se*, but may be confused in believing that the second user is connected by sponsorship or affiliation to the trade mark owner. A likelihood of association as such is not however enough for a finding of infringement under Article 5(1) (b).⁴⁷⁰

Article 5(2) provides that Member States may afford additional protection for marks with a reputation, when an identical or similar mark is used for dissimilar products provided that such use without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark. The EUCJ has since confirmed that protection under Article 5(2) is available to marks with a reputation against uses on identical or similar goods or services as well.⁴⁷¹

Although there is room for national discretion in the implementation of EU rules the standard set forth in the TMD is not a minimum standard.⁴⁷² The TMD sets forth a standard that is intended to harmonize the laws of the member states. The EUCJ has specifically rejected attempts to implement provisions on their face, but granting lesser protection and deviating from the EU standard in practice.⁴⁷³ Likewise, although strong IP protection is viewed as a virtue, member states are also in some instances prohibited from awarding stronger protection than that afforded

469 While one could argue that the concept of likelihood of confusion was already ‘broad’ in the United Kingdom before the introduction of the TMD, it was not as broad as either Article 5(1) (b) or Article 5(2) under the TMD, which both untied protection from the traditional likelihood of confusion- test. Cornish & Llewelyn 2003 at 592 and 706-709 discussing how English courts have come to deal with ‘likely confusion including association’ introduced by Article 5(1)(b) of the TMD as understood by the EUCJ starting from *SABEL v. Puma*; and ‘dilution’ without confusion at 712-713 “After initial doubts, it is now clear that there is no need to show confusion under s. 10(3) (Article 5(2) of the Directive)...” “In the United Kingdom, without being driven round a statutory course of the kind in the TMA 1994, the courts have used the passing off action against occasional instances of ‘dilution’...cases where *some prospect of confusion* (in a broad sense) is considered to give rise to a sufficient likelihood of damage. Author’s emphasis, internal reference to case law omitted.

The EUCJ has struck a compromise (From Case C-251/95, *Sabel BV v. Puma AG, Rudolf Dassler Sport*, [1997] ECR I-6191 to Case C-408/01, *Adidas-Salomon AG, Adidas Benelux v. Fitnessworld Trading Ltd.* [2003], ECR I-12537) between national traditions, rejecting mere association (Benelux) and narrow likelihood of confusion or dilution type damage (UK common law of passing off) that required a showing of a likelihood of confusion (however broadly). Cornish & Llewelyn 2010 at 679 and 709. Whether the compromise is economically sound is a different matter.

470 Case C-251/95, *Sabel BV v. Puma AG, Rudolf Dassler Sport*, [1997] ECR I-6191 at 26. Case C-425/98 *Marca Mode CV v. AG Adidas AG and Adidas Benelux BV* [2000] ECR I-4816 at 42.

471 *Loreal v Bellure* at 35 referring to Joined cases C-414/99 *Zino Davidoff v A&G Imports*, C-415/99 *Levi Strauss v Tesco Stores* and C-416/99 *Levi Strauss v Costco Wholesale* [2001] ECR I-8691 at 30; Case C-408/01, *Adidas-Salomon AG, Adidas Benelux v. Fitnessworld Trading Ltd.* [2003], ECR I-12537 at 18 to 22; and Case C-102/07 *adidas and adidas Benelux* [2008] ECR I-2439 at 37.

472 Tritton et.al at 262-263 especially in the areas of registrability of a mark, the effect of prior rights, and rights conferred by registration.

473 Case C-375/97, *General Motors v Yplon*, [1999] ECR I-5421 at 30 and Case C-251/95, *Sabel BV v. Puma AG, Rudolf Dassler Sport*, [1997] ECR I-6191 at 21.

by the TMD.⁴⁷⁴ Thus, the EU standard although not completely harmonizing trade mark law in Europe, is also a maximum standard, whenever the mandatory provisions or implemented voluntary provisions of the TMD are concerned. The ruling in the *Celine*-case serves as a good example of when the EUCJ has expanded the reach and scope of Article 5(1) over Member State jurisdiction under Article 5 (5) of the TMD to provide for protection of trade names, when the use of the trade name, although not affixed to goods or services constitutes a use in relation to goods or services, when a link between the trade name and the goods of a third party is established.⁴⁷⁵ The text of the TMD cannot however be interpreted to fix protection at a certain level, in effect constituting a maximum standard for limits of trademark protection.

3.3 Traditional limits: expanding protection standards

3.3.1 Implicit in defining registrability

Although trade mark law traditionally did not address limits specifically, there are several implied limits imbedded in trade mark law doctrine. For example, since the trade mark right entails the right to prevent confusing uses, it has generally been considered not to apply against non-confusing uses.⁴⁷⁶ However, these implied limits have been repeatedly and often successfully challenged during the last decades.⁴⁷⁷ Nevertheless, most of the implied limits still exist on the books with varying application in practice.

First, the *type of sign* that may serve as a trade mark, that is, can indicate the source of goods or services was traditionally limited to word marks, picture marks and combination marks.⁴⁷⁸ As late as in the 1980s it was debated whether numbers or single letters could serve as trade marks. The gradual change towards focusing

⁴⁷⁴ Case C-251/95, *Sabel BV v. Puma AG, Rudolf Dassler Sport*, [1997] ECR I-6191 at 26. Case C-425/98 *Marca Mode CV v. AG Adidas AG and Adidas Benelux BV* 2000 ECR I-4816 at para 42 and Case C-408/01, *Adidas-Salomon AG, Adidas Benelux v. Fitnessworld Trading Ltd.* [2003], ECR I-12537 at 17-21 rejecting the ‘mere association’ standard as too strong and the confusion requirement as too weak in favor of likelihood of confusion including likelihood of association. Similarly, Joined cases C-414/99 *Zino Davidoff v A&G Imports*, C-415/99 *Levi Strauss v Tesco Stores* and C-416/99 *Levi Strauss v Costco Wholesale* [2001] ECR I-8691 rejecting the national exhaustion rule as too strong and the global exhaustion rule as too weak in favor of community wide exhaustion.

⁴⁷⁵ Case C-17/06 *Céline SARL v Céline SA*, [2007] ECR I-07041 at 22-23.

⁴⁷⁶ See to this effect AIPPI Questionnaire Question 95, Yearbook 1989/II, pages 318-322, which in 1989 started questioning this premise and recommended that trade mark owners should in certain special cases be allowed to prevent non-confusing uses of a trade mark, where they harm the interests of the trade mark owner.

⁴⁷⁷ Tritton et al. at 291-294 and 296.

⁴⁷⁸ Marianne Levin, Lärobok i immaterialrätt, 9:de upplagan, 2007 at 391-392.

not on the type of mark, but its distinguishing function, is clearly visible in the wording of Article 2 of the TMD:

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.

Instead, two new requirements for registration emerged: 1) the sign must be capable of being *represented graphically* and 2) of *distinguishing* the goods or services of one trader from another.⁴⁷⁹ The question then became, whether signs must be capable of being visibly perceived and represented graphically.⁴⁸⁰ As mentioned above, the TRIPS Agreement permits member states to require that a mark be visibly perceptible for registration.⁴⁸¹ The EUCJ, however, departed from any such visibility requirement in *Sieckmann*, where registration was sought for a smell mark represented graphically by a chemical formula, and held that “a trade mark may consist of a sign that is not itself visibly perceivable provided that it can be represented graphically, particularly by means of images, lines or characters and that the representation is clear, precise, self-contained, easily accessible, intelligible, durable and objective.”⁴⁸² However, the EUCJ has yet to approve a form(s) of graphic representation of smell marks that would satisfy the *Sieckmann* criteria.⁴⁸³

The EUCJ struggles with drawing the line also with other types of marks. A sample of color did not satisfy the requirement of durability, however a description of the color together with a sample, did convince the court.⁴⁸⁴ A similar combination of graphic representations was required for sound marks.⁴⁸⁵

In the case of a sound sign, the requirements are not satisfied when the sign is represented graphically by means of a description using the written language, such as an indication that the sign consists of the notes going to make up a musical work, or the indication that it is the cry of an animal, or by means of a simple onomatopoeia, without more, or by means of a sequence of musical notes, without more. On the other hand, those requirements are satisfied where the sign is represented by a stave divided into measures and showing, in particular, a clef, musical notes and rests whose form indicates the relative value and, where necessary, accidentals.⁴⁸⁶

The distinguishing capacity of a mark has particularly been debated with color marks, but there has also been debate regarding the threshold for distinctiveness of word marks. While recognizing the low inherent capacity of colors for communicating

479 Tritton et al. at 265.

480 Case C-273/00, *Sieckmann v. Deutsche Patent und Markenamt* [2002] ECR I-11737.

481 Article 15(1) of the TRIPS Agreement.

482 Case C-273/00, *Sieckmann v. Deutsche Patent und Markenamt* [2002] ECR I-11737 at 45.

483 Tritton et al. at 266.

484 Case C-104/01, *Libertel* [2003] ECR I-3793 at 63.

485 Case C-283/01 *Shield mark v. Joost Kist* [2003] ECR I-14313 at 33.

486 Case C-283/01 *Shield mark v. Joost Kist* [2003] ECR I-14313 at 64.

specific information, the EUCJ has not ruled out that a color per se can ‘serve as a badge of origin’.⁴⁸⁷ Thus, all types of signs are capable of distinguishing goods and services within the meaning of Article 3.1(a) of the TMD.⁴⁸⁸

The standard of required distinctiveness has its normative basis in Article 3.1 (b), (c) and (d) of the TMD.⁴⁸⁹ Under EUCJ case law these provisions should be interpreted independently, and not in light of any existing defenses, such as the right to use a sign in a descriptive manner or as a surname.⁴⁹⁰ The test for distinctiveness under Article 3 does therefore not entail consideration of the exceptions to the exclusive right embedded in Article 6. In any case distinctiveness is assessed in relation to the goods or services for which the mark is used and from the perspective of the average consumer, who is reasonably well-informed, observant and circumspect.⁴⁹¹ The same sign can therefore be generic in one market, while suggestive or even arbitrary in another. The trade mark ‘apple’ for computers is one example of how a generic term may be given a new independent meaning in another context. When it comes to word marks the BABY-DRY case marked a new beginning, where the term was considered distinctive for diapers.⁴⁹²

Each requirement in Article 3 is separate and reflects a public interest in light of which it must be interpreted. Article 3.1(b) is intended to prevent registration of marks that are not capable of fulfilling the essential function of trade marks and to

487 Case C-104/01, *Libertel* [2003] ECR I-3793 at 41.

488 Tritton et al. at 272.

489 1. The following shall not be registered or if registered shall be liable to be declared invalid:
a. signs which cannot constitute a trade mark;
b. trade marks which are devoid of any distinctive character;
c. 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 of the goods or of rendering of the service, or other characteristics of the goods;
d. 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;

And the corresponding Article 7.1 (b)-(d) of the Community Trade mark Regulation.

490 Case C-64/02P *Erpo Möbelwerk v. OHIM* [2004] ECR II-2837.

491 Case C-363/99 *Koninklijke v. Benelux-Merkenbureau (Postkantoor)* [2004] ECR I-1619 at 34.

492 Case C-383/99P *Procter & Gamble v. OHIM* [2001] ECR I-6251. While the EUCJ arguably has retreated from the widest possible conclusions that could be drawn from its ruling in the BABY DRY-case, the ruling did signal a change from traditional standards for distinctiveness and thresholds to registrability in favor of registering marks (as opposed to refusing registration). This development and debate was tied to simultaneously increasing registration of marks that had acquired distinctiveness, including non-traditional trade marks. While the BABY DRY-case arguably relaxed the level of distinctiveness required for registration of word marks to the extreme (which has subsequently been retracted in Case C-64/02P, *Erpo Möbelwerk v OHIM* [2004] ECR II-2837), the ruling could, it is argued, be regarded in its historical perspective, where the above-mentioned interests (certainty for trade mark holders created through use by way of registration) were challenging the tradition of restrictive practices in allowing registration of marks. EU trade mark law in contrast with pre-directive national practices (although similar laws on the books) in many member states has expanded the realm of registrable trade marks. See Cornish (2004) at 85-86. After all, objections under Article 3(1)(b), (c) and (d) TMD can be overcome by Article 3(3) of the TMD, i.e. acquired secondary meaning. Tritton et al. at 275.

unduly restrict the ability of firms to trade in goods and services.⁴⁹³ Although, all types of marks must be assessed according to the same standard, it is clear that some signs are more likely than others to indicate the origin of goods in the consumers mind.⁴⁹⁴ Whether or not a descriptive word is devoid of distinctive character under Article 3.1 (b) is to be determined on the facts of the case, where the overall impression in relation to the specific goods or services is determinative. Thus, there is not a category of signs, words or symbols that are *per se* unregistrable.⁴⁹⁵

The public interest underlying Article 3.1(c) is that descriptive terms should be available for use by all traders on the market.⁴⁹⁶ It is enough that a term is capable of being used descriptively for Article 3.1 (c) to apply and the availability of alternative meanings or lack of actual use of the term descriptively does not save the trade mark application.⁴⁹⁷ However, the relevant public must make an immediate and direct connection between the term and its descriptive nature for Article 3.1(c) to apply, although it is not necessary for the consumer to recognize what characteristic is being referred to.⁴⁹⁸

Article 3.1(d) prevents registration of marks that are made up exclusively of signs and indications that “have become customary in the current language or in the bona fide established practices of the trade to designate the goods and services” for which registration is sought.⁴⁹⁹ Article 3.1 (d) naturally overlaps with Articles 3.1 (b) and (c), but it has independent meaning in relation to marks that have become generic by public use, e.g. product nicknames.⁵⁰⁰

However, marks that have acquired distinctiveness through use can be registered under Article 3.3 of the TMD. Thus scrutiny under Articles 3.1(b)-(d) can be overcome.⁵⁰¹ Thus, non-distinctive and descriptive terms can today be registered and enjoy all the benefits of trade mark registration. This category of marks also challenge the system, since these marks at registration may ‘have a reputation’ within the meaning of Article 5(2) of the TMD, and thus presumptively would

493 Tritton et al. at 275.

494 Joined cases C-53/01 and 55/01 *Linde A.G. and others* [2003] ECR I-3161 at 41.

495 Tritton et al. at 278.

496 Case C-363/99 *Koninklijke v. Benelux-Merkenbureau (Postkantoor)* [2004] ECR I-1619 at 54.

497 Case C-363/99 *Koninklijke v. Benelux-Merkenbureau (Postkantoor)* [2004] ECR I-1619 at 97.

498 Tritton et al. at 286-287.

499 Case C-517/99 *Merz & Krell GmbH & Co* [2001] ECR I-6959 at 31.

500 Tritton et al. at 292.

501 Article 2.1 (a) in the proposed directive only allowed overcoming of what is now Article 3.1(b) by proving acquired distinctiveness. Proposal at 9, 13 and 57.

be eligible for protection against dilution and tarnishment.⁵⁰² Affording protection for a descriptive or non-inherently distinctive term outside the competitive relationship should raise concern.

3.3.2 Implicit in defining scope

Second, the concept of the *essential function of a trade mark* coined by the EUCJ in *Hoffman La Roche* while discussing the exhaustion doctrine, has since its inception been criticized.⁵⁰³ It has long been argued that modern trade mark law should include protection also of other functions of a trade mark. Yet, the EUCJ continues to refer to this concept today, when considering whether a trade mark owner has the right to exclude a certain use by another. It is settled law that:

“...the essential function is to guarantee the identity of the origin of the trade-marked product to the consumer or ultimate user, by enabling him without any possibility of confusion to distinguish that product from products which have another origin.”

502 The European standard of proof required by the OHIM to establish acquired distinctiveness or secondary meaning is relatively high in practice. Guidelines concerning proceedings before the Office, Part B at 52-56. “A trade mark is distinctive in this sense if it is recognized by a sufficiently large part of the relevant public as a mark of one single trader... The evidence of use is to be assessed in order to judge whether that use has produced a situation where a mark which would otherwise have to be refused on one or several of the grounds listed in Article 7 (1) (b), (c), and (d) has become distinctive. It is not simply whether and to what extent there has been use...” In practice, “opinion polls, surveys, statements from the trade and consumer organizations, articles, brochures, samples, evidence of turnover and advertising and other types of promotion, of successful prosecution of infringers, of trade mark registrations obtained, etc...” are accepted as evidence at 52-56.

There are only limited guidelines on the protection of marks with a reputation and the current practice at the OHIM follows standard rules of statutory interpretation. See Trade marks with a reputation; Opposition Guidelines, Part 5, Article 8(5) CTMR- Status March 2004 at 10, discussing the *Telefonica on line/ T-online* case). “...by exclusively focusing on the degree of knowledge of the mark, the [EUCJ] has in fact simplified the test of reputation, compared to what was often needed in the past for accepting that a mark enjoys reputation.” (emphasis original). Discussing *Campbell's et al. /Campbell Catering* at 10 “It should be noted that the kind of market recognition required for marks which have acquired enhanced distinctiveness through use in the context of Article 8(1)(b), and for well-known marks within the meaning of Article 6bis PC, is of the same character as reputation, in that it is principally based on quantitative considerations regarding the degree of knowledge the mark has acquired among the public, without prejudice of course to the level of threshold required in each case.” at 10 (emphasis original)

It is not clear that proof required for establishing a reputation *in practice* differs from proof required to establish secondary meaning.

503 Tritton et al. at 700-704.

However, recently the EUCJ has recognized the functions of guaranteeing the quality of goods or services in question and those of communication, investment or advertising as protectable, although not essential, functions.⁵⁰⁴

The doctrine of the essential function⁵⁰⁵ is central when considering the implied limits on trade mark law, since it influences both *the scope of protection* and *the scope of the defenses*. First, it has already been noted that the scope of protection has expanded. In an effort to include protection for the modern functions of a trade mark, the likelihood of confusion concept has expanded to include a *likelihood of association* and a *likelihood of confusion as to sponsorship or affiliation*.⁵⁰⁶ In addition, Article 5(2) of the TMD protects *reputed marks* regardless of a competitive relationship against others taking unfair advantage of or causing detriment to the distinctiveness or repute of the mark. Despite language to the contrary in Article 5(2) owners of reputed marks may also prevent uses that without due cause take unfair advantage of the distinctive character or repute of the mark, when the

504 Case C-487/07 *L'Oréal and Others* [2009] ECR I-5185 at 58. Google France at 77, Case C-558/08 *Portakabin v. Primakabin* [2010] ECR I-0000 at 30.

505 The essential function of a trade mark is to guarantee the identity of origin of the marked goods or services to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the goods or services from others which have another origin. Case 3/78 *Centrafarm* [1978] ECR 1823 at 11 and 12; Case C-379/97 *Upjohn* [1999] ECR I-6927 at 21, and Arsenal at 48, Case C-297/00 *LTJ Diffusion SA v. Sadas Vertbaudet SA* [2003] ECR I-2799 at 44.

506 Article 5(1). The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade: (a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered; (b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trade mark. Case C-39/97 *Canon* [1998] ECR I-5507 at 18, Case C-425/98 *Marca Mode* [2000] ECR I-4861 at 34 Case C-102/07 *adidas and adidas Benelux* [2008] ECR I-2439 at 28.

Protection under Article 5 determines under what circumstances (within which limits) the proprietor is entitled to prevent third parties from using his trade mark. Article 5(1)(a) does not require evidence of a likelihood of confusion (para 49), instead, identity between the mark and the sign must be established (at 50). "There is... identity between the sign and the trade mark where the [sign] reproduces, without any modification or addition, all the elements constituting the [trade mark]." (at 51) The criterion of identity... must be interpreted strictly... [and] ...the elements compared should be the same in all respects...[and]... the protection... cannot be extended beyond the situations for which it was envisaged, in particular, to those situations which are protected by Article 5(1) (b) of the directive."(at 50) Case C-297/00 *LTJ Diffusion SA v. Sadas Vertbaudet SA* [2003] ECR I-2799. While a likelihood of confusion is presumed under Article 5(1)(a) (10th recital) the relevant type of confusion (Case C-297/00 *LTJ Diffusion SA v. Sadas Vertbaudet SA* [2003] ECR I-2799 at 44), which is thus presumed is confusion as to trade origin. Confusion as to trade origin, does not require proof of actual confusion (or conversely cannot be rebutted by a showing lack of actual confusion. Today, consumer confusion as to sponsorship or affiliation complements the confusion as to trade origin in the traditional sense. Case C-342/97 *Lloyd Schuhfabrik Meyer* [1999] ECR I-3819 at 17. Case C-120/04 *Medion* [2005] ECR I-8551 at 24 and 26.

offending use is for identical or similar goods or services.⁵⁰⁷ All of the above are the result of the call for protection of more than the origin-indicating function of the trade mark. Instead, the good will and investment in advertising is protected.⁵⁰⁸

The essential function has however been even more important in regulating the scope of the defenses in Articles 6 and 7 of the TMD. The trade mark owner has not been entitled to prevent uses that have not caused detriment to the essential function of the mark. However, recently the EUCJ has allowed protection of the advertising function, by way of restricting the right to use another's mark, when it causes serious detriment to the advertising function of the trade mark.⁵⁰⁹ It is quite alarming that these cases involved comparative advertising, advertising in a new setting, i.e. keyword advertising, and advertising of second-hand goods, since too strong of a protection of the advertising function may have potentially crippling effect on competition large-scale.

3.3.3 Implicit in defining use

One of the central aims of the EU trade mark system was to allow registration of all valuable marks, while at the same time introducing a stricter *use requirement* to maintain rights in a mark.⁵¹⁰ The Proposal explains that

“[n]o type of sign is automatically excluded from registration...[i]t is designed to simplify the adaptation of administrative practices and court judgments to business requirements and encourage undertakings to apply for Community trade-marks.” and “[o]ne of the basic ideas in Community trade-mark law is that ownership can be maintained only by using the trade-mark... There is no justification nowadays, when it is becoming increasingly difficult to find an attractive trade-mark, for allowing a proprietor to monopolize a trade-mark that he neither uses himself nor allows to be used by others”

Therefore, contemporary trade mark law requires that the trade mark owner uses the mark as a trade mark, since artificial use does not necessarily suffice to maintain rights in a mark.⁵¹¹ Formal registration gives full protection for five

⁵⁰⁷ Joined cases C-414/99 *Zino Davidoff v A&G Imports*, C-415/99 *Levi Strauss v Tesco Stores* and C-416/99 *Levi Strauss v Costco Wholesale* [2001] ECR I-8691.

⁵⁰⁸ The EUCJ, while relying on the ‘essential function’ doctrine has allowed protection for other interests that can be derived from protection of trade origin. While the extension mentioned above are now established features of EU trade mark law, there is constant debate on further extension of protection. While the EUCJ has recognized the importance of other functions of contemporary trade marks (e.g. the advertising and investment functions in the L'oreal v Bellure-case and the Google France -cases) these interests have remained theoretically subordinate to the concept of the essential function and protection of the function to indicate trade origin.

⁵⁰⁹ Case C-487/07 *L'Oreal and Others* [2009] ECR I-5185 at 58. Google France at 77, Case C-558/08 *Portakabin v. Primakabin* [2010] ECR I-0000 at 30.

⁵¹⁰ Proposal at 56 and 60.

⁵¹¹ Article 10 and 12.1 of the TMD.

years after registration, after which the owner, once so prompted⁵¹² must prove that the mark has been used for the relevant goods or services.⁵¹³ The genuine use requirement targets true non-use or so called ‘token uses’ for the sole purpose of maintaining rights in a mark.⁵¹⁴ The trade mark owner is entitled to register marks in classes of goods and services similar to those in which the company itself trades in, where another’s use would cause a likelihood of confusion on the part of the consuming public.⁵¹⁵ However, over-registration or the so called “warehousing” of trade marks may result in loss of rights.⁵¹⁶ Likewise, *non-use* for a certain period of time may cause a registered mark to be partially or completely unenforceable.⁵¹⁷ A legitimate reason, usually arising independently of the will of the trade mark owner, is required to maintain rights in a mark that has not been used.⁵¹⁸

There is *genuine use* of a trade mark where the mark is used in accordance with its essential function and when it is viewed as warranted in the economic sector concerned to maintain or create a share in the market for the goods or services protected by the mark.⁵¹⁹ Even *minimal use* may be sufficient, when it is considered real by overall assessment of all relevant factors.⁵²⁰ Nevertheless, the standard of *proof of use* required to maintain rights in a mark for the purposes of opposing a new registration at the OHIM, seems high in practice.⁵²¹ However, it should be kept in mind that the standard has been devised primarily to determine, when an earlier right can be used to prevent registration of a new mark, not as a standard for revocation or invalidity, i.e. loss of rights in a mark.⁵²² Current OHIM practice,

512 There is no *ex officio* review of use. In practice, a CTM applicant, when opposed on relative grounds, will make a request for proof of use of an earlier mark, which is claimed to prevent registration of a new mark. *Opposition Guidelines Part 6, Proof of Use, Final version, November 2007* at 4.

513 Article 10 of the TMD. See also *Opposition Guidelines Part 6, Proof of Use, Final version, November 2007* at 4.

514 Case C-40/01, *Ansul* [2003] ECR I-2439 at 36. Case C-416/04P, *Vitafruit (II)* [2006] ECR I-4237 at 70-72.

515 Case C-40/01, *Ansul* [2003] ECR I-2439 at 37-39 “use must relate to goods or services already marketed or about to be marketed and for which preparations by the undertaking to secure customers is underway”... “include giving consideration...to the goods and service at issue...depends on the characteristics of the goods or service concerned on the corresponding market.”

516 Article 13 of the TMD.

517 Articles 11.4, 12.1, 13 and 14 of the TMD.

518 Articles 11-14 of the TMD. See also 9th Recital of the TMD and Proposal at 61.

519 Case C-40/01, *Ansul* [2003] ECR I-2439 at 36. Case C-416/04P, *Vitafruit (II)* [2006] ECR I-4237 at 70.

520 Case C-416/04P, *Vitafruit (II)* [2006] ECR I-4237 at 72 and Case C-25/02 *La Mer Technology* [2003] ECR I-8349 at 27.

521 *Opposition Guidelines Part 6, Proof of Use, Final version, November 2007* at 42-43. Making a *prima facie* case is not sufficient, but substantial evidence that the mark has been put to genuine use is required. Specific proof of the place, time, extent and manner of use is required in order for the OHIM to make an overall assessment of whether the use is sufficient to be determined genuine.

522 *Opposition Guidelines Part 6, Proof of Use, Final version, November 2007* at 5-7.

is thus in line with the overall aim of the EU trade mark system of allowing registration and use of an optimal number of trade marks in the European Union.

One consequence of this practice is that more marks overall exist already as Community trade marks in addition to national marks granted by national registrars. The Community Trade mark Regulation addresses the issue of conflict with national rights at registration in Art. 8.2(a)ii by which earlier national marks constitute a ground of refusal for a later Community trade mark. Unlike practices at some national registrars⁵²³ consideration of earlier rights is not administered *ex officio*, but a claim must be brought by the holder of an earlier right in opposition or revocation proceedings at the OHIM. As discussed above, holders of such earlier national rights must satisfy the burden of proof of use, when prompted by the applicant of a CTM, regardless of whether such a use requirement exists in national law, under which the right is registered. Thus, the CTMR does not recognize *honest concurrent use*⁵²⁴ of national rights.⁵²⁵ In practice, the high burden of proof of use, whether in proceedings before the OHIM or national CTM courts, neatly solves the issue of overlapping rights and as a procedural and administrative matter maintains coherence at the EU registrar. Such clearcut rules were necessary to solve conflicts arising from the introduction of a concurrent trade mark system in the same territory, where several national trade mark systems already existed. In line with the principle of primacy of EU law and the practical viability of the endeavour, the CTM was necessarily preferred.

Concurrent use of the same trade mark is, however silent in trade mark legislation, central in the practical functioning of the trade mark system and the market.⁵²⁶ In addition, to the relative grounds of refusal the CTMR addresses a specific issue of coexistence by rules on acquiescence.⁵²⁷ While solving possible conflicts neatly, it does not address the practical concern of abundant concurrent use imbedded in the system. Consequently, a lack of recognition of honest concurrent use between nationally registered and CTMs, in the EU trade mark system, may systematically disfavor businesses that operate only on national or regional markets in favor of

523 E.g. the Nordic countries.

524 Note that honest concurrent use here does not refer to a specific defense by that name available in the United Kingdom (UK Trade mark Act Sec.7). Instead it is here intended more broadly and generally to refer to traders who use their honestly acquired marks concurrently.

525 See Ilanah Simon Fhima, Trade Mark Law and Sharing Names-Exploring Use of the Same Mark by Multiple Undertakings (2008), (Simon Fhima 2008) at 5.

526 Simon Fhima 2008 at 11.

527 Article 53 and in particular Article 53.2 of the Community Trade mark Regulation and Article 9 in the TMD regulated instances of passivity i.e. loss of rights to prevent a use that a trade mark owner has tolerated for a period of five years. The Opinion of the Advocate General in case C-245/02 *Anheuser-Busch Inc. v Budějovický Budvar, národní podnik* 3.2.2011 answered a direct question by the referring UK court on whether the doctrine of honest concurrent use, a defense developed at common law, was compatible with EU trade mark law, in the negative. Article 9 completely harmonizes the rules on acquiescence, which leaves no room for a doctrine to that effect (at 88-98).

large multi-national companies that primarily use the CTM system.⁵²⁸ In practice, most holders of national trade marks do not systematically track registrations at the OHIM or react within the fairly short time-frame for oppositions and revocations.⁵²⁹ Conversely, multinationals are more likely to oppose national rights and prompt for proof of use in both the OHIM and national CTM courts.⁵³⁰

By contrast, *concurrent use*⁵³¹ of the same or a similar mark is categorically considered dishonest and detrimental to trade mark owners' rights.⁵³² Indeed, one could argue that trade mark-sharing inherently prevents the trade mark from performing its essential function.⁵³³ There is some support for that proposition, since the *use as a trade mark* of another's trade mark is squarely within the prohibition of Article 5 of the TMD. However, the trade mark owner may only prohibit uses of an identical or similar sign, which affects or is liable to affect the protected functions of the trade mark; i.e. to perform its essential function of indicating the origin of goods or services, its functions in guaranteeing quality, or the functions of communication, investment and advertising.⁵³⁴ Such use of the trade mark must be used "in the course of trade" and "in relation to goods and services". Use

528 In 2010, 48% of all applications filed at the OHIM came from enterprises in the United States (20%), Germany (17 %) and the United Kingdom (11%) at 22 and with corresponding shares of CTM registrations in 2010 at 38. http://oami.europa.eu/ows/rw/resource/documents/OHIM/statistics/ssc009-statistics_of_community_trade_marks_2010.pdf. In 1996 and 1997, after the first years of operation of the OHIM, roughly 70% of all applications, were filed by enterprises registered in the United States. <http://oami.europa.eu/pdf/office/Stats%20CTM%201997.pdf>

529 According to the OHIM Guidelines of examination "an absolute ground of refusal applies if there is ground for objection in any part of the Community. A part of the Community is one Member State, or a group of Member States, but not part of a Member State, however large that might be." *Guidelines concerning proceedings before the Office Part B* at 1.3. The standard of proof required for objection is high in practice.

530 Based on statistics supra note 528 applicants (which are parties to opposition) and holders of registrations (which are parties in revocation and infringement proceedings) tend to be multinational corporations.

531 The term of art (concurrent use) used in trade mark law here seems to defy logic, since identical and similar marks are registered and used all the time both within the CTM system and on the European market. The entire trade mark system is built on the premise that unlimited property rights in words or signs would be detrimental to competition. Therefore, trade mark rights are routinely registered *for specific goods or services* and the scope of the rights is relative to that category of goods. The *level of distinctiveness* of the registered mark also serves to define the scope of rights in that the more distinctive the mark the greater its protection; i.e. the further away competitors must stay from it. Conversely, the less distinctive the mark the narrower the scope of protection and the more likely are numerous registrations allowed. In the real world of *trade mark thickets* legality of coexistence and concurrent use of identical or similar marks is presumed.

532 Andrew Griffiths, An economic perspective on shared name issues in trade mark law p. 13-27, in Ilanah Simon Fhima, Trade Mark Law and Sharing Names-Exploring Use of the Same Mark by Multiple Undertakings (2008) (Griffiths 2008).

533 Griffiths 2008 at 18, 23 and 26.

534 Arsenal at 51; Adam Opel at 21 and 22; Case C-17/06 *Céline SARL v Céline SA*, [2007] ECR I-07041 at 16; order in Case C-62/08 *UDV North America* [2009] ECR I-1279 at 42; and Case C-487/07 *L'Oréal and Others* [2009] ECR I-1227 at 58.

in the course of trade occurs in the context of commercial activity with a view to economic advantage and not as a private matter.⁵³⁵ Use does not occur even if the user is involved in commercial activity with a view to economic advantage, unless the third party uses the mark in its own commercial communication.⁵³⁶

Prohibited uses of a trade mark are defined in Article 5.3 as affixing the sign to goods or packaging; offering the goods, or putting them on the market or stocking them for these purposes under that sign, or offering or supplying services under the sign; importing or exporting the goods under the sign, or using the sign on business papers and in advertising. These uses also constitute uses ‘in relation to goods or services’ although the list is not exhaustive.⁵³⁷ The EUCJ has recognized the limits of said provision in new settings, namely regarding uses on the internet and electronic commerce.⁵³⁸ Thus, the types of uses that trade mark owners are entitled to prohibit are not yet defined.

Member states may also protect trade mark holders against *uses other than for distinguishing purposes* under national law, if the use of the sign without due cause takes unfair advantage of or is detrimental to the distinctive character or the repute of the mark.⁵³⁹ Article 5(5) was designed to allow for diverging practices in national unfair competition laws or market legislation. It would seem that Article 5 (5) was also intended to draw the line between national practices of allowing the establishment of rights acquired through use as opposed to rights established by registration.⁵⁴⁰ However, it could also be read as allowing for member states to provide additional protection for, mainly reputed, trade marks.⁵⁴¹ Only the Benelux expressly affords stronger trade mark protection.⁵⁴² In practice, however, stronger protection may be granted to trade marks also in other Member States under general clauses of unfair competition.⁵⁴³ On the other hand, other Member States limit trade mark protection in practice in the interest of competition.⁵⁴⁴

535 Arsenal at 40; Case C-17/06 *Céline SARL v Céline SA*, [2007] ECR I-07041 at 17; by order in Case C-62/08 *UDV North America* [2009] ECR I-1279 at 44, Google France at 50.

536 Google France at 56.

537 Arsenal at 41, and Adam Opel, at 20, Google France at 61 and 65.

538 Google France at 66.

539 Article 5(5) of the TMD.

540 Proposal at 8 and 13.

541 As set forth by the plaintiff in the BMW- and Gillette-cases.

542 Study on the EU Trade mark System at 2.152. See also Kamperman Sanders at 19-22.

543 E.g. Finland slavish imitation e.g. MAO 82/05 *Lego v. Biltema* and Sweden renommésnyltning e.g. MD 1999:21 (Robinson-chips).

544 An action for passing off in the UK was initially limited to instances where the plaintiff could show a likelihood of confusion. Although the protection for reputed marks in Article 5(2) of the TMD has now been implemented, the UK courts in line with their national tradition focus on whether actual harm is present. Christopher Morcom, Ashley Roughton, Simon Malyniz, The Modern Law of Trade marks, Lexis Nexis, 2nd Edition, 2008 (Morcom et. al) at 366.

The Proposal initially envisioned a more traditional trade mark right with narrow exceptions and a stricter pre-emption of national unfair competition laws.⁵⁴⁵ Indeed, the proposed equivalent to Article 6 read;

The trade-mark shall not entitle the proprietor thereof to prohibit a third party from using, in the course of trade,
(a) his surname or address;
(b) indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of the goods or of rendering of the service or other characteristics of the goods or service;
(c) the trade-mark for the purpose of indicating the intended purpose of accessories or spare parts,
provided he does not use them as a trade-mark.

The explanatory memorandum states that this content reflects exceptions applicable in a large number of countries.⁵⁴⁶ The Proposal specifically mentions that member states would remain free to grant stronger rights to trade mark owners under national law on civil liability or unfair competition and that the exceptions give way to Article [5] in cases where ‘unscrupulous third parties’ unduly profit from the reputation of th[e] trade mark.⁵⁴⁷

By contrast, Articles 6 and 7 of the TMD today, regulate some specific instances where there, at least, is *due cause to use* another’s trade mark.⁵⁴⁸ A third party may not be prohibited from using in the course of trade, his own name or address, or a sign when it constitutes an indication of the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or rendering of the service or other characteristics of goods and services, provided that the use is in accordance with honest practices in industrial and commercial matters.⁵⁴⁹ Neither can use of the trade mark be prohibited, when the trade mark is necessary to indicate the intended purpose of a product or service, in particular accessories or spare parts, provided that the use is in accordance with honest practices in industrial and commercial matters.⁵⁵⁰ A prior locally recognized right may also not be prevented.⁵⁵¹

In contrast with the more traditional view of exceptions, rights conferred to third parties in Article 6 are to be assessed according to a standard of honest commercial

545 Proposal 13, 14 and 60.

546 Proposal at 59. The proposal refers specifically to ‘countries’ not ‘member states’ and while indicates that it has a following these exceptions, unlike other provisions are not necessarily mainstream.

547 Proposal at 59.

548 Google France at 80. Joined cases C-414/99 *Zino Davidoff v A&G Imports*, C-415/99 *Levi Strauss v Tesco Stores* and C-416/99 *Levi Strauss v Costco Wholesale* [2001] ECR I-8691 at 37. The use of ‘due cause’ here is not intended to define the concept as used in Article 5(2). However, due cause, when established under Article 6 and 7, constitutes a bar for application of Article 5(2)

549 Article 6.1 (a) and (b) of the TMD.

550 Article 6.1 (c) of the TMD.

551 Article 6.2 of the TMD.

practice, and not as proposed, against the legal right of the trade mark owner or any concepts derived from that right.⁵⁵² Similarly, the right to use the trade mark is not limited to uses that are necessary to indicate the purpose of accessories or spare parts, instead the exception applies to any use necessary to indicate the purpose of a product or service.⁵⁵³ It is noteworthy, however, how persistently the traditional view of exceptions influenced the EUCJ, where the interpretation of Article 6 and 7 was approached in search for a legitimate reason for the trade mark owner to prevent such uses.⁵⁵⁴

Whenever the trade mark owner has placed the trade marked product on the market in one EU member state, i.e. *exercised his right using* the mark, the trade mark right, i.e. the right to *prevent others from using* the trade mark on those goods, is exhausted, and he cannot prevent the sale, resale, import or export of the goods unless there exists legitimate reasons, such as the good has been changed or impaired, to do so.⁵⁵⁵ Damage to the reputation of a trade mark owner will be treated as a legitimate reason only if it is serious.⁵⁵⁶ Therefore, the mere fact that a reseller that markets products of the same kind, but not necessarily the same quality and uses advertising customary in the relevant trade sector, even if not the same as the trade mark owner or its authorized dealers, does not constitute a legitimate reason for the trade mark owner to prevent such use.⁵⁵⁷ Indeed, much like Article 6, Article 7(2) only protects the legitimate interests of the trade mark owner, which imposes on the third party a duty to act fairly in relation to those interests.⁵⁵⁸ Thus, a third party under Article 7 is not only free to resell trade marked goods, but also to use the trade mark in order to bring to the public's attention the further commercialization of those goods, provided that the use does not seriously damage the trade mark.⁵⁵⁹

552 Gillette at 47-48.

553 Gillette at 38

554 BMW at 51, 54-55 and 60. "the use...must be held to be necessary... [when the fact that] ... an independent trader carries out the maintenance and repair of BMW cars or is in fact a specialist in that field...*cannot in practice* be communicated to his customers *without* using the BMW mark" Author's emphasis. The BMW-court was strongly influenced by Case C-337/95 *Parfums Christian Dior v Evora* [1997] ECR I-6013 on the interpretation of Article 7 and specifically what constitutes a 'legitimate reason' under Article 7.2 of the TMD.

555 Article 7 of the TMD.

556 Case C-337/95 *Parfums Christian Dior v Evora* [1997] ECR I-6013 at 46. Opinion of the Advocate General in Joined cases C-414/99 *Zino Davidoff v A&G Imports*, C-415/99 *Levi Strauss v Tesco Stores* and C-416/99 *Levi Strauss v Costco Wholesale* 5.4.2001 at 111 paraphrasing *Parfums Christian Dior* at 65.

557 Case C-337/95 *Parfums Christian Dior v Evora* [1997] ECR I-6013 at 45.

558 Case C-337/95 *Parfums Christian Dior* [1997] ECR I-6013 at 45; BMW at 41 and 61.

559 Case C-337/95 *Parfums Christian Dior* [1997] ECR I-6013 at 38, and BMW, paragraph 48, C-558/08 *Portakabin v. Primakabin* [2010] ECR I-0000 at 77

The EUCJ has repeatedly held that Articles 5 to 7 embody a complete harmonization of the rights conferred by a trade mark.⁵⁶⁰ In view of the line of cases, where this has been confirmed considerable pressure has been placed on the court to depart from other rules, namely regarding free movement or competition, in favor of protecting trade mark owners' rights. These cases also entail a strong element of jurisdiction, i.e. when can national laws depart from EU law, for any purpose (e.g. lesser or stronger protection against confusion/association) or specifically in relation to the protection of intellectual property rights (Art. 30 TEU). Thus, one likely uncontested interpretation of the above statement is that the court has repeatedly declined to surrender jurisdiction to member states⁵⁶¹, when interpreting the TMD.

First, it should be noted that the following argument is one of *interpretation* of existing rules using the customary sources of law. At no stage, is it here intended to argue that the general principle of exhaustion would not apply in EU trade mark law, quite the opposite, the main argument of this thesis is that there are implied limits in EU trade mark law that are not expressed in the wording of the TMD, or necessarily and completely discussed in cases before the EUCJ.

Consequently, another plausible interpretation of the statement of 'complete harmonization' is that the TMD exhaustively regulates the scope of rights and the scope of possible limits on those rights. If, this is the case, and Article 5 and 7 must be interpreted literally, the question could be raised, whether EU trade mark law recognizes a general rule of exhaustion of rights, or as the text in Article 7 referring to 'in the Community' reads, *only* a rule regarding the geographical extent of exhaustion.⁵⁶² Indeed, according to the EUCJ: the purpose of the 'exhaustion of rights' rule is to prevent owners of trade marks from being allowed to partition national markets and thus facilitate the maintenance of price differences which may exist between Member States.⁵⁶³

560 Joined cases C-414/99 *Zino Davidoff v A&G Imports*, C-415/99 *Levi Strauss v Tesco Stores* and C-416/99 *Levi Strauss v Costco Wholesale* [2001] ECR I-8691 at 39 of the judgment, and, with specific reference to Article 5(2) at 27 to 30 of the judgment in Case C-23/01 *Robelco* [2002] ECR I-10913.

561 The decisions of the EUCJ should always be read in light of the court's limited jurisdiction, as well as the interrelationship between national courts and itself, especially, when the questions presented attempt to exclude EUCJ jurisdiction on a matter. Martti Koskenniemi, *The effect of rights on political culture* in Phillip Alston, Ed., *The EU and Human Rights* 1999 (Koskenniemi 1999) at 106-107.

562 See e.g. *Parfums Dior* at 37: "It follows from the case-law of the Court that Article 7 of the Directive is to be interpreted in the light of the rules of the Treaty relating to the free movement of goods, in particular Article 36 (Joined Cases C-427/93, C-429/93 and C-436/93 *Bristol-Myers Squibb and Others v Paranova* [1996] ECR I-3457 at 27)

563 Joined Cases C-427/93, C-429/93 and C-436/93 *Bristol-Myers Squibb and Others v Paranova* [1996] ECR I-3457 at 46. Even if the right to make use of a trade mark in order to attract attention to further commercialization were not exhausted in the same way as the right of resale, the latter would be made considerably more difficult and the purpose of the 'exhaustion of rights' rule laid down in Article 7 would thus be undermined.

As a guide to interpretation of legislative intent, it may be helpful to contrast the current wording of Article 7 to the one proposed by the Commission.⁵⁶⁴

Article 7(1) of the TMD reads:

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.

Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialization of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.

The Commission proposed the following wording for [then] Article 6(1):

The trade-mark shall not entitle the proprietor thereof to prohibit its use in relating to goods which have been put on the market under that trade-mark by the proprietor or with his consent.”⁵⁶⁵

The Commission explained that “[t]he rule under which the right to a trade-mark is exhausted with the first use of the mark effected or authorized by the proprietor is a direct consequence of its function as an indicator of origin...the application of the principle of the exhaustion of the right ties with the attaining of two tasks which are entrusted to the Community by the Treaty: the removal, as between Member States, of obstacles to freedom of movement for goods and services, and the institution of a system ensuring that competition in the common market is not distorted.”⁵⁶⁶

Consequently, if the omission of a reference to the more general principle is intentional it could be interpreted to exclude a general rule of exhaustion of rights after the first sale of trade marked products *anywhere*. If this were the case the TMD significantly expands trade mark owner’s rights.⁵⁶⁷ Following EUCJ case law on the interpretation of Article 7(1), which clearly focuses on the territorial dimension of the principle of exhaustion, general rules of statutory interpretation, and the removed reference, it would seem that Article 7(1) was intended to cover only the narrower principle.

564 Proposal at 10 and 59-60.

565 Compare to Article 7(1) of the TMD: 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. Compare to e.g. German Trade mark Act, Sec. 24 indicating that the broader principle applies. Law on the Protection of Trade Marks and Other Signs (Trade Mark Law) of October 25, 1994, as last amended by the Law of July 16, 1998. English translation deposited at http://wipo.int/wipolex/en/text.jsp?file_id=126235

566 Proposal at 59-60. Discussing national, community and global exhaustion and its consequences for the scope of trade mark protection (origin function) on competition.

567 Proposal at 14 and 59 indicating that this type of exception to the exercise of the right to a trade mark is also found in legislation or decided cases in most countries.

The EUCJ has however, recognized the more general rule of exhaustion, most recently (and directly⁵⁶⁸) in the *Portakabin* –case stating as follows:

“account must be taken of the fact that the sale of second-hand goods under a trade mark is a well-established form of business, with which the average consumer will be familiar. Therefore, it cannot be held, merely on the basis of the fact that an advertiser uses another person’s trade mark with additional wording indicating that the relevant goods are being resold, such as ‘used’ or ‘second-hand’, that the ad creates the impression that the reseller and the trade mark proprietor are economically linked or that the ad is seriously detrimental to the reputation of that mark.”⁵⁶⁹

“In those circumstances, in which a reseller specialises in the resale of goods under another person’s trade mark, the reseller cannot be prohibited from using that mark in order to advertise its resale activities which include – apart from the sale of second-hand goods under that mark – the sale of other second-hand goods, unless the resale of those other goods risks, in the light of their volume, their presentation or their poor quality, seriously damaging the image which the proprietor has succeeded in creating for its mark.”⁵⁷⁰

The EUCJ thus gives effect to the general rule of exhaustion through a *negative interpretation*⁵⁷¹ of Article 7(2), which constitutes a limitation on the exhaustion rule set forth in Article 7(1)⁵⁷²: although sale and advertising of second-hand goods constitutes further commercialization of the goods in question the national court may not prohibit the reseller from using the mark, unless the use seriously damages the trade mark owner’s interests.⁵⁷³

Therefore, a strict (positive) interpretation of Article 7 (1) to exclude application of national law, where the more general principle of exhaustion is often recognized, is not supported. Positive statements of national law of the more general rule of exhaustion are confirmed by the case law by the EUCJ departing from the language of the TMD, in favor of an interpretation of the

568 While there is significant case law on the interpretation of Article 7 of the TMD, other cases have included an element of the narrower exhaustion rule, i.e. whether the trade mark owner may prevent import (free movement) of goods for resale in another member states. The Portakabin- case was based purely on, whether there constituted legitimate reasons under 7(2) to oppose the sale and advertising of second-hand goods and comparable goods. The EUCJ thereby emphasizes the ‘functioning market’-prong of its free movement case law instead of the question of ‘barriers to trade’.

569 Case C-558/08 *Portakabin v. Primakabin* [2010] ECR I-0000 at 84.

570 Case C-558/08 *Portakabin v. Primakabin* [2010] ECR I-0000 at 91.

571 See also Case C-337/95 *Parfums Christian Dior* [1997] ECR I-6013 at 48 “the proprietor of a trade mark may not rely on Article 7(2) of the Directive to oppose the use of the trade mark, by a reseller who habitually markets articles of the same kind, but not necessarily of the same quality, as the trade-marked goods, in ways customary in the reseller’s sector of trade, for the purpose of bringing to the public’s attention the further commercialization of those goods, unless it is established that, given the specific circumstances of the case, the use of the trade mark for this purpose seriously damages the reputation of the trade mark.”

572 Case C-337/95 *Parfums Christian Dior* [1997] ECR I-6013 at 40.

573 Case C-337/95 *Parfums Christian Dior* [1997] ECR I-6013 at 38, and *BMW*, at 48 and Case C-558/08 *Portakabin v. Primakabin* [2010] ECR I-0000 at 77-79.

courts free movement of goods case law.⁵⁷⁴ Even if, the repeated statement by the EUCJ that Articles 5 to 7 *embody a complete harmonization of rights* conferred by a trade mark, were to be taken literally to mean that the EU has exclusive jurisdiction, it does not follow that member states are *not entitled to provide for exceptions* to the rights of the trade mark owner, when the issue is not explicitly included in the TMD. The interpretation of Article 7 to include the general exhaustion rule seems a good example of how the sometimes richer national traditions and law influences EU law. While directives confer upon the member state *the duty to legislate* it does not entail a duty to remove national law. Neither, does EUCJ case law have that effect. Instead, the national legislature interprets the relevant secondary legislation in good faith and exercises discretion in determining whether national provisions conform to EU law.⁵⁷⁵

This thesis argues that a rigid and formalistic interpretation of the TMD is inherently flawed in light of the general principles of EU law.⁵⁷⁶ This argument is not to be construed as an argument that Articles 5 to 7 does not embody a complete harmonization of *rights* conferred by a trade mark (including exclusion of national jurisdiction), merely that it does not embody a complete harmonization of *limits* (literal and explicit) that would prevent member states from providing for exceptions to trade mark rights in practice.⁵⁷⁷ Thus, the issues of competence and jurisdiction in practice are fluid concepts *ex post*

574 Joined Cases C-427/93, C-429/93 and C-436/93 *Bristol-Myers Squibb and Others v Paranova* [1996] ECR I-3457 at 24-29 recognizing that national rules exist.

575 Article 288 TFEU.

576 Cremona discusses the issue of to what extent EU competence pre-empts member states from acting in the field, as a process of catching up with existing practice. Indeed, the case law of the EUCJ that has focused on institutional and jurisdictional battles has overshadowed the true nature of the issue. Contemporary developments are more attuned to practice and focus on the EU and its member states creating systems of rules, partly overlapping but capable of compatibility in line with the limits on Member State competence imposed by and within the EU legal order. Marise Cremona, External Relation and External Competence of the European Union in Armin von Bogdandy and Jürgen Bast, *Principles of European Constitutional Law*, Revised 2nd Edition 2009 at 244. Established case law does not make a difference between internal and external measures when it comes to implementation of the provisions of the Treaty. Case 22/70 *Commission v Council* [1971] ECR 263 at 19.

577 Davies 2004 at 1012, arguing that while the EU approach to creating competitive markets (the structure/conduct/performance paradigm) is based on (state) interference, the TMD may be argued to reflect a neo-liberal approach that mainly considers markets themselves as the self-regulating ideal trade mark protection. Contemporary trade mark law jurisprudence dances between these views of what 'entity' is to decide the scope of trade mark protection Davies 2004 at 1013. See also at 1022-1023 arguing that the case law of the ECJ is "constrained by the terms of the Directive, into discussing social benefits of registering... culturally significant signs solely in the language of competition (here meaning fixed pro-trade mark protection)... neither...did the ECJ have available to it an alternative language which might have recognized the need to protect a public domain of socially or culturally significant sign which constituted more than a potential economic asset." Similarly Ullrich 2010 at 24 arguing that attempts to get around Community exhaustion doctrine with the TMD failed.

anchored in the principle of sincere cooperation⁵⁷⁸ rather than prohibitions *ex ante* that would require stagnation in practice.⁵⁷⁹

3.4 Trade mark use: possible standards

As mentioned above, trade mark rights have traditionally been enforceable against *uses in the course of trade* or against *trade mark uses*. This has traditionally meant that non-commercial use of a trade mark has been considered outside the scope of trade mark law.⁵⁸⁰ Likewise, as a general matter, uses of signs for descriptive purposes or in comparative advertising have been considered fair. Today, many of these uses trigger a law suit from an owner of a reputed mark alleging detriment or harm to the reputational or distinctive character of the mark. The relaxed standard for infringement allowing recourse outside the competitive relationship has lowered the procedural hurdle for plaintiffs' claims, since the focus is on establishing detriment or harm, not whether the use is one that the trade mark owner is entitled to prohibit.

The concept of trade mark use is debated and has several meanings in contemporary trade mark law and in all its meanings has both positive and negative dimensions.⁵⁸¹ Some of the indirect and diverse meanings given to the concept of use that may or may not, wholly or partially constitute trade mark use, were discussed in the previous section.⁵⁸² In discussing the *limiting effect of the concept* an attempt must be made at defining the elusive concept on a general theoretical

578 Article 4.3 TEU reflects the two sides of competence. The contemporary understanding of the relationship between the EU and its Member States can be stated as follows: "It can now be maintained that Member State competence is only excluded where its exercise would jeopardize Community objectives (not merely because the Community possesses competence, or has already acted, in particular areas) and it is not just assumed that any Member State action would necessarily have this effect – this will depend on the subject matter and nature of Community action." Cremona at 218 and 247.

579 Unlike the American model on the federation state that is based on a separation of federal and state powers, the EU is more like (and moving towards) the German model on the federation state based on interconnections, interdependence and co-operation between various entities of the federation which can be labeled co-operative federalism. von Bogdandy and Bast at 285.

580 See Derclaye and Leistner at 51 stating that private use of a trademark and more generally use for non-commercial (eg most educational) purposes does not fall within the scope of trademark owner's rights.

581 See Bojan Pretnar, *Use and Non-Use in Trade Mark Law* 15-20 and 21-23, in *Trade Mark Use*, Eds. Jeremy Phillips and Ilanah Simon, Oxford University Press, 2005. See also Graeme B Dinwoodie and Mark D Janis in *Use, Intent to Use and Registration in the United States* at 314 and 326-327, in *Trade Mark Use*, Eds. Jeremy Phillips and Ilanah Simon, Oxford University Press, 2005 (Dinwoodie & Janis 2005) and Stacey Dogan and Mark Lemley in *Grounding Trade mark Law through Trade mark Use* 92 *Iowa Law Review* [2007] 1670-1701 (Dogan & Lemley 2007) at 6.

582 Use in the course of trade, use in relation to goods or services, use requirement, genuine use, proof of use, non-use, minimal use, concurrent use, prohibited uses, use for other than distinguishing purposes, due cause to use, exercising the right to use the trade mark, right to prevent use of a trade mark.

level.⁵⁸³ I will pursue this topic based on two general understandings of trade mark use.⁵⁸⁴ First, one could view trade mark use as a requirement for obtaining and maintaining the trade mark right. The *trade mark owner* is required to use the mark as a trade mark.⁵⁸⁵ The negative⁵⁸⁶ dimension of this understanding of trade mark use is that non-use or failure to use the trade mark as a trade mark will result in the revocation or un-enforceability of the rights in the mark.⁵⁸⁷ Second, one

583 Pretnar at 27.

584 Each contributor to the discussion seems to have a slightly different take on trade mark use as a theoretical phenomenon. Many look at trade mark use in relation to a specific legal question; what is required to acquire a distinctive character (Arnaud Folliard-Monguiral, Distinctive Character Acquired through Use: The Law and the Case Law and Anna Carboni, Distinctive Character Acquired through Use: Establishing the Facts in Trade Mark Use, Eds. Jeremy Phillips and Ilanah Simon, Oxford University Press, 2005.); drawing the line to functional use; (Thomas Hays, Distinguishing Use versus Functional Use: Three dimensional Marks in Trade Mark Use, Eds. Jeremy Phillips and Ilanah Simon, Oxford University Press, 2005.); drawing the line to denominative use (Neil J Wilkof, Third Party Use of Trade Marks and Massimo Sterpi, Trade Mark Use and Denominative Trade Marks in Trade Mark Use, Eds. Jeremy Phillips and Ilanah Simon, Oxford University Press, 2005.); or looking at trade mark use on the Internet (Spyros Maniatis, Trade Mark Use on the Internet in Trade Mark Use, Eds. Jeremy Phillips and Ilanah Simon, Oxford University Press, 2005. (Maniatis 2005)). While chosen scope, labels, juxtapositions and categorizations differ, the substantive law recognized as relevant for the discussion on trade mark use covers the two general categories outlined below. Attempts to theorize on the problems surrounding trade mark use have been made by tying the concept to the user (Pretnar discussing the trade mark owner's use in Use and Non-Use in Trade Mark Law and from the perspective of third parties, Jennifer Davies, The Need to Leave Free for Others to Use and the Trade Mark Common in Trade Mark Use, Eds. Jeremy Phillips and Ilanah Simon, Oxford University Press, 2005 (Davies 2005)); or to the context of acquisition and enforcement of rights as opposed to infringement analysis (Pretnar, Use and Non-Use in Trade Mark Law). Dogan & Lemley 2007 look at the historical emphasis on the concept of trade mark use in infringement analysis through the lens of the distinction between indirect and direct infringement. Dinwoodie & Janis 2005, discuss the significance of the temporal dimension to the concept of trade mark use in US trade mark law. Most authors recognize the other dimensions of the concept, but choose to focus on a certain aspect of it.

585 Article 10 of the TMD.

586 Note how the terms positive and negative may quickly become confusing, since trade mark statutes are framed to confer negative rights. The starting point is that this negative right is the basis for the articulation of the positive dimension (i.e. to have/maintain right), and its' opposite, limitations on the right, the negative dimension (i.e. have not/loss of right) of the concept of trade mark use. Similarly, when assessing use by another the positive dimension indicates elements that place the act within TM owner's right and the negative dimension elements that place the act outside the TM owner's right.

587 Article 11 and 12 of the TMD. For OHIM practice on proving use to maintain rights in a trade mark see *Opposition Guidelines Part 6, Proof of Use*, Final version, November 2007.

could view trade mark *use by another* as a type of infringement.⁵⁸⁸ A third party may not affix another's trade mark to his goods, or market his products with the aid of another's mark.⁵⁸⁹ The negative dimension of this type of trade mark use asks if other uses, than 'trade mark uses' are infringing. Put the other way; are uses that do not fall within any definition of trade mark use, automatically outside the purview of the trade mark owner's right and thus inherently lawful? The last category could be viewed in isolation from the other three arguing that the legislator intended only to exempt uses that can be derived from statutory language. Thus, only limits expressed or implied in the first three categories are valid. Thus, there is no such thing as a trade mark use requirement in trade mark law, at least not one that cannot be derived from the first three categories. This view finds support in the case law of the EUCJ on the relationship between Articles 3 and 5 to 6 and 7 of the Directive. Without deciding whether trade mark use within the meaning of the last category, in fact finds support in current law, the above question can be posed to frame the theoretical inquiry. What would such a requirement look like and what purposes would it serve, if there indeed was a need for it to begin with?

588 Article 5(5) of the TMD allows member states to protect against use of a sign other than for the purposes of distinguishing goods or services, when such use takes unfair advantage of, or is detrimental to the distinctive character or the repute of the trade mark. There are two possible interpretations of this provision; 1) member states may afford greater protection than is afforded to marks under Article 5(1)-5(4) under national laws or 2) member states may afford such protection, when the use takes unfair advantage or is detrimental to the distinctive character or repute of the mark. A literary interpretation of Article 5(5) may favor the former, and the EUCJ has confirmed that protection against uses other than for the purposes of distinguishing goods or services may be afforded under national law, e.g. against the right under Article 6.1 (a) to use one's name Case C-17/06 *Céline SARL v Céline SA*, [2007] ECR I-07041 at 21. An interpretation of Article 5(5) that would allow member states to confer greater protection than established EUCJ case law on the limits of protection under Article 5(1) and Article 5(2), i.e. introducing a national standard for what constitutes unfair advantage or is detrimental to the distinctive character or repute of the mark, is however, problematic. It would seem that the EUCJ, when reiterating that the TMD constitutes a complete harmonization of the trade mark owner's exclusive right and rejecting arguments by national governments, has intended to introduce one EU trade mark law standard on what constitutes unfair advantage or is detrimental to the trade mark owner's legitimate interest. Allowing an interpretation of Article 5(5) that would nullify the extensive effort over nearly two decades of striking a balance between competing interests, seems inconsistent and unlikely. On the diverse understanding of unfair competition laws see Kamperman Sanders at 6 and 11.

589 Article 5 (3) of the TMD.

Dogan & Lemley have suggested that a trade mark use requirement could serve as a much needed limiting doctrine⁵⁹⁰ in trade mark law.⁵⁹¹ Their work criticizes the tendency of courts to apply the doctrine of direct infringement to an ever widening group, and holding actors liable for contributory infringement without satisfying the standard put forth by the U.S. Supreme Court in *Inwood Laboratories v. Ives Labs.*⁵⁹² Dogan & Lemley argue that the shift from consumer confusion toward a more general inquiry into whether the challenged use diverts attention away from the trade mark holder (initial interest confusion) charts dangerous territory when applied on the internet and to all traders.⁵⁹³ Theories like initial interest confusion are based on the general tort of unjust enrichment however, they run counter to the core values of trade mark law that are based on fair competition. According to Dogan & Lemley, trade mark law is based on the theory that trade marks reduce search costs for consumers by protecting against deceptive uses of trade marks in commerce. Trade mark law, thus fosters the free flow of information on the market.⁵⁹⁴

The search-cost theory has been advocated by *Landes & Posner*. They argue that

“to perform its naming function a trade mark must not be duplicated... [b]ut the existence of that benefit presupposes a certain identity or continuity in the brand... Likewise the

590 The likelihood of confusion-test, depending on how you look at it, *can be* both a positive affirmation of when the trade mark right is warranted, and a negative affirmation of when it is not. Similarly, a ‘limiting doctrine’ is, despite its literal meaning, drawing the line between legitimate and illegitimate applications of trade mark law. 30 years ago limiting doctrines on ‘EU free movement of goods’- law where needed to protect trade mark owner’s legitimate interests. A limiting doctrine within trade mark law defines both the exclusive right and its limits, while a limiting doctrine outside trade mark law only limits trade mark owners rights. The goal of this thesis is to discuss how outside concerns can be taken into account with the trade mark owners legitimate interests, when devising limiting doctrines inside trade mark law. It is not here argued that Dogan & Lemley make this distinction, however, their work could be read as advocating for a recalibration of existing trade mark standards based on economic arguments of applying trade mark law in new settings. Stacey Dogan and Mark Lemley, Trade marks and Consumer Search Costs on the Internet, Houston Law Review, Vol. 41, p.777, 2004, Stanford Law School John M. Olin Program in Law and Economics Working Paper 294, August 2004 (Dogan & Lemley 2004) and Dogan & Lemley 2007. Other aspects of their work could, however, be read to discuss ‘a trade mark use requirement’ that lies inherent within normative US trade mark law. See in particular Dogan & Lemley 2008b.

591 Stacey Dogan and Mark Lemley, Trade marks and Consumer Search Costs on the Internet, Houston Law Review, Vol. 41, p.777, 2004, Stanford Law School John M. Olin Program in Law and Economics Working Paper 294, August 2004 (Dogan & Lemley 2004). Stacey Dogan and Mark Lemley in Grounding Trade mark Law through Trade mark Use 92 Iowa Law Review [2007]1670-1701; Stacey L. Dogan & Mark A. Lemley, The Trade mark Use Requirement in Dilution Cases Santa Clara Comp & High Tech. Law Journal, Vol 24, p. 541, 2008.

592 Dogan & Lemley 2004 at 4. *Inwood Labs., Inc. v. Ives Labs. Inc.*, 456 U.S. 844, 854-55 (1982) held that “if a manufacturer or distributor intentionally induces another to infringe a trade mark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trade mark infringement, the manufacturer or distributor is contributorily responsible for any harm done as a result of the deceit”.

593 Dogan & Lemley 2004 at 6.

594 Dogan & Lemley 2004 at 2.

benefits of trade marks in reducing the cost to consumers of distinguishing among brands of a product require that the producer of a trade marked good maintain a consistent quality of his output, that is, that he make sure that from the consumer's standpoint it really is the same product from unit to unit and time to time.⁵⁹⁵

The basic premise of the search-cost theory, thus is, that if the law does not prevent free riding, it may destroy the information capital embodied in the trade mark and the prospect of free riding may therefore eliminate the incentive to develop a valuable trade mark to begin with.⁵⁹⁶ However, Landes & Posner only refer to the economics of trade marks within the traditional likelihood of confusion rationale, that is, the incentives and benefits are balanced when the law is applied to uses on the same or similar products and for the purposes of protecting the quality-preserving function.⁵⁹⁷ Protection against harm to the distinctiveness of the trade mark, or so called dilution by blurring, is not according to Landes & Posner economically sound.⁵⁹⁸

Dogan & Lemley however, based on the search-cost rationale extend the trade mark use requirement also to dilution cases, which is interesting for our purposes.⁵⁹⁹ Dogan & Lemley have already found that the so called trade mark use exemptions in US trade mark law share two features: "the defendant has used the trade mark in a non-source-identifying (and non-sponsorship-identifying) way; and second, the error costs from a pro-plaintiff verdict are high."⁶⁰⁰ Indeed, the trade mark use requirement is based on the combined force of the fair use doctrine, the exemption for comparative advertising, the nominative fair use doctrine, and the safe harbor for news reporting and commentary.⁶⁰¹ These are examples that together are more than the sum of their parts; embodiment of the limiting principle of requiring trade

595 William M. Landes & Richard A. Posner, *The Economic Structure of Intellectual Property Law* (2003) (Landes & Posner) at 166-167.

596 Landes & Posner at 168.

597 Landes & Posner at 201. "Legal intervention to prevent *B* from using the mark similar to *A*'s could impose heavy costs. A seller might adopt a trade mark in all innocence, not knowing that some other seller, selling a different product in a remote area of the country, had adopted the same trade mark previously; he might invest substantial resources in advertising his trade marked goods and he might be forced to write off the entire investment if first use established a nationwide property right covering all products. To avoid such disasters, sellers would have to invest heavily in investigating prior uses of trade marks they were thinking of adopting. These costs are reduced if the original owner must show a likelihood of confusion." Compare at 208: "If antidilution law is interpreted as arming trade mark owners to enjoin uses of their mark that, while not confusing, threaten to render the mark generic, the social benefits of genericness, in reduced consumer search costs and enhanced competition are reduced or postponed."

598 Landes & Posner at 206-209.

599 Dogan & Lemley thus, unlike Landes & Posner argue that an extension of the search-cost rationale to trade mark dilution cases and protecting famous trade marks can be economically sound as long as the scope of the right is adequately tailored. Stacey L. Dogan & Mark A. Lemley, *The Trade mark Use Requirement in Dilution Cases*, 24 Santa Clara Computer & High Tech Law Journal 102 (2008).

600 Dogan & Lemley 2007 at 1683.

601 Dogan & Lemley 2007 at 1683-1684.

mark use. The trade mark use requirement serves as a buffer; at the core of the likelihood of confusion test and at the core of the dilution test. In dilution law the trade mark use requirement protects famous marks against uses that interfere with their *function* as source-identifiers, but is not triggered by every use that affects the *meaning* of trade mark.⁶⁰² Dogan & Lemley find support for this distinction in the plain language of the Trade mark Dilution Revision Act of 2006.⁶⁰³ They assert that the TDRA corrected an error in the FDTA of 1996 to distinguish between defendant's use of the mark and the plaintiff's use of the famous mark. Dogan & Lemley conclude that under the TDRA "the only actionable "uses" by a defendant of the plaintiff's famous mark are those in which a defendant uses a trade mark or trade name to identify and distinguish its own goods or services."⁶⁰⁴

Criticism of Dogan's & Lemley's reading of the TDRA and federal trade mark law generally, is easy and warranted, since the murky trade mark use concept is so hard to define.⁶⁰⁵ It also defies the logic of the Lanham Act, although it could be argued that the TDRA in itself does so just like its predecessor.⁶⁰⁶ On a more theoretical level, however, a trade mark use requirement or doctrine is stronger. It would allow the decision-maker to search for true harm to the protected functions of a trade mark, instead of focusing on a more general and thus difficult fairness-inquiry at every turn. At the outskirts of trade mark law, when trade mark law is applied in new settings, existing standards of fairness are often, but transferred, without scrutiny or rebalancing. Thus, the trade mark protection bias imbedded in existing trade mark law naturally tilts the fairness debate in favor of the trade mark owner. A trade mark use requirement, however, could force at least some scrutiny of existing standards, and discussion of other interests imbedded in trade mark law in new settings.

602 Dogan & Lemley 2008b at 103 and 105.

603 This section is intended to discuss the logic of Dogan & Lemley's argument, not whether their interpretation of the FDA or TDRA is warranted. For another interpretation of the meaning of the statutory language of the FDA and TDRA see William G. Barber, The Trade mark Dilution Revision Act of 2005:Breathing Life Back into the Federal Dilution Statute, 16 Fordham Intellectual Property, Media & Entertainment Law Journal No. 4, (2006) (Barber 2006) and in particular William G. Barber, *Dumping the "Designation of Source" Requirement from the TDRA: A Response to the Alleged "Trade mark Use Requirement" in Dilution Cases*, 24 Santa Clara Computer & High Tech. L.J 559, 560 (2008) (Barber 2008). "Professors Lemley and Dogan now concede this point as well, but persist in their argument that the trade mark use requirement survived this key amendment to H.R. 683. See Dogan & Lemley, *Trade mark Use* at 553." Thus, *the discussion here centers around the theoretical discussion on trade mark use*, not on the legislative intent and any following content of United States' trade mark dilution law.

604 Dogan & Lemley 2008b. at 112.

605 Graeme Dinwoodie and Mark Janis, Confusion over Use, 92 Iowa Law Review (2007) (Dinwoodie & Janis 2007a) at 1667. Barber 2008 at 560.

606 Dinwoodie & Janis 2007b at 1712 and Dogan & Lemley 2008b at 108 and 114.

The European courts, have however, not accepted a specific trade mark use requirement in European trade mark law.⁶⁰⁷ I argue below that this position is based on a systemic difference between common law and civil law systems, namely regarding the role of defenses, and does not constitute a rejection of the underlying theoretical premise that actionable trade mark law is limited to the protected functions. The elusive principles underlying ‘trade mark use’ thus has a presence also in EU trade mark law although it may take the form not of a threshold requirement or defense, but in a functional equivalent.

3.5 Summary

International trademark law sets a minimum standard for trademark protection which obligates Member States. Most Western countries afford more extensive protection than the minimum standard set forth in international trademark law treaties. However, the TRIPS agreement also sets the minimum standard for derogations from the afforded level of protection. The right to provide for exceptions exists and encompasses derogations from even the international minimum standard of protection. Therefore, international treaties cannot be interpreted to fix the level of protection from which Member States are not able to derogate.

The WTO panel report interpreting Article 17 of the TRIPS Agreement, which addresses limits on trademark rights, clearly stated that Member States are given more leeway in limiting trademark rights, than e.g. copyright. Unlike other IP right limitations, trademark owners are placed on par with other market actors and the legitimate interests of trademark owners are to be weighed against the equally legitimate interests of third parties; competitors, consumers and other market actors alike.

EU trademark law, while harmonized to a great extent cannot be viewed as complete regulation on the issue of limits, as exemplified by the numerous examples on implicit limits on the trademark owner’s right in the statutory text

⁶⁰⁷ Case C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273. Case C-245/02 *Anheuser-Busch Inc. v Budějovický Budvar, národní podnik* [2004] ECR I-10989 and C-48/05 *Adam Opel AG v Autec AG* [2007] ECR I- 01017. One could argue that there are indications that the EUCJ implicitly has or is on its way to accepting such a requirement (e.g. Google France). Referring back to the above-mentioned four categories or dimensions of meanings that can be given to trade mark use this argument has some resonance for use within the three categories coupled with the view that this is the only legitimate room for any such requirement in EU trade mark law. While such a closed view of EU trade mark law, for reasons explained above, may or may not be an accurate description of the current state of EUCJ case law read from a trade mark law internal point of view, it is argued here that it is not the only way of looking at and interpreting cases from the EUCJ. Therefore, if one proceeds on the more general theoretical level that would recognize a more general and independent trade mark use requirement in EU trade mark law, the EUCJ has in fact, in the above-mentioned cases, rejected e.g. use for purposes of expression, use for purposes of making an accurate replica, as an approach to interpreting EU trade mark law.

and as recognized *e contrario*⁶⁰⁸ by the EUCJ. While contemporary debate seeks limits in a “trademark use” requirement there are several practical problems in addressing outside concerns when viewing the question of limits through which uses the trademark owner is entitled to prohibit. The theoretical foundation of the existence of such requirement, however, resonates in principle-based limitations of trademark rights.

608 Here it is referred to *e contrario* conclusions made by the EUCJ, not to interpretations *e contrario* of statements of the EUCJ.

4 Systemic Basis

4.1 The trade mark bias: from negative right to (constitutional) property rhetoric

Mylly argues that the fundamental rights rhetoric used in addressing intellectual property rights enhances the aura of exceptionality surrounding them:

"The aura of human rights attached to intellectual property rights transforms the relevant question of which fundamental rights are potentially inherent in an intellectual property dispute and how they should be weighed into a banal question of how to balance intellectual property rights with other human rights, thus giving intellectual property rights a deeper justification exceeding instrumental reasons. Such a premise also problematically implies that intellectual property is a fundamental right to be maximally protected as far as it does not interfere with other rights, like freedom of speech or privacy, and to be balanced against these and other fundamental rights proportionally on the same level of analysis.

This [argument] also converts, somewhat ironically, international measures maximizing intellectual property protection on a global level, such as the TRIPS Agreement, into human rights instruments allegedly affecting the interpretation of other human rights instruments, such as the Universal Declaration, the International Covenant, the European Convention and the EU Charter."⁶⁰⁹

In explaining the policies for a better life underlying the Treaty of Lisbon the European Union states that since "the tools of intellectual property: trade marks, designs, patents and copyright, are a driving force for innovation growth and competitiveness" it is necessary to simplify the processes of their protection.⁶¹⁰ However, it is worth noting that unlike the Constitution of the United States, which specifically authorizes Congress to protect copyrights and patents (not trade marks),⁶¹¹ the Treaty of Lisbon protects intellectual property under the property clause; i.e. Article 17 of the Charter of Fundamental Rights of the European

609 Myllyat 205.

610 http://europa.eu/lisbon_treaty/glance/better_life/index_en.htm

611 Article 1, Section 8, Clause 8 of the US Constitution: To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries

Union.⁶¹² Thus, instead of making intellectual property rights fundamental rights *per se*, the granted rights enjoy protection under the general protection of ownership and possessions.⁶¹³ Protection of property as a fundamental right differs from and is more complex a question than protecting the results of innovation or creativity as socially desirable results in themselves. For example, fundamental rights protection of property ownership has always been subject to restrictive regulation in the general interest in Europe.⁶¹⁴ While European governments must prove necessity to protect a general interest, governments are given wide discretion in defining protectable interests and their necessity.⁶¹⁵

Article 17⁶¹⁶

Right to Property

1. Everyone has the right to own, use, dispose of and bequeath his or her lawfully acquired possessions. No one may be deprived of his or her possessions, except in the public interest and in the cases and under the conditions provided for by law, subject to fair compensation being paid in good time for their loss. The use of property may be regulated by law in so far as is necessary for the general interest.
2. Intellectual property shall be protected.

The specific mention of intellectual property has the purpose of codifying existing judicial practice, i.e. to state the premise that intellectual property rights *are* possessions within the meaning of e.g. Article 1 of Protocol 1 of the European

612 Article 6 of the Treaty of the European Union incorporating the Charter of Fundamental Rights 2000-OJ C 364 p. 12-18) into EU law. Consolidated versions of the Treaty on European Union and the Treaty on the Functioning of the European Union - Consolidated version of the Treaty on European Union - Consolidated version of the Treaty on the Functioning of the European Union - Protocols - Annexes - Declarations annexed to the Final Act of the Intergovernmental Conference which adopted the Treaty of Lisbon - Tables of equivalences OJ C 115, 9.5.2008 p.1-388.

613 The discussion on whether copyright in itself is a human right will be sidestepped here, since trade mark rights under no circumstances can be included in that debate.

614 See Explanation Relating to the Charter of Fundamental Rights at 7. In the United States the power of eminent domain is limited by the language of the so called Takings Clause of the Fifth Amendment to the US Constitution. The Fifth Amendment to the Constitution of the United States reads: No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the Militia, when in actual service in time of War or public danger; nor shall any person be subject for the same offense to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.

615 See Mylly at 207 (fotnote 242). See also *Bruncrona v. Finland* § 65, European Court of Human Rights, ECHR- 41673/98, Nov. 16, 2004. See also *J.A.Pye (Oxford) Ltd. v. the United Kingdom*, at § 42, 46.

616 Charter of Fundamental Rights of the European Union Official Journal C303Volume 50 14 December 2007, 2007/C 303/01.

Convention on the Protection of Human Rights.⁶¹⁷ The specific mention simplifies the road to granting protection, since intellectual property in each instance must not first qualify as a “possession”.⁶¹⁸ Because intellectual property constitutes personal property that is transferable and assignable it is generally an asset eligible for protection.⁶¹⁹ Protection is extended to all forms of intellectual property.⁶²⁰

Article 17(2) can also be interpreted to *require* protection of intellectual property and to a certain extent. The negative implication of this position would result in a constitutional restriction on limits on intellectual property rights. While Article 17(2) read independently does not refer to exceptions like Article 17(1), such an interpretation is inconsistent with 60 years of European jurisprudence recognizing a right to property that government may limit in the general interest.⁶²¹ The Explanation Relating to the Charter of Fundamental Rights confirms that recognition of a right to property “shall not, in any way impair the right of a State to enforce laws as it deems necessary to control the use of property in accordance with the general interest...” and “... the guarantees [regarding property] shall apply

617 Article 1 of Protocol 1 of the European Convention on the Protection of Human Rights – Protection of property. Explanation Relating to the Charter of Fundamental Rights at 7.

Every natural or legal person is entitled to the peaceful enjoyment of his possessions. No one shall be deprived of his possessions except in the public interest and subject to the conditions provided for by law and by the general principles of international law.

The preceding provisions shall not, however, in any way impair the right of a State to enforce such laws as it deems necessary to control the use of property in accordance with the general interest or to secure the payment of taxes or other contributions or penalties.

618 *Van Marle and others v Netherlands*, 26 June 1986, Series A, vol.101 at para 41 (goodwill) and *Anheuser-Busch Inc. v. Portugal*, European Court of Human Rights, ECHR- 73049/01, Oct 2005 at 47 (trade mark application).

619 *Anheuser-Busch Inc. v. Portugal*, European Court of Human Rights, ECHR- 73049/01, Oct 2005 at 47 (trade mark application).

620 Explanations relating to the Charter of Fundamental Rights, OJ C 303 50, 14.12.2007, 2007/C 303/02 at C 303/23.

“Protection of intellectual property, one aspect of the right to property, is explicitly mentioned in paragraph 2 because of its growing importance and Community secondary legislation. Intellectual property covers not only literary and artistic property, but also patent and trade mark rights and associated rights. The guarantees laid down in paragraph 1 shall apply as appropriate to intellectual property.”

621 See Title VII Charter of Fundamental Rights. Article 52: Scope of guaranteed rights 1. Any limitation on the exercise of the rights and freedoms recognized by this Charter must be provided for by law and respect the essence of those rights and freedoms. Subject to the principle of proportionality, limitations may be made only if they are necessary and genuinely meet objectives of general interest recognized by the Union or the need to protect the rights and freedoms of others.

2. Rights recognized by this Charter which are based on the Community Treaties or the Treaty on European Union shall be exercised under the conditions and within the limits defined by those Treaties.

3. In so far as this Charter contains rights which correspond to rights guaranteed by the Convention for the Protection of Human Rights and Fundamental Freedoms, the meaning and scope of those rights shall be the same as those laid down by the said Convention. This provision shall not prevent Union law providing more extensive protection.

as appropriate to intellectual property".⁶²² A more likely interpretation therefore is that intellectual property indeed is a 'lesser' type of property, in the sense that it in comparison to, e.g. real property, is at its inception inherently quite limited.⁶²³ The Property Rights Article discusses property theory as applied to trade marks and concludes that the duration, scope and exercise of each granted right like all other property includes numerous exceptions in the interest of the rights of third parties.⁶²⁴

However, the established property and fundamental rights *rhetoric* reflects clearly the structural proprietary bias of international and European intellectual property legislation.⁶²⁵

It is paradoxical that trade mark rights, the protection of which have traditionally been supported by a lesser societal interest in the intellectual property family⁶²⁶, tend to be the strongest candidate for property protection in practice.⁶²⁷ Unlike patents, copyrights and even designs, trade marks are not limited in duration.⁶²⁸ The permanent or perpetual nature of trade mark rights allow them to grow stronger over time, and in that regard make them more alike physical property than other forms of intellectual property rights. Indeed, brand owners not only enjoy property protection for registered trade marks or trade names, but also the even "more intangible" possessions such as goodwill⁶²⁹ or a trade mark application can give rise to legitimate expectations of protection.⁶³⁰ Trade mark protection thus, suffers less harm in practice than other intellectual property rights, when attempting to define an elusive and abstract right in an intangible object with property law language. Whether and to what extent trade marks are viewed as property rights is not an end in itself, indeed, "from the legal point of view...a trade mark is an expression of the proprietor's intellectual property right, which is ultimately considerably restricted

622 Explanation Relating to the Charter of Fundamental Rights at 7.

623 Mylly at 210.

624 Property Rights Article at 172-180.

625 Mylly at 210.

626 See Tritton et al. on the historical view of trade marks in the case law of the ECJ at 253.

627 Burrell & Handler at 389.

628 Like all property rights, the right to property, is not one clear right, but refers to a bundle of rights. The fact that trade marks resemble real, or physical property, because of its unlimited duration, does not purport to argue that trade marks are like physical property, or that they are therefore more worthy of protection. It is merely easier to conceive of them as property, in the real, physical sense.

629 Note that good will as property can refer both to company good will and the goodwill in a trade mark.

630 *Van Marle and others v Netherlands*, ECtHR 8543/79 ; 8674/79 ; 8675/79 June 26, 1986, at 41 (goodwill -not trade mark) and *Anheuser-Busch Inc. v. Portugal*, ECtHR- 73049/01, Oct 2005. at 47 (trade mark application).

by the recognition in law of the possibility of limitation of rights".⁶³¹ Viewing a right in isolation is problematic in the real world of *trade mark thickets* where the legality of coexistence and concurrent registrations of (property rights in) identical or similar marks is presumed. Competing interests triggered can thus be those of other trade mark owners, other property owners, consumers or other rights holders.

These competing interests are discussed from the perspective of maintaining a competitive market in the Sports Merchandising Article. It argues for a shift in emphasis in the starting point for the process of decision making, from a focus on the rights holder to a broader unfair competition perspective.⁶³² *Unfair competition* in that regard is a broad and general concept asking whether a use can be considered *unfair*, which requires a legislative exception to the general rule of freedom of competition. Unfair competition here is not intended to reference unfair competition or market laws in some civil law traditions that complement (extend) trade mark protection. It is also not necessarily synonymous with the opposite, i.e. that a doctrine of unfair competition counterbalances (restricts) trade mark protection as the concept could be understood in the UK (if searching for an equivalent in name, not function).⁶³³

The Sports Merchandising Article sets forth a test for legislative intervention in the market forces of free competition that is premised on the risk of imminent market failure, if protection is or is not granted.⁶³⁴ The ideal economy with a perfectly functioning market, including all its interrelations and flows, is one of perfect competition that results in efficiency. Pareto-optimal efficiency, one that maximizes social welfare, is reached, when resources cannot be redistributed to make one individual better off, without making someone else worse off. Such optimal social welfare does not entail consideration of justice or fairness of the initial allocation, but is purely a measurement of economic efficiency or welfare of the economy. When marginal social benefit does not equal marginal social cost (positive or negative externalities in consumption or production, demand does not meet supply or vice versa) the result is market failure.⁶³⁵ Market failure or a threat of market failure within this meaning, is thus required, and mere market change is not sufficient.

In trade mark law these concepts are easily confused, because the trade mark takes a central position in trade mark infringement analysis and consequently the

631 Opinion of Advocate General in case C-482/09 Budějovický Budvar, národní podnik v Anheuser-Busch, Inc. 3.2.2011 at 64. Internal footnotes omitted. AG speaks here from a trade mark internal perspective and indicates that all limitations must be precisely defined in law, meaning the TMD. The context of the discussion relates to whether national rules can be allowed to apply in the context of interpreting Article 9 of the TMD on acquiescence, i.e. loss of rights due to passivity on the part of the holder of the senior mark.

632 Sports Merchandising Article at 1.

633 See note 544544 and accompanying text.

634 Sports Merchandising Article at 7 and 32.

635 Mercuro & Medema at 20-25.

trade mark owner's interests are protected. After all civil law statutes confer explicit rights to one party only; the trade mark owner. In recent years, this statutory construction has been read by many courts to equal near absolute protection of the trade mark *owner's interests*. However, while the trade mark is at the heart of the analysis both trade mark owner and competitor interests and issues are affected. Raising the owner's interest above others *in the legislative process*, presumes that protection is warranted, and that loss of rights occur if protection is not extended. By contrast, *focusing on the trade mark itself and the effect on it by other uses the inquiry focuses on whether there is harm that amounts to distortion (threat of market failure), without presuming that market change equals legally significant harm.*

The Sports Merchandising Article then applies this test to protection of sports franchises (i.e. outside their primary area of business) that exceeds traditional trade mark protection, including enhanced protection for reputation marks.

The analysis focuses on the international level⁶³⁶, since global absolute protection generally is stronger than more extensive (additional) national protection. It defines the minimum level of protection for sports merchandising and the maximum level⁶³⁷ of protection for renowned marks in relation to product categories and geographical scope. For the purposes of the analysis it is presumed that sports merchandises have registered marks that are well-known, reputed, famous or renowned in the traditional trade mark law sense in their primary areas of business, and that it is where this right ends, because of countervailing societal interests that the sports merchandising right begins (the floor of the merchandising right).⁶³⁸

The analysis then turns to the maximum level of trade mark protection from the point of view of limits on the use of a protected trade mark. It is presumed that these limits reflect some of the same societal interests⁶³⁹ at stake, when considering whether to protect trade marks as tools for mere merchandising. The Article concludes with the argument that the concept of "honest practices in civil and commercial matters" can be utilized as a threshold (the ceiling of the merchandising right) to consideration of legitimacy of

636 At this level, it is safe to presume that the right is formally valid, since it has been accepted by 49 states outside the Western world, where the extensive protection of trade marks is usually questioned. Western nations protect sports franchises more extensively both in scope and application than the Nairobi Treaty.

637 It is not argued here that there is a fixed and clear maximum level of protection. Like any legislation there is disagreement on some aspects of protection. The discussion focuses on the agreed upon normative framework and takes the rulings of the EUCJ as the authoritative statements of the content of the law that they are. It is not argued that the statements are clear, all-encompassing or uncontroversial or that there is not more to trade mark law than meets the eye. For the purposes of this article it is important to show that there is *some agreement* on what is protected and what is not, although there would be ample opportunity to criticize the EUCJ for inconsistency. The aim of sections 3 and 4 is to show that there is *some logic* after all to the protection of trade marks although there is much confusion and controversy on the optimal protection of trade marks.

638 It could be argued that the rights are parallel and overlapping and therefore, it is not possible to view them as separate blocks. It is argued here that if we allow this type of fluidity to restrict the evaluation of whether protection is justified, protection may never be scrutinized. *Theoretical* scrutiny is contingent on defining the right and what indeed is considered worthy of protection.

639 Opinion of the Advocate General in C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy*, 9.12.2004 at 54-55.

extended protection for merchandising, or alternatively, restriction of various forms of marketing. Lastly, these interests are combined amounting to a tailored test for evaluating whether increased protection is legitimate from the point of view of a functioning market.

A theoretical inquiry necessarily has restrictions. For example, these rights could be viewed as parallel and intentionally overlapping and not as in the Sports Merchandising Article as complements to each other. Indeed that argument goes to the core of the proposed shift in emphasis. Instead, of weighing protection based on fairness and function, i.e. whether it alleviates ‘suffering’ because of change, the relevant question asks whether to afford protection in light of the continued functioning of the market (economic justification) and maintenance of the delicate balance of competing interest (social, legal and democratic legitimacy). Thus, the test requires broader balancing that takes account of *all* existing protection of both trade mark owners and competitors, so as to prevent creation of imbalance between competing market forces.⁶⁴⁰

Another weakness of the proposed test is that there is no fixed and clear maximum level of protection.⁶⁴¹ Like any legislation there is disagreement on some aspects of protection, but especially so on extended protection of reputation marks. However, the analysis for the application of the test focuses on the more general agreed upon normative framework and takes the rulings of the EUCJ as the authoritative statements of the content EU trade mark law that they are. It is not argued that the statements are clear, all-encompassing or uncontroversial or that there is not more to trade mark law than meets the eye. The analysis merely puts forth one (another) way of approaching limits on trade mark protection. However, for the purposes of the test it is important to show that there is *some agreement* on what is protected and what is not, although there would be ample opportunity to criticize the EUCJ for inconsistency.⁶⁴² The aim is to show that there is *some logic* after all to the protection of trade marks although there is much confusion and controversy on the optimal protection of trade marks.

Finally, it is worth emphasizing that the test is designed for *the process of decision-making*, not as a solution on the question of the optimal level of protection. The latter after all is a political question that is reserved for the EU or national⁶⁴³ legislatures, which would ideally inform its decision on the grant of protection by weighing interests in search of a legitimate justification for protection of either side.

640 Sports Merchandising Article at 31-32.

641 See above Chapter 3.2.2.

642 See e.g. Chapters 2.2.3, 2.4.2, 3.2.1.1 and 4.3.1 on cases as authoritative statements as understood in this thesis.

643 Note here that the TMD does not entail provisions on sports merchandising, which means that the issue of protection is a matter of shared competence between the EU and Member States, although Member States are required to interpret national rules in line with EU law.

4.2 The Rise of True Conflicts: From Enforcement to Interpretation

Traditionally trade mark rights only applied to sign marks for products in direct competition.⁶⁴⁴ The trader that excelled in quality and consequently was favored by consumers inevitably became the subject of copying. What better way to divert traffic from a reputed trader than appropriating elements of the symbol consumers know him by. Trade mark law thus has its roots in weeding out clear cases of unfair competition and avoiding consumer confusion.⁶⁴⁵ Although contemporary trade mark law has developed far from these roots they have some resonance in the limits discussion. Protection is still initially anchored in the area of business that the trade mark owner operates in and in most cases only expands to adjacent areas over time.⁶⁴⁶

Contemporary trade mark law has expanded both the notion of consumer confusion and that of fairness and misappropriation. With the growth of markets, the drive to sell by branding has invaded more and more fields.⁶⁴⁷ With industrialization and automated production goods are no longer local, and with technological development services are similarly de-rooted. Advertising to reach consumers has changed from improving the product and its accompanying message to improving the attractiveness and image of the trade symbol itself: the brand. Trade marks today are the *sine qua non* for most market place competition.⁶⁴⁸ Nevertheless, the vast majority of businesses are local in operation and rarely

644 Proposal at 14 and 56.

645 Some, like Landes & Posner, argue that this is the only true reason to protect trade mark rights. Landes & Posner at 205-209.

646 Article 5 of the TMD. While close to all national and international trade mark applicants took advantage of filing a trade mark application for *three classes for the price of one*, only 6 % of the total number of Finnish filings (3555) were international. Source: National trade mark applications by country in 2000-2010 (TOP 25) National Board of Patents and Registration of Finland http://tavaramerkki.prh.fi/kaavio/tmtlastot/hak_kans_maittain_vuosittain_25_netti_E.htm last visited 12.9.2011. Source: International registrations (Madrid Protocol) designating Finland, by country, in 2000-2010 (TOP 25), National Board of Patents and Registration of Finland http://tavaramerkki.prh.fi/kaavio/tmtlastot/hak_kv_maittain_vuosittain_25_netti_E.htm last visited 12.9.2011.

Source: Number of international registrations designating Finland by class in 2000-2010, National Board of Patents and Registration of Finland http://tavaramerkki.prh.fi/kaavio/tmtlastot/hak_kv_luokittain_vuosittain2000-2006_EN.htm last visited 12.9.2011.

647 Cornish & Llewellyn 2003 at 573.

648 Cornish & Llewellyn 2003 at 574.

expand beyond their national border.⁶⁴⁹ Even then most businesses reach only to neighboring countries.⁶⁵⁰

Naturally, increasing advertising expenditures lead to more valuable assets, and consequently increased pressure for expanded protection of these assets. Thus, trade mark protection has expanded to include protection: 1) for new types of marks, 2) for uses outside the competitive relationship; 3) for non-commercial uses and 4) for famous marks without a requirement of confusion on the part of the consuming public.⁶⁵¹ Without considering the legitimacy of these expansions, it can safely be said that expansions of this kind have changed trade mark conflicts on a normative level⁶⁵² from fairly simple cases of enforcement (false conflicts of rights) to sometimes complicated cases of interpretation (apparent conflicts of rights).

Conflicts between rights and their effect on interpretation/competence are thoroughly discussed in the Property Rights Article and Expression Article.⁶⁵³ With a larger number of potentially conflicting rights, especially in the contemporary competitive market environment, true conflicts of rights, i.e. that cannot be resolved by way of interpretation, but would require legislative reform, inevitably become increasingly common.

649 See also note 646. In 2009 94,5% (303 000) of Finnish businesses had less than 10 employees and 4,6 % (15 000) have 10-49 employees. Source: Enterprises 2009, Statistics Finland, Business Register, available at http://tilastokeskus.fi/tup/suoluk/suoluk_yritykset_en.html Last visited 12.9.2011.

650 In 2010, the National Board of Patents and Registration of Finland received approximately 3750 trade mark applications indicating 10800 classes and issued 2850 registrations. The office received 1750 international trade mark applications indicating 3900 classes, of which 220 were filed with Finland as the country of origin. Source: Processing Statistics 2000-2010, National Board of Patents and Registration of Finland <http://www.prh.fi/en/tavaramerkit/tilastoja.html> Last visited 12.9.2011. Source: Number of national trade mark applications for registration by class in 2000-2010, National Board of Patents and Registration of Finland http://tavaramerkki.prh.fi/kaavio/tmtlastot/hak_luokittain_vuosittain2000_2006_EN.htm last visited 20.6.2011. Source: Number of international registrations designating Finland by class in 2000-2010 http://tavaramerkki.prh.fi/kaavio/tmtlastot/hak_kv_luokittain_vuosittain2000-2006_EN.htm last visited 12.9.2011. International registrations (Madrid Protocol) designating Finland, by country, in 2000-2010 (TOP 25), National Board of Patents and Registration of Finland http://tavaramerkki.prh.fi/kaavio/tmtlastot/hak_kv_maittain_vuosittain_25_netti_E.htm last visited 20.6.2011.

651 Although not expressed in the TMD traditionally these have been considered outside of trademark law. Derclaye and Leistner at 51. See Ch. 3.2 and 3.3 above.

652 See Property Rights Article at 194-195.

653 Property Rights Article at 189-195 and Expression Article at 693-700.

The neo-liberal approach to trade mark protection proposes that strong trade mark protection is pro-competitive and that the market is the ultimate authority on its legitimate scope.⁶⁵⁴

The Study of the EU Trade mark System elaborates on this view: “European trade mark protection is regarded as an element of undistorted competition. It is the concept that has become the guiding factor for the interpretation of the provisions of the TMD and the CTMR by the case law of the ECJ⁶⁵⁵... The concept of undistorted competition as a guiding principle for interpretation of European trade mark law is not a one-way approach towards a protection scheme being faced with limiting effects [expressly stated in text] only. Undistorted competition requires a basically strong and firm protection of trade marks that takes into account both the interests of the trade mark holder and the interests of competition. Under the roof of the principle of undistorted competition European trade mark protection has, based upon the case law of the ECJ, developed into a direction that emphasizes the links between trade marks and their impact on competition.⁶⁵⁶”

Under this view, legislatures and courts should refrain from rebalancing interests. Therefore all new conflicts are false conflicts, i.e. are clearly regulated within existing legislation or (easy) apparent conflicts that also can be adequately resolved by interpretation of existing rules. In this line of reasoning, the grant of expanded protection in itself precludes viewing conflicts as true conflicts. Decision-makers should merely perform a regular task of enforcement and are precluded from interpreting provisions granting protection and thus creating (hard) apparent conflicts, when none are warranted.

Such a narrow view of jurisdiction and elevated trust in the infallibility of legislators seems out of place in the context of EU law, considering that the text to be interpreted is in the form of a directive (a general harmonizing instrument) and that the statutory text or texts are not necessarily designed to adapt to new settings that arise in practice.⁶⁵⁷ Attempts at fixing the scope of limits within this meaning, e.g. limiting exhaustion, were proposed for inclusion in the TMD, however, without success.⁶⁵⁸

Therefore, real pressure is placed on the law itself, since indefinite expansion at some point inevitably will demand scrutiny. One such example is the application of Article 6 of the TMD, which remained dormant during the 1990s. The EUCJ has started breathing life into its language in the new millennium. When comparing the decisions of the EUCJ in BMW (1999) and Gillette (2005), 15 years apart, they apply the same test; honest practices in industrial and commercial matters. However, the EUCJ indicates a different emphasis on what acts are considered to be within the trade mark owner’s legitimate interest to prohibit, which in effect

654 See Study on the EU Trade mark System at 1.29-1.31 discussing the competition-friendly disposition of trade mark law. While it is recognized that trade mark protection has pro-competitive features, the Study on the EU Trade Mark System calls for an adjustment e.g. in instances where the acquisition of trade marks is not competition-neutral (scarce marks), but confers on its holder a competitive advantage from which others are excluded or to counter-act the market power conferred on certain reputation marks as a result of increased protection. For a description of competing theories on trade mark protection, see Davies 2004 at 1007 and 1011.

655 Study on the EU Trade Mark System at 1.24.

656 Study on the EU Trade mark System at 1.27.

657 EUCJ in Google France. Study on the EU Trade mark System at 1.29-1.31.

658 Ullrich 2010 at 24.

changes the presumption of infringement in favour of the defendant albeit only in the limited circumstances of Article 6.⁶⁵⁹

Many national trade mark acts, while copying e.g. Articles 3 and 5 verbatim, did not necessarily implement the language of Article 6 of the TMD verbatim or at all.⁶⁶⁰ Naturally so, since limits were not traditionally addressed in civil law trade mark acts and also seemed in contrast with the prevailing era of expansion of protection. Indeed, in the 1990s, traditional concepts were broadening and limits removed, which could indicate even lesser relevance of Article 6 or 7 for that matter.⁶⁶¹ In light of the discussion in the Gillette-case, as late as in 2005, it is likely that member states have, as with the interpretation of other provisions of the

659 The EUCJ delivered its first judgments on the interpretation of Article 6 of the TMD on February 23, 1999 in the *BMW*-case (Case C-63/97 *BMW*) and on May 4, 1999 in the *Chiemsee*-case. The *BMW* case is also mentioned in the Opinion of the Advocate General in the *Canon* case delivered on April 2, 1998; the same day as the Opinion of the Advocate General in the *BMW* case, which would indicate that the court to some extent considered issues pertaining to Article 6 limits already at that point. Although the EUCJ has since made reference to the *BMW*-decision in 22 cases only five cases concern interpretation of Article 6 (Case C-112/99 *Toshiba Europe* at 34 and 55, Case C- 100/02 *Gerolsteiner Brunnen GmbH & Co. v Putsch GmbH*. [2004] ECR I-691 at 16 and 24, *Gillette* at 29, 33, 35 and 41, *Adam Opel* at 11, 26 and 27, Case C-102/07 *adidas and adidas Benelux* [2008] ECR I-2439 at 44-49 (no reference to *BMW*, but discussing Article 6)) and Case C-558/08 *Portakabin v. Primakabin* [2010] ECR I-0000 and once by the General Court Case T-435/05 *Danjaq v. OHMI* [2009] ECR II-02097 at 30), while other references concern Article 7 (Case C-355/96 *Silhouette International Schmied GmbH & Co v. Handelsgesellschaft mbH* [1998] ECR I-4799 at 18, Case C-173/98 *Sebago*[1999] ECR I-4103 at 20; Case C-16/03 *Peak Holding* [2004] ECR I-11313 at 37, Case C-348/08 *Boehringer* [2009] ECR I-10143 at 46, Case C-59/08 *Copad* [2009] ECR I-3421 at 55, Case C-558/08 *Portakabin v. Primakabin* [2010] ECR I-0000 at 74-80 and 89-90) or more generally the obligation on national courts to interpret national law consistently with EU provisions (Case C-107/97 *Rombi* [2000] ECR I-3367 at 54, Case C-343/98 *Collino and Chiappero* [2000] ECR I-6659 at 21, Case C-104/01, *Libertel* [2003] ECR I-3793 at 48, Case C-218/01 *Henkel* [2004] ECR I-1725 at 60, Case C-397-401/01 *Pfeiffer* [2004] ECR I-8835 at 113, Case C-17/06 *Céline SARL v Céline SA*, [2007] ECR I-07041 at 20, and Case C-558/08 *Portakabin v. Primakabin* [2010] ECR I-0000 at 57). See also Ilanah Simon, Nominative Use and Honest Practices in Industrial and Commercial Matters, [2007] I.P.Q.:No.2, 117-147 (Simon 2007) at 121-122.

660 See Proposal at 14 and 59 indicating that exceptions as framed in the proposal reflected exceptions in place in 'most countries'. The adopted text of the directive on this point departs markedly from the proposal. See supra note 546. In Gillette the EUCJ first tackled a question relating to the peculiar wording of Article 6 (1) (c) and the meaning of the fragment "in particular as accessories or spare parts" to the over all interpretation of the provision. The wording stems from a legislative compromise. Some member states like the Benelux and Germany (independently also the Nordic countries) have traditionally included a special exception for spare parts in their trade mark laws. The court rejected a reading of the provision that would assess the permissibility of references regarding accessories or spare parts differently than other permissible uses, and instead interpreted the provision as only citing an example of a permissible use (at 23(1) and (2) and 32). The court concluded that the focus of the provision lies on the necessity of the use of another's trade mark and whether or not the mark "is being used by a third party in order to provide the public with comprehensible and complete information as to the intended purpose of the product". *Gillette* at 31 and 33-34.

661 The debate on the level of protection under Article 5(1) is an example of the uncertainty on the level of protection entailed in the TMD, during the 1990s.

TMD, assumed that it follows the traditional view, in this case, on exceptions until otherwise clearly stated by the EUCJ. The same member states are unlikely to have implemented the provisions of the TMD in the way that includes interpretations only recently set forth by the EUCJ.⁶⁶²

Nevertheless, the EUCJ has resurrected the discussion and application of limits by applying Article 6 and 7 and balancing them against the rights afforded under Article 5.⁶⁶³ National courts must interpret each case in light also of the limits of trade mark law. Balancing competing rights is a very different exercise from that of enforcing existing rights against unfair competition.

4.3 Limits: From Right to Exclude to Right Not to Be Included

4.3.1 ‘Defenses’ in different legal systems

Similarly, the limits discussion has broadened the negative dimension of trade mark law. While competitors are not afforded rights they are given a voice in the limits discussion. However, channeling this voice through the provisions of trade mark law remains a challenge, as we have learned from both expanding protection doctrines and the trade mark use debate.⁶⁶⁴ A concretization of the abstract need for defenses could occur in the form of implementing a fair use provision. Whether open-ended, general or explicit another challenge remains: how are defenses treated in common law and civil law systems respectively? Does transplanting the common law-notion of defenses to civil law systems work?

Traditionally, only common law systems explicitly and exhaustively include available (labeled) defenses in the statutory text.⁶⁶⁵ Legal concepts and tests thus naturally develop in common law to further refine the decision-making process

662 See e.g. *German Trade mark Act* that includes a provision repeating the wording of Article 6 of the Directive, however, substituting “provided he uses the sign in accordance with honest practices in industrial and commercial matters” with “provided such use is not contrary to accepted principles of morality”. Note how the language indicates a shift in burden of proof. (*Law on the Protection of Trade Marks and Other Signs (Trade Mark Law)* of October 25, 1994, as last amended by the *Law of July 16, 1998*. English translation deposited at http://wipo.int/wipolex/en/text.jsp?file_id=126235), or Article 17 of the *French Trade mark Act* that refers to wording similar to only parts of Article 6 of the TMD (*Loi No. 91-7 du 4 Janvier 1991 relative aux marques de fabrique, de commerce ou de service*); or *the UK Trade mark Act Sec. 11* substituting “The trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade” with “A registered trade mark is not infringed by”.

663 Chiemsee at 35, 50 and 52; Case C-245/02 *Anheuser-Busch Inc. v Budějovický Budvar, národní podnik* [2004] ECR I-10989 at 64 and 76; Gillette at 31 and 33-34; and Adam Opel at 5-6.

664 Dinwoodie & Janis 2007b at 1713 and 1720-1721. See *supra* Ch. 3.4. See also Maniatis 2005 discussing protection against post-sale confusion.

665 Lionel Bentley and Brad Sherman, *Intellectual Property Law*, 3rd Ed. Oxford Publishing 2009 (Bentley & Sherman) at 931 and 958.

and enable categorical statements about the law.⁶⁶⁶ With each brick that is laid there is no way back, without overruling prior precedent.⁶⁶⁷ Constant reflection and fact-based principles-analogy⁶⁶⁸ assessment refines the rule.⁶⁶⁹ The more refined the rules the more certainty exists in the legal system.⁶⁷⁰

However, if one views trade mark protection as an intrinsic part in the system of undistorted competition, protection set forth in the legislation already takes account of this principle and allows for protection that preserves fair and suppresses distorted competition. Consequently, the provisions of the TMD already exhaustively recognize the situations where the legitimate interests of trade mark owners are not adversely affected by permitting such uses, e.g. to indicate a products purpose and rejects an interpretation that would allow the principle of undistorted competition to serve as a limiting tool on trade mark protection. Instead it argues that said principle requires strong and firm protection of trade marks.⁶⁷¹

From this point of view, the EU trade mark system, a civil law system, exhaustively lists limits on the trade mark right in the statutory text and does not allow for principled scrutiny. The closed catalogue of exceptions and limitations are the only limitations on the trade mark right.⁶⁷² It is recognized, however, that some de facto limitations should be included in trade mark law proper (e.g. protection of commercial signs under national law and regarding preference for geographical indications)⁶⁷³ Likewise, implicit limitations continue to develop in case law from concepts of use.⁶⁷⁴ In addition, the EUCJ has

666 Holmes at 5. Legal concepts and tests also develop naturally in civil law, but they tend to undevelop less naturally, if at all. Developing here refers to changing and adapting with time.

667 "The life of the law has not been logic: it has been experience" Holmes at 1. Policy considerations behind a rule may develop and adapt to new situations. Holmes at 5, 19-21 and 23. See also, Ronald Dworkin at 27, "We can speak of rules being functionally important or unimportant... But we cannot say that one rule is more important than another within the system of rules, so that when two rules conflict one supersedes the other by virtue of its greater weight. If two rules conflict, one of them cannot be a valid rule." See also Broberg & Fenger at 444.

668 Common law differs from a civil law view of principles in that cases come first and principles afterwards. Therefore a general principle is never greater than the cases they summarize. Postema at 15.

669 Douglas E. Edlin, Introduction in Douglas E. Edlin (Ed.), *Common Law Theory*, Cambridge University Press, 1st Paperback Edition 2011 at 10-11. Whether it is the ruling or reasoning that matter most in common law theory is debated, while common law practice tends to focus on the persuasiveness of the rule as supported by adequate justificatory reasoning. This thesis employs the latter approach (compare to discussion on national courts as laboratories). On the duty to give reasons as an element of common law theory (from common law romantics to conceptual legal positivists) see David Dyzenhaus and Michael Taggart, *Reasoned Decisions and Legal Theory* in Douglas E. Edlin (Ed.), *Common Law Theory*, Cambridge University Press, 1st Paperback Edition 2011 (Dyzenhaus & Taggart) at 135.

670 Postema at 15. Alexy 2004 at 57. See also, Sheldon M. Novick, Foreword to *The Common Law* by Oliver Wendell Holmes Jr. Dover Publications 1991 at ix, "Much of The Common Law must be read as an attack on [the] dominant philosophy [Bentham's and Austin's 'analytical' school]. Its principal argument is that law evolves in response to changing conceptions of public policy, and therefore cannot be captured by a pure logical scheme." See also Ronald Dworkin at 25 "...an accurate statement of the rule would take this exception into account...If the list of exceptions is very large... there is...no reason in theory why they could not all be added on, and the more that are, the more accurate is the statement of the rule."

671 Study on the EU Trade mark System

672 Study on the EU Trade mark System at 2.239, 2.249 and 2.252.

673 Study on the EU Trade mark System at 61.

674 See Chapter 3.3.

recognized that the exercise of trade mark rights may be limited under the E-Commerce Directive⁶⁷⁵, the Comparative Advertising Directive⁶⁷⁶ and Enforcement Directive⁶⁷⁷. It follows, therefore, that all available exceptions and limitations on the exercise of the trade mark right are not expressly stated in the text of the TMD.

The above conclusion is clearly in line with civil law legislative practice, since civil law systems usually list only causes of action and some limits on the acquired rights in the statutory text. The acquired right is subject to numerous implicit limitations, when tested against the general principles of law operating in the legal system as a whole. Unlike, the common law where a single decision may lay the groundwork for a categorical exclusion, the '*stare decisis*' of a civil law decision is which general principles interacted and how in the case at hand.⁶⁷⁸ Categorical conclusions may be drawn from a decision, but this is not always the case.⁶⁷⁹ A civil law court may affirm several valid interpretations of a general principle; in fact the EUCJ is often criticized for dodging the question by answering only a narrower question, when a more general one is readily in front of them.⁶⁸⁰ Because of the authoritative influence of general principles of law within the civil law system, and the near impossibility of overruling such general statements, the court treads carefully in relatively new, *contested* areas of law.⁶⁸¹ Once the debate has raged and a body of

675 Google France.

676 European Parliament and Council Directive 114/2006/EC of 12 December 2006 concerning misleading and comparative advertising, OJ L 376, p. 21-27. *Gillette and L'oreal v Bellure*

677 Enforcement Directive does not apply in the context of E-Commerce, however recital 23 of the E-Commerce Directive mentions that injunctions against intermediaries are available for preventing intellectual property infringement.

678 De Cruz at 96 and 259 and Broberg & Fenger at 444. See also Helen Norman, Blowing the Whistle on Trade Mark Use? [2004] I.P.Q.:No.1, 1-34 at 14.

679 Ronald Dworkin, *Taking Rights Seriously*, 1997 at 26 "A principle...does not even purport to set out conditions that make its application necessary. Rather, it states a reason that argues in one direction, but does not necessitate a particular decision...There may be other principles or policies arguing in the other direction...or a principle limiting punishment to what the legislature has stipulated...[O]ur principle may not prevail, but that does not mean that it is not a principle of our legal system, because in the next case, when these contravening considerations are absent or less weighty, the principle may become decisive."

680 The EUCJ has interpreted every question regarding the interpretation of Article 5(2) narrowly and constrained their answers much narrower than the Advocate Generals' opinion. Case C-375/97 *General Motors Corp v. Yplon SA*, [1999] ECR I-5421 (the required reputation); Joined cases C-414/99 *Zino Davidoff v A&G Imports*, C-415/99 *Levi Strauss v Tesco Stores and C-416/99 Levi Strauss v Costco Wholesale* [2001] ECR I-8691 (applicability of provision to when goods are similar); Case C-408/01 *Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd.*, [2003] ECR I-12537 (applicability of provision when marks are similar; importance of finding of absence of link between marks). See also Sankari at 200.

681 De Cruz at 259. Holmes's judge treads carefully for other purposes. Because cases (facts) come before principles and constrain the principle, judges only state reasoning (*ratio decidendi*) necessary to solve the case on the facts without connecting the solution to the principles they may have applied. Holmes at 213-214 and 245 and Postema at 15, 17-19.

lower level decisions have developed the question of law is ripe for inclusion in the network of general principles.⁶⁸²

The preliminary reference procedure disrupts this development, since the EUCJ cannot reject application or refuse to issue a preliminary ruling, when asked to do so by a national court.⁶⁸³ However, preliminary rulings are not ordinary precedent within the civil law meaning⁶⁸⁴, but an abstract decision on the interpretation of EU law, not even – at least in theory – its concrete application to the fact pattern presented.⁶⁸⁵ Moreover, the ruling is directed at the requesting national court, not to the parties in the main proceedings. Neither, is the ruling a pronouncement on national law applicable to the dispute.

Naturally, this normative approach takes different forms in practice and the EUCJ may at times be influenced by the facts to the extent that they are accused of over-stepping jurisdiction.⁶⁸⁶ However, a more concrete style of interpretation is generally far more valuable to the referring court. Therefore, contemporary practice of the court is to give an interpretation formulated in abstract terms, however, applying its ruling to hypothetical fact patterns, usually relevant to the case at hand.⁶⁸⁷ Nevertheless, the EUCJ is a civil law court, familiar with operating at an abstract level of general principles and points of law and disconnected from the facts.⁶⁸⁸

A systemic consequence of the civil law system is that an affirmative statement of validity carries no *e contrario* –value.⁶⁸⁹ A decision to answer the narrow question should not be interpreted as a statement regarding the more general questions asked. The acceptance of an approach thus carries precedential value, while *the rejection of another approach does not preclude the valid use of it in another setting*.⁶⁹⁰ By connecting the affirmative statements of the court, the civil law lawyer can slowly start seeing the picture in the jig saw and may draw conclusions although

682 Compare to Dinwoodie 2010.

683 Broberg & Fenger at 25-37 discussing alternatives for reform of the preliminary rulings procedure.

684 See note 359.

685 Broberg & Fenger at 2.

686 E.g. on remand in the Arsenal-case, where referring court asserted national jurisdiction contrary to the conclusions in the preliminary ruling. The Court of Appeal, however, restored an interpretation of EU law consistent with the one set forth by the EUCJ in the preliminary ruling given in the specific case. See MacQueen et. al at 653.

687 Broberg & Fenger at 419-420.

688 Broberg & Fenger at 3, 5, 341.

689 Ronald Dworkin at 26. See also Arnulf at 77 discussing the questionable value of such reasoning.

690 Note for example how the EUCJ in *Chiemsee* rejected the German concept 'freihaltebedürfnis' (the need to leave free) as a bar to registration, but recognized the public policy interests behind the concept and adopted its substance into EC jurisprudence. *Chiemsee* at 35, 50 and 52. Here again the court refused to make a categorical exclusion of a group of marks from trade mark protection. See also Jennifer Davies at 36 including footnotes and 39-40 and Jeremy Phillips and Ilanah Simon in Conclusion: What Use Is Use? at 346.

the final pieces have yet to be laid. All decisions are presumptively consistent with the general principles of law and an interpretation to the contrary is invalid.⁶⁹¹ Certainty within the system is maintained by way of repetition, thus, rather than overruling prior rulings, the EUCJ has a tendency to reaffirm parts of its rulings that support coherence and ignore or recast statements that have subsequently proven inconsistent with the general theoretical framework of law.⁶⁹² The reluctance to overrule can be explained by the search for optimal coherence in the civil law system.⁶⁹³

A second problem with common law styled defenses is that a factual setting determines the outcome of whether the use is infringing. In the civil law system, it is not the facts of the case that set the parameters of the rule⁶⁹⁴, a rule may be of broader or narrower scope based on the fundamental importance of the principle and the generality of the fact pattern at hand.⁶⁹⁵ Each civil law decision has its place within trade mark law for sure, but its precedential value comes not from its place there, but from its place in relation to the general principles of law, on a higher level of abstraction. Since case-law offers only an incomplete picture (the unfinished jig-saw) the law cannot be distilled by distinguishing cases based on fact. The facts merely display examples of how the general principles, i.e. the law operates.⁶⁹⁶

This distinction should be easier to make in the decisions of the EUCJ, since the court by law may only give guidance on questions of law, more specifically on the question before it, and is not responsible for deciding the case at hand

691 De Cruz at 259. Tritton et al. on Baby-dry Case C-383/99P *Procter & Gamble v. OHIM* [2001] ECR I-6251 at 273. It is a fact that inconsistencies between EUCJ rulings due to share volume are frequent in practice. However, since the EUCJ does not decide concrete cases, the issue of interpretation of provisions of EU law merely remains unresolved, until the EUCJ (or institutions) has the opportunity to clarify the correct interpretation of EU law. In addition, rulings frequently leave discretion to national decision-makers, which means that the statements are of fairly general nature. Broberg & Fenger at 419.

692 Gillette at 47 arguably recasting Case C-337/95 *Parfums Christian Dior* [1997] ECR I-6013, and *BMW*, in favor of a more flexible ruling despite explicit reference to the ‘consistent’ practice of the court in all three cases at 41. See also Tritton et al. on the EUCJ subsequent treatment of the ruling in the BABY-DRY-case at 273. The reluctance to overrule can be explained by the search for optimal coherence in the civil law system. While the common law system builds a string of cases that are connected and distinguishable based on fact, cases in the civil law system are connected via a network of general principles. Each decision is an affirmative statement of the validity of a general principle in a certain context. Refusing to opine on the applicability of a principle merely leaves that question open for discussion, subsequently removing an affirmative statement on the applicability of a general principle to a certain fact pattern solves one case but creates uncertainty on the validity of the general principle. The general principles of law are the glue that holds the civil law system together. On coherence in EU law see Mylly 123-126.

693 Rosas at 10.

694 Compare to Holmes at 214 saying that law is essentially empirical, not abstract and formal. A over-arching (legal) concept in common law denotes a set of facts that connote a consequence, not the other way around, where the legal concept defines a consequence that can be applied to different sets of facts.

695 Alexy 2004 at 58.

696 De Cruz at 96.

(questions of fact).⁶⁹⁷ The case itself is decided by the national court. It is however humanly difficult to operate on such a level of abstraction, and we naturally seek a conceptual framework for decision-making. The key in the civil law system is not to let the conceptual or factual framework take the driver's seat in interpretation of the ruling, instead one should proceed by placing the decision in a more general context and try to identify principles of general application. Similarly, it would seem counter-intuitive to a civil law court to fix a question of law into a legal concept that is based on a factual premise.⁶⁹⁸ *If x then y is a solution in a rule-based system, a principle-based system however is a system of optimization, where the system inherently requires balancing of interests in each concrete case.*⁶⁹⁹

4.3.2 Trade mark Use as a Defense in EU trade mark Law?

The European Union Courts are modeled after the French court system. At the time of inception of the European Community all member states were civil law countries. Thus, the EUCJ operates based on a civil law premise.⁷⁰⁰ How do the systemic differences described above affect trade mark law in practice? First, it influences the interpretation of EUCJ case law on the scope of the afforded right. A UK court presented the EUCJ with the following question in *Arsenal Football Club v. Reed*:

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 which the trade mark is registered; and
- (b) the third party has no defence to infringement by virtue of Article 6(1) of the Directive 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)?⁷⁰¹

In civil law terms, the question translates to: Should the TMD be read to include a categorical exclusion for uses that do not amount to trade mark use? In other words, should the TMD be read to set a test for infringement that turns on how the mark is used by the defendant? Unsurprisingly, the EUCJ answered both questions in the negative; trade mark use is not a threshold requirement in trade mark law.

697 Treaty of Rome Article 234. See also Craig & de Búrca at 472.

698 Ronald Dworkin at 24. "The difference between legal principles and legal rules is a logical distinction. Both sets of standards point to particular decisions about legal obligation in particular circumstances, but they differ in the character of the direction they give. Rules are applicable in an all-or-nothing fashion. If the facts a rule stipulates are given, then either the rule is valid, in which case the answer it supplies must be accepted, or it is not, in which case it contributes nothing to the decision."

699 Alexy 2004 at 57. See also Ronald Dworkin on the nature of rules and principles at 22 and 24.

700 On the effect and limits of the civil law system, see Cappelletti at 35-39.

701 Arsenal at 27.

Nevertheless, some conclusions regarding the status of trade mark use in trade mark law can be drawn from their approach.

First, the court focuses on the essential function of the trade mark. Second, the court emphasizes that the case involves the truest form of trade mark infringement, use of an identical mark on identical goods. In this setting, substituting the trade mark centric approach⁷⁰² with a trade mark use analysis would arguably amount to changing the traditional premise of trade mark law. The presumption of trade mark protection in these circumstances would unavoidably be watered down by such an open-ended exception.⁷⁰³⁷⁰⁴ Third, the court noted that certain permissible uses, namely use for descriptive purposes, are already exempted in Article 6.⁷⁰⁵ It would seem that the court ruled that protection of trade marks in cases of double identity is absolute save when the use is for purely descriptive purposes.⁷⁰⁶ However, such a strict reading of the case would render the concept of the essential function both meaningless and unnecessary. It would also imply that all uses of identical marks on identical goods, including non-commercial uses would constitute trade mark infringement and that all available defenses are exhaustively listed in the TMD.⁷⁰⁷ However, Article 17 of the TRIPS Agreement as well as the TMD, according to subsequent case law, allows for member states to introduce *new* exceptions to trade mark rights.⁷⁰⁸

Lastly, the court's decision does not support an *e contrario*-interpretation, namely that the type of use is irrelevant for the purposes of determining infringement. It

702 Simon calls this a proprietor-centered approach. (Simon 2006 at 321) It is true that the *trade mark* takes a central position in trade mark analysis and consequently the trade mark owners interests are protected, after all the civil law statutes confer negative rights to one party only; the trade mark owner. In recent years, this statutory construction has been read by many courts to equal near absolute protection of the trade mark *owner's interests*. To avoid the heavy baggage of the term proprietor, I call the court's approach trade mark centric.

703 Note how the EUCJ rather shifts the inquiry from Article 5 analysis to the interpretation of Article 6, where an open-ended, presumptively neutral test would serve the same purpose. Reviving a dormant clause with a flexible test creates a counterweight in practice, but does not affect the viability of the right in traditional cases.

704 Considering also that the traditional premise of trade mark law is reflected in the TRIPS Agreement (strongest protection with double identity, gradually weakening in cases of mere similarity), the EUCJ would likely feel that giving an affirmative answer is outside its jurisdiction. This is reason enough for the EUCJ to reject the proposition (and consequently dodge the question).

705 Arsenal at 54.

706 Arsenal at 55-61.

707 Ullrich 2010 at 42. The principles of proportionality and subsidiarity enshrined in Article 114 TFEU (former Article 95 EC) does not preclude national jurisdiction after harmonization.

708 For a thorough discussion see Property Rights Article. See also Article 15(2) of the TMD and Article 17 of the TRIPS Agreement, Agreement on Trade-Related Aspects of Intellectual Property Rights, Annex 1 C of the Agreement Establishing the World Trade Organization, signed in Marrakesh April 15, 1994, entered into force January 1, 1995. See also Chiemsee at 27, Case C-23/01 *Robelco v. Robeco Groep* [2002] ECR I-10913 at 31 and 34. Case C-245/02 *Anheuser-Busch Inc. v Budějovický Budvar, národní podnik* [2004] ECR I-10989 at 64 and 76.

is merely not decisive of whether the provisions of trade mark law apply.⁷⁰⁹ The court views the concept of use from the perspective of the type of uses a trade mark owner is entitled to prohibit.⁷¹⁰ The court moves on to focus on whether the use is one 1) “in the course of trade”, 2) of an identical mark, 3) on identical goods and services and 4) whether it is liable to harm the essential function of the trade mark by creating a link between the defendant and the trade mark owner in the mind of the consumer⁷¹¹.

In contrast, the common law court asking the question views the term trade mark use as a threshold requirement for a finding of infringement.⁷¹² An inquiry framed as a defense would as a matter of law *presume* a lack of detriment to the mark in those certain types of cases, thus in effect turning the trade mark use requirement into a question of fact.⁷¹³ Although the common law system is well-equipped to deal with such a solution,⁷¹⁴ such a ruling would reverse the basic presumption of trade mark law in civil law countries; that a trade mark owner can rely on his exclusive right.

4.3.3 Article 6 as A Defense-Platform in EU Trade mark Law?

Second, the systemic differences also influence the interpretation of the existing limits of trade mark law. Article 6 of the TMD in relevant part reads as follows:

Article 6
Limitation of the effects of a trade mark
1. The trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade,

709 One could argue the opposite, since the court states in Arsenal at 61 “Once it has been found that, in the present case, the use of the sign in question by the third party is liable to affect the guarantee of origin and that the trade mark owner 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.” In the context of the opinion, I would place the emphasis on the first part of the sentence. The test announced by the court is the relevant one, not the one presented to it by the UK court. Similarly, to rejecting trade mark use as a threshold requirement to a finding of infringement, the EUCJ closes the back door. Non-trade mark uses cannot be categorically excluded at any stage of infringement analysis. An *e contrario*-conclusion, that the use of a mark as a badge of loyalty is never relevant in infringement analysis, is not consistent with civil law interpretation. To this effect see also Case C-245/02 *Anheuser-Busch Inc. v Budějovický Budvar, národní podnik* [2004] ECR I-10989 at 61 stating that the national court must assess whether a link is present “in light of the specific circumstances of the use of the sign allegedly made by the third party.”

710 Arsenal at 38. ”Article 5 (3) gives a non-exhaustive list of the kinds of use which the proprietor may prohibit under Article 5(1). Other provisions of the Directive, such as Article 6, define certain limitations on the effects of the trade mark.”

711 Arsenal at 40 and 56

712 Simon 2006 at 321.

713 See Dinwoodie & Janis 2007b at 1712, raising this concern with a generally applicable trade mark use requirement.

714 Cappelletti at xiv.

- (a) his own name or address;
 - (b) 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;
 - (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

Autec manufactured remote-controlled cars and had affixed the Opel trade mark on the front grill of its Opel Astra V8 Coupe replica.⁷¹⁵ It was clear that the defendant had clearly marked both the packaging and transmitter with its own trade mark ‘cartronic®’ and trade name ‘AUTEC®’.⁷¹⁶ One question at issue in *Adam Opel v. Autec* was whether the use in question could be considered an indication of the characteristics of the toys, which would constitute a permissible use under Article 6 (1) (b) of the TMD, or a use of the trade mark designed to indicate the intended purpose of the toys, which would constitute a permissible use under Article 6 (1) (c).

The EUCJ clearly rejected a broad reading of Article 6 (1) (c) and held that the affixing of a trade mark to scale models is not necessary to indicate the intended purpose of the toy itself.⁷¹⁷ The EUCJ reached the same conclusion regarding the use in question, in relation to Article 6 (1) (b); the use of a trade mark registered for (*note!*) motor vehicles, on scale models, in order to faithfully replicate the original, is not intended to provide an indication as to a characteristic of the replica within the meaning of Article 6 (1) (b).⁷¹⁸

The EUCJ was however, more open to a broad reading of Article 6 (1) (b) and with reference to its prior ruling in *Chiemsee*⁷¹⁹ concluded that although “the provision is primarily designed to prevent the proprietor of a trade mark from prohibiting competitors from using one or more descriptive terms forming part of his trade mark in order to indicate certain characteristics of their products..., its wording is in no way specific to such a situation.”⁷²⁰ Uses for other than purely descriptive purposes can therefore not be categorically excluded.⁷²¹ The relevant test for other uses is whether the use is made in accordance with honest practices in industrial and commercial matters.⁷²²

The court did not refer to its earlier case law on what constitutes use according to honest practices in industrial and commercial matters, Advocate General Ruiz-

715 Adam Opel at 5-6.

716 Adam Opel at 7.

717 Adam Opel at 39.

718 Adam Opel at 44.

719 Chiemsee at 28.

720 Adam Opel at 42.

721 Adam Opel at 43.

722 Adam Opel at 43.

Jarabo Colomer however did so in his opinion in *Adam Opel v. Autec*.⁷²³ The EUCJ has repeatedly held that “the condition requiring use of the trade mark to be made in accordance with honest practices... must be regarded as constituting in substance the expression of a duty to act fairly in relation to the legitimate interests of the trade mark owner.”⁷²⁴

In *Gillette*, where the defendant used red stickers on the packaging of razor blades stating that the razor blades are compatible with all handles produced by Parason Flexor (the defendant) and Gillette (the plaintiff), the court indicated that the use would be fair.⁷²⁵



Above is the packaging used by the defendant, which triggered the law suit by Gillette. The sticker directly translated reads: “This blade FITS all Parason FLEXOR* and all Gillette SENSOR* HANDLES. *registered trade marks”⁷²⁶

Only uses in accordance with honest practices in industrial and commercial matters can be necessary and permissible under Article 6 (1) (b). As guidelines to

⁷²³ Opinion of Advocate General delivered on 7.3.2006 in Case C-48/05 *Adam Opel AG v Autec AG* [2007] ECR I- 01017 at 55-58. Although the Advocate General would have reached the opposite conclusion on the interpretation of Article 6 (1) (b), i.e. that the use in question constituted a use designed to indicate a characteristic of the scale model, his account of the settled case law of the EUCJ on the issue undoubtedly influenced the court’s conclusion as well.

⁷²⁴ BMW at 61, See also Case C- 100/02 *Gerolsteiner Brunnen GmbH & Co. v Putsch GmbH*. [2004] ECR I-691 at 24 and Opinion of Advocate General delivered on 7.3.2006 in Case C-48/05 *Adam Opel AG v Autec AG* [2007] ECR I- 01017 at 55.

⁷²⁵ Gillette at 14, 33-36 and 38.

⁷²⁶ Korkein käräjäoikeus [Supreme Court], KKO 2006:17, *Gillette Company and Gillette Group of Finland v. LA Laboratories*, Feb. 22, 2006, paragraph 2. Author’s translation.

the national court the EUCJ produced four categories of uses that *do not* constitute use in accordance with honest practices under the TMD:

- 1) the use of a trade mark is done in a manner that it may give an impression that there is a commercial connection between the parties;⁷²⁷
- 2) the use of a trade mark affects the value of the trade mark by taking unfair advantage of its distinctive character or repute;⁷²⁸
- 3) the use of a trade mark discredits or denigrates the trade mark or;⁷²⁹
- 4) the third party presents its product as an imitation or replica of the product bearing the trade mark of which it is not the owner.⁷³⁰

Based on the facts before it, the national court determines whether the use should be considered honest. At this juncture, the EUCJ emphasized that the fact that the third party uses the trade mark to convey its message does not “mean that it is presenting that product as being of the same quality as, or having equivalent properties to, those of the product bearing the trade mark.”⁷³¹, since a conclusion would in practice nullify the wording of Article 6. Instead, the national court *should assess* the use by assessing the overall presentation of the product marketed, in particular 1) the circumstances in which the trade mark is displayed; 2) the circumstances in which distinction is made between the trade mark and the defendant’s mark and; 3) the effort made by the defendant to ensure that consumers can distinguish its products from the trade mark owner’s products.⁷³²

In assessing and determining honest practices, the national court *must* take into account, any evidence or lack thereof, of an attempt to represent the products as being of the same quality or having equivalent properties to the trade mark owner’s product.⁷³³ The over all conclusions and the court’s choice of terminology show that the balancing test should weigh in favour of the plaintiff in case of clear evidence of passing off, while it should equally clearly weigh in favour of the defendant, when such evidence is absent.⁷³⁴ The type of use is only indirectly relevant in that some uses are less likely than others to cause consumers to make a connection between the origins of the products. A typical non-trade mark use thus inherently weighs less on the balancing scale than a trade mark use, which if entailing use of an identical mark on identical goods, mandates a finding of infringement. In contrast, under Article 5(2) the court is obliged to consider whether the defendant has used the mark without due cause. The type of use employed is clearly relevant in this inquiry.

727 Gillette at 42 citing BMW at 51.

728 Gillette at 43 citing BMW at 52.

729 Gillette at 44.

730 Gillette at 45.

731 Gillette at 47.

732 Gillette at 46.

733 Gillette at 48.

734 Gillette at 29, 48-49.

4.4 Summary

Outside concerns have shifted the focus inside trademark law from relatively easy cases of enforcement to sometimes hard cases of balancing. Nevertheless, a stronger trend expressed in trademark cases is viewing trademarks as property instead of 'merely' an exclusive right. This property bias is strengthened by recent expansions of trademark rights outside the competitive relationship, but also through employing property rhetoric with the air of constitutional entitlement that would inherently prevent derogations from protection as unconstitutional deprivations of property. Although powerful rhetoric, such claims lack normative foundation in EU law. Neither, are trademarks constitutionally protected as socially desirable results themselves, nor does protection of property as a fundamental right, inherently place limits upon the ability of nation states to protect other rights. Under EU and European law the fundamental rights obligations of Member States do "not, however, in any way impair the right of a State to enforce such laws as it deems necessary to control the use of property in accordance with the general interest..."⁷³⁵

Indeed, what fundamental rights rhetoric adds to our consideration of limits is an obligation to interpret conflicts with a view of conflict avoidance and co-existence of rights. Consideration of the legitimate interests of trademark owners and third parties alike manifests itself in a principle of promoting free and undistorted competition. Thus, the objective is not tied to whether the use does or does not amount to 'trademark use', but whether a new type of use in a new setting constitutes foul play in light of established rules of fair and competitive commercial practice. The rule in regulating business to business relationships is minimal interference with the free market, and businesses are presumed to operate in good faith until proven otherwise. In contrast to a trademark use requirement that would presume bad faith either on the part of the defendant (for infringing) or the trademark owner (for alleging infringement), principle based scrutiny presumes that both act in good faith, unless dishonest conduct can be shown in the circumstances of the case at hand. In law, presumptions of bad faith are reserved to instances, where there is *established practice* based on which certain conduct can categorically be determined unfair, e.g. traditional trademark infringement of using a sign identical or similar to a competitor's mark for identical or similar goods.

Recognition of this principle in civil law systems is easier, if it is given a place in different platforms outside Article 5. Balancing of competing interests to duly give weight to other interests than that of the trademark owner, requires removal of the presumption of infringement through which new types of uses in new settings are addressed. A more flexible test based on seeking compliance with honest practices

735 Article 1 of Protocol 1 of the European Convention on the Protection of Human Rights – Protection of property. Explanation Relating to the Charter of Fundamental Rights at 7.

in industrial and commercial matters is only effective, when judges start from a level playing field. While the legitimate interests of third parties are not inherently favored, it shifts the focus from presumed harm to furnishing proof of harm and proof of conduct on the part of the defendant that could be considered unfair. The general question of whether new types of uses of trademarks or uses of trademarks in new settings would be considered fair or unfair can thereby be addressed and guidelines may develop through *in casu* balancing without inflexible presumptions that operate in an all-or-nothing fashion. It allows consideration and recalibration of the law tailoring it to new unforeseen settings.

5 Conclusions and Recommendations

5.1 Introductory Remarks on Certainty

5.1.1 Legal concepts: rules, principles and doctrine

In discussing the difference between how common law systems and civil law systems view and give weight to rules and principles, the distinction made is attributable to the works of Alexy⁷³⁶ and Dworkin⁷³⁷, i.e. that both categories serve as norms, however differently applied and operating.

"The difference between legal principles and legal rules is a logical distinction. Both sets of standards point to particular decisions about legal obligation in particular circumstances, but they differ in the character of the direction they give. Rules are applicable in an all-or-nothing fashion. If the facts a rule stipulates are given, then either the rule is valid, in which case the answer it supplies must be accepted, or it is not, in which case it contributes nothing to the decision."⁷³⁸

"A principle...does not even purport to set out conditions that make its application necessary. Rather, it states a reason that argues in one direction, but does not necessitate a particular decision...There may be other principles or policies arguing in the other direction...or a principle limiting punishment to what the legislature has stipulated...[O]ur principle may not prevail, but that does not mean that it is not a principle of our legal system, because in the next case, when these contravening considerations are absent or less weighty, the principle may become decisive."⁷³⁹

Legal principles may serve as legal *sources* supporting legal norms; what Tuori calls 'source principles', along with four other types of legal principles serving:

736 Robert Alexy, *A Theory of Constitutional Rights*, Translated by Julian Rivers, 2004. (Alexy 2004) and Robert Alexy, *A Theory of Legal Argumentation*, translated by R. Adler and N. MacCormick. Clarendon Press, 1989. (Alexy 1989).

737 Ronald Dworkin at 24.

738 Ronald Dworkin at 24.

739 Ronald Dworkin at 26.

- 1) as norms applicable in legal decision-making (decision principles)
- 2) as arguments employed in interpreting written sources of law (interpretation principles)
- 3) as summaries of normative contents of a branch of law or legal order (general legal principles)
- 4) as normative premises for legislative solutions (legislative background principles)⁷⁴⁰

To Tuori ‘principles’ within the ordinary meaning of the word would fall into the category of general legal principles, since they bring about coherence needed to secure legal certainty. General legal principles also complement legal concepts to form general doctrines for different branches of law.⁷⁴¹ What is essential for our purposes, however, is that a principle may serve as a rule in decision-making, as a guide for coherence and interpretation and a source of law *at the same time*, either expressed or implied.⁷⁴² Because of this nature the distinction between ‘legal concepts’ and ‘legal principles’ is sometimes difficult, and it is not uncommon that they are used synonymously, since both may refer to a broad or narrow guideline with normative weight.⁷⁴³

Legal principles and concepts (legal doctrine) amount to tacit knowledge, which legal actors utilize in decision-making without necessarily referring to or mentioning them.⁷⁴⁴ However, they serve as an invisible bouncing board against which all decision-making is understood, classified and systematized. They resurface only in hard cases to consciously guide interpretation and reflection. While decision-making in actual cases naturally allows such reflection (at least to some extent in hard cases), the legislator, or more specifically positivism poses a constant threat to systematization in accordance with general legal principles in civil law systems.⁷⁴⁵

At both stages of decision-making, courts and legislature, legal concepts tend to have a firmer presence than legal principles, since they are by nature more specifically designed for generating outcomes. Legal concepts may also change over time to allow for a different conceptual meaning or vice versa the conceptual meaning remains, but the term changes.⁷⁴⁶ In trademark law, we have seen a transformation of the concept of ‘essential function’ infused by new functions and broader protection. In the UK, the legislator introduced the concept of ‘unfair advantage’ under Article 5(2), which the courts first interpreted to mean that a standard of “likelihood of confusion” was required.

This law’s vocabulary, serves as an instrument of both inclusion and exclusion, which is the basis for communication in any legal field, but may turn into a means for legal professionals, including judges, to distinguish themselves and their turf

740 Tuori 2011 at 189.

741 Tuori 2011 at 189.

742 Tuori 2011 at 190 and 195. Leanerts and Gutiérrez-Fons at 179.

743 Tuori 2011 at 188.

744 Tuori 2011 at 173.

745 Tuori 2011 at 174.

746 Tuori 2011 at 175.

from others.⁷⁴⁷ For example, we see the power of property or piracy rhetoric being used to extend the legal concepts of ‘property’ or ‘piracy’ to include subject matter, actions or label as wrong acts that have previously been outside the legal discourse and meaning of these concepts.⁷⁴⁸ Contemporary markets are challenging the foundations of EU trademark law generating problems that are difficult to fully comprehend through established concepts and (national) divisions of law.⁷⁴⁹ It has been argued here that EU trademark law is the victim of such capture, where one-sided legal concepts rule over systematizing legal principles to the detriment of coherence, certainty and legitimacy.

Consequently, this thesis has sought to translate general legal principles into positive statements, i.e. legal concepts that facilitate principle-oriented argumentation with a firm presence in trademark law decision-making. Unlike Tuori, Pöyhönen’s treatise, ‘Uusi varallisuussoikeus’ views such legal concepts as tools that articulate “factual situations calling for a legal judgment and to assist judges and other legal actors in identifying the legally relevant features of social relationships and processes.”⁷⁵⁰ While legal concepts within this meaning could be viewed as tantamount to common law styled defenses, legal concepts are rarely exclusively about the facts. Instead, the content of these legal concepts are tied to legal norms (rules or principles), however, these types of legal concepts may also alter the norms or constitute a proposal for such alteration.⁷⁵¹ Indeed, Pöyhönen contends that legal theories include explicit or implicit conceptions of social relationships, so called factual commitments that “rely on a conscious or unconscious view of the economic field of action, its steering mechanisms and developmental tendencies”.⁷⁵²

These concepts are relevant in EU trademark law broadly defined, as constituting an element of EU law that seeks to regulate markets in a way that promotes

747 Tuori 2011 at 175-176.

748 On the language and meaning of piracy see Catherine Seville, Nineteenth-century Anglo-US copyright relations: the language of piracy versus the moral high ground in Lionel Bentley, Jennifer Davies, Jane Ginsburg, Copyright and Piracy an Interdisciplinary Critique, Cambridge University Press, 2010 at 24-25 and 27 and on property rhetoric, Margaret Jane Radin, Information Intangibility in Ove Granstrand (Ed.) Economics, Law and Intellectual Property Seeking Strategies for Research and Teaching in a Developing Field, Kluwer Academic Publishers 2003 at 399-401 and Hanns Ullrich, Legal Protection of Innovative Technologies: Property or Policy? in Ove Granstrand (Ed.) Economics, Law and Intellectual Property Seeking Strategies for Research and Teaching in a Developing Field, Kluwer Academic Publishers 2003 (Ullrich 2003) at 465. See also Loraine Gelsthorpe, Copyright infringement: a criminological perspective in Lionel Bentley, Jennifer Davies, Jane . Ginsburg, Copyright and Piracy an Interdisciplinary Critique, Cambridge University Press, 2010 at 395, 401, 404 and 407 and Neil Weinstock Netanel, Copyright’s Paradox, Oxford University Press 2008 at 7 and 154-168.

749 Tuori 2011 at 185.

750 Pöyhönen 2000 at 184 and 15-19, 144-146. For an English summary of Pöyhönen’s main argument, see Tuori 2011 at 178-179, 181-182, 185, 197-198 and 201.

751 Alexy 1989 at 257-259. Pöyhönen 1981 at 8.

752 Pöyhönen 2000 at 159. Pöyhönen 1981 at 5-6, 77-79 translated by Tuori in Tuori 2011 at 197.

freedom of competition and seeks to thwart unfair or disruptive practices. The general norms and general legal principles of EU law thus *translate into general legal concepts that affect and alter the way other concepts in the field* (trademark law proper or market regulation, such as Comparative Advertising Directive and E-Commerce Directive) *are understood*.

Thus, legal concepts are inter-related, inter-dependent and inter-connected conceptual networks that derive their meaning from each other.⁷⁵³ The general legal concepts introduced here, e.g. excluding uses that conform with honest practices in industrial and commercial matters, thus serve both as a platform for decision-making in particular factual situations (Art. 6 and 7), and bouncing board for systematization in all application and interpretation of trademark law (Art. 5). Hence, they complement traditional rights-based legal concepts and re-calibrate EU trademark law for the 21st Century market-place.⁷⁵⁴

5.1.2 Legal concepts and presumptions in trademark law

Property...is ultimately dependent on norms, indeed on highly detailed, formally articulated rules, often of seemingly labyrinthine complexity.⁷⁵⁵

There have to be laws in place that make three different kinds of provision...First, they must describe in what circumstances and on the occurrence of what acts and events an instance of [trade mark] comes into being and vests in a particular person as his or her property. Secondly, the law must provide what privileges and other rights belong to the holder of the [trade mark] as such, including powers to license other persons to use the [trade mark] upon specific conditions. Conversely, the trespassory rules will prohibit all persons other than the [trade mark] owner or licensees...from acting in ways it characterises as infringements of the right. Finally, the law must specify how and when any particular [trade mark] is extinguished...either voluntarily or by operation of the law...How far a [trade mark right] extends is wholly dependent on the extensiveness of the trespassory rules, and on the number and extensiveness of exceptions and qualifications thereto.”⁷⁵⁶

Contemporary EU trade mark law has, in statutory text and its interpretations, mainly focused on the first and second elements, and only indirectly (through the prism of trespassing) addressed the third category. Instead of specifying how and when the right is extinguished, it is framed as a question of when the trade mark right is not infringed. This thesis has sought to ask and answer the reversed question, how and when is the right extinguished.⁷⁵⁷ The question is of course, not

753 Tuori 2011 at 181. Pöyhönen 1981 at 77-79.

754 Pöyhönen 2000 at 184-185. Pöyhönen 1981 at 78-79.

755 Neil MacCormick, On the Very Idea of Intellectual Property: an Essay according to the Institutional Theory of Law, [2002] I.P.Q.:No.3, 227-239 at 232.

756 MacCormick at 236.

757 “where there is not property, or where property does not extend, there is no theft.” Therefore the limits on the right should be retained and adjusted to the realities of the market place. MacCormick at 238.

that clear-cut, instead, the question of whether and to what extent the right can be enforced is inherently contextual and a matter of degree.⁷⁵⁸

Nevertheless, it is possible to *highlight areas, where as a matter of law, other interests than trade mark interests should be considered and given relative weight in the circumstances of each case without thereby concluding that the right either is or is not.* Highlighting these areas as positive statements in the statutory text specifies an inherently complex question and sketches a conceptual framework where the principles justifying or placing limits on extensions are brought to the fore. We thereby, can delineate an area, where we allow a full, fair and free clash of powerful terminology such as that of 'property' and 'commons'^{759, 760} Thus, this arena is both a home for positive rights⁷⁶¹ and one of conflicting interests.⁷⁶² What differentiates it from the rest of trade mark law is the *removal of the negative legal presumption*

758 Pöyhönen 1981 at 77-79 and on interpreting norms through contemporary normative reality vs. (old) legislative intent at 80. According to Pöyhönen normative theory (including factual commitments) keeps the law current and allows for solutions to unforeseen problems and creation of benchmark solutions to new problems, i.e. nuanced categorizations to existing solutions, nuanced distinctions or tailored solutions to typical scenarios at 80-81.

759 The 'commons' refers to the area outside property protection, and is synonymous to (Davies 2002 at 348), but also unlike the understanding of 'intellectual common' (see *supra* note 760) as referring to the arena itself. (Davies 2002 at 350) "...in using the language of the common in trade mark cases, judges have posited a rather different common: one which was not in private ownership and to which the public had rights of access....explicitly employed the language of public ownership.... [referring] to language [a]s common property...or common as a publicly owned resource...or [as something to which] all the public had equal rights of access. Davies 2002 at 348-349.

760 Davies calls this an 'intellectual common', which she derives from UK trade mark law. The judiciary viewed this arena as reflecting the wider principles underlying the development of trade mark protection, that needed to be continuously calibrated in the application of trade mark law. Davies 2002 at 343 and 350.

761 Instead of negative right or freedom.

762 It is essential to notice that this proposed arena is not governed by rules developed in UK case law pre-directive, although the terminology of intellectual common is referred to. English judges have in practice allowed predominately economic interests (TMs as objects or not of property) to be considered and have not utilized a division between public and private interests (as understood in civil law countries) which precludes consideration of many interests considered important in civil law jurisdictions, like general principles of consumer protection or freedom of competition (as weak or disorganized groups in need of protection by state). On the other hand, this 'intellectual common' was viewed as manifesting a strong public interest against private property rights, i.e. not a level playing field. Davies 2002 at 354 and 357-358 and 367. Davies also notes that the UK understanding of the intellectual common has not survived in EU trade mark law.

that the trade mark right is infringed without, however, removing consideration of the trade mark owner's legitimate interest from the equation.⁷⁶³

It has been argued that the approach of the EUCJ in the Gillette-case creates an unreasonable margin of uncertainty, a grey area, which is inconsistent with the basic presumption of trade mark law that the trade mark owner can rely on his right.⁷⁶⁴

Pöyhönen substitutes rights-based thinking with an interpretative starting point from positions of risk, i.e. preventing distortions in social relationships instead of enforcing rights.⁷⁶⁵ Decision-making (particularly in hard cases) thus starts asking whether there is harm and tailors an appropriate remedy based on the interest of both parties to prevent distortion, instead of starting from a presumption of infringement with pre-determined (minimum) remedies. Recognizing risk positions also allows reflection of multiple interest groups, instead of artificially delimiting consideration of pre-determined 'relevant' interests of the plaintiff and defendant.⁷⁶⁶ The starting point for the decision-making process is thus more attuned to the practical and normative circumstances of each case allowing for removal of artificial procedural constraints in vindicating aggrieved interests and tailoring appropriate remedies.

The EUCJ also rejected the uncertainty argument by asserting that the maintenance of the delicate balance between equally weighty societal interests required *in casu* balancing in Article 6 cases.⁷⁶⁷ The Court referred to the Advocate General's opinion, where the inadvisability of extending the presumption of validity of the trade mark owner's right to cases brought under Article 6 of the TMD was discussed in more detail.⁷⁶⁸ When discussing the requirement of 'necessity' and the standard to which the third party use should be held, the Advocate General noted that his proposed solution *does* produce a large grey area in the law. He, like

763 Geiger 2007 at 325-326 discussing The French *Areva. v. Greenpeace* case, where the lower court found that parodying of Areva's 'A' trade mark with devil's horns, did disparage the mark. In another case *Camel v. CNMRT* the lower courts held an anti-smoking campaign for young people satirically using Camel-packet and imagery, disparaging. The Supreme court reversed, holding that a parodying for the purpose of advocating against the use of a product detrimental to health is appropriate to the aim of public health. Compare to Uma Suthersanen, The European Court of Justice in *Philips v Remington-Trade Marks and Market Freedom*, [2003] I.P.Q.:No. 3, 257-283 at 283 arguing that "[t]he parameters of trade mark law...are governed by the tri-partite construct of positive conditions, limitations and scope of protection. All these parameters operate as to promote and ensure competition within the market place by encouraging property rights in distinctive signs... [and] also support a wider economic-based function of trade mark law in ensuring that other market traders will be free to employ commonplace, generic and descriptive signs."

764 Attorneys for Gillette in C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337.

765 Pöyhönen 2000 at 184-185.

766 Pöyhönen 2000 at 186.

767 Gillette at 29, 35 and 39.

768 Gillette at 35. Opinion of the Advocate General in Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy*, 9.12.2004 at 64-72.

the court, defined necessity as ‘the sole means of providing full information to consumers about the characteristics of one’s product’ and rejected Gillette’s literal reading of Article 6 1(c) indicating a requirement of showing economic necessity to access the market. The Advocate General further noted that the fact that the TMD concerns only trade mark owner’s rights cannot result in all other interests being excluded from the interpretation of its provisions; Article 6 in particular *implicitly* refers to those competing interests.⁷⁶⁹ Together these interests serve to protect a functioning market place in which consumers are not confused and are able to benefit from the full extent of competition on the market.⁷⁷⁰

Therefore, the focus of Article 6 1 (c) analysis should not be on the necessity of the use, instead the evaluation of third party conduct should focus on whether it is in accordance with honest practices in industrial and commercial matters. Thus, the court’s ruling *should not be construed as in practice creating a safe harbor for third party uses either*. The use should be evaluated in relation to the circumstances and manner of use and the factual question of whether the use constitutes the sole means available to inform consumers, is but an element in the overall analysis seeking to determine whether the use is ‘honest’.⁷⁷¹ Consequently, by focusing on the practical necessity of the use, the test of Article 6 adequately protects the legitimate interests of the trade mark owner.⁷⁷² Meanwhile, the harmful chilling effect of an abstract necessity standard is avoided.⁷⁷³

5.2 Relationship between Article 5 and 6: A Shift in Emphasis

In its Grand Chamber-ruling in the *Céline*-case the EUCJ discussed the relationship between the rights conferred by Article 5 and Article 6 of the TMD.⁷⁷⁴ The case involved the use of an identical mark on identical goods and the trade mark owner thus asserted its right under Article 5 (1) (a) of the TMD. First, the court dealt with the issue of when the use of a trade name constitutes a use that the trade mark

769 Opinion of the Advocate General in Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy*, 9.12.2004 at 54-55. Compare to Pöyhönen 1981 at 6-8 and 77-79.

770 Opinion of the Advocate General in Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy*, 9.12.2004 at 56. Compare to Pöyhönen 1981 at 6-8 and 77-79.

771 Gillette at 35 and Opinion of the Advocate General in Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy*, 9.12.2004.

772 Gillette at 35 and Opinion of the Advocate General in Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy*, 9.12.2004 at 68.

773 Gillette at 35 and Opinion of the Advocate General in Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy*, 9.12.2004 at 69.

774 Case C-17/06 *Céline SARL v Céline SA* [2007] ECR I-07041.

owner is entitled to prohibit, but the second issue is central for our purposes.⁷⁷⁵ If the use of a trade name is deemed one that falls under Article 5 (1) (a), and a presumption of infringement thus is triggered, how is a national court to deal with the inherent conflict with Article 6 (1) (a), which entitles a trader to use its name while trading honestly? The court concluded that Article 6 (1) (a) can operate as a bar to a use, which falls under Article 5 (1) (a), when the third party uses its name accordance to honest business practices.⁷⁷⁶ Consequently, a finding of infringement is not automatic, but instead the national court must assess the use according to the test put forth in the *Budweiser*-case.

“...in assessing whether the condition of honest practice is satisfied, account must be taken first of the extent to which the third party’s name is understood by the relevant public, or at least a significant section of the public, as indicating a link between the third party’s goods or services and the trade-mark proprietor or a person authorised to use the trade mark, and secondly of the extent to which the third party ought to have been aware of that. Another factor to be taken into account when making the assessment is whether the trade mark concerned enjoys a certain reputation in the Member State in which it is registered and its protection is sought, from which the third party might profit in marketing his goods or services.”⁷⁷⁷

Introducing a new consumer-centered test to replace a clear presumption certainly seems to open up a can of worms for trade mark owners. On the other hand, a general test that decides when trade mark rights are implicitly restricted by other market considerations might provide for the flexible tool needed to weed out uses that do not impact the trade mark owner’s legitimate interests. Although, the outcome of the test arguably is uncertain, *its existence creates certainty* since it signals to trade mark owners and third parties alike that the test does not favor or disfavor either party, but is tied to a presumptively neutral standard of honest practices in industrial and commercial matters. Ideally the test curbs attempts to maximize the benefits of exclusion by asserting trade mark rights in instances where harm to the essential function of the trade mark is unlikely.

The scope of trade mark law thus presumptively remains tied to preventing unfair practices in competitive business relationships and only applies to uses traditionally considered non-competitive, in exceptional circumstances. Focusing on improving the process of decision-making instead of predetermining outcomes

⁷⁷⁵ Case C-17/06 *Céline SARL v Céline SA* [2007] ECR I-07041 at 13-28. The court concluded that the purpose of trade names is to identify a company, and when a trade name is used in this manner, it cannot be considered as being used “in relation to goods or services” within the meaning of Article 5 (1). However, when a trade name is used in such a way that a link is established between the sign which constitutes the trade name and the goods marketed by *it*, the use may be prohibited by the trade mark owner. Such a use is presumptively liable to harm the essential function of the trade mark to indicate the origin of goods.

⁷⁷⁶ Case C-17/06 *Céline SARL v Céline SA* [2007] ECR I-07041 at 36.

⁷⁷⁷ Case C-17/06 *Céline SARL v Céline SA* [2007] ECR I-07041 at 34 and Case C-245/02 *Anheuser-Busch Inc. v Budějovický Budvar, národní podnik* [2004] ECR I-10989 at 60 and 83.

allows consideration of general principles of EU trademark law and consequently re-calibration of normative presumptions to find solutions to contemporary or unforeseen problems, particularly concerning hard cases and the limits of trademark law.

5.3 Inside Article 6

The limits on protection for reputed trade marks are elusive, but present in the case law of the EUCJ. First, the EUCJ recognizes defendant's rights in its trade mark centric approach. Second, the court has emphasized that there are limits on the trade mark owner's right to assert exclusivity in non-traditional market situations, where the origin function of the trade mark is not affected.

With regard to the recognition of defendant's rights, the reluctance to allow for categorical exclusions of actionable uses should not be interpreted as advocating for absolute protection of a property right in the trade mark. Instead, the EUCJ has allowed for numerous implicit limits on the trade mark owner's right to assert the exclusive right. Although not a *threshold question of law constituting a specific defense*, the type of use employed by the defendant seems to play an important role in the overall assessment of the circumstances of the case. Indeed, uses traditionally considered non-trade mark uses seem less likely to satisfy the court's test for infringement, the less similar the marks and product categories. Furthermore, a finding of fact that the requisite link, between the mark owners that is liable to harm the essential function of the trade mark in the minds of the relevant consumers, is absent, precludes a finding of infringement.⁷⁷⁸

While seemingly allowing for a broad right to trade mark owners when refusing to allow categorical exclusions to the trade mark right, the EUCJ has instead tied the right of exclusivity even more tightly to protecting the essential function of the mark to designate the origin of goods. To some extent the emphasis on expansive interpretation of protected functions of trade marks seems to have shifted towards an emphasis on the outer limits of the right.⁷⁷⁹

The perspective of the average relevant consumer remains central, seeking to strike a balance between the competing interests of trade mark owners and their competitors in a global assessment of the circumstances of each case.⁷⁸⁰ While protection is strong, near absolute, when trade mark use is made of an identical mark on identical goods, the court resists *categorical inclusions of non-trade mark uses*. The focus remains on whether the requisite link is established in the minds of the relevant consumers and whether the protected function of the trade mark has been disturbed. While it is possible that a non-trade mark use may trigger

⁷⁷⁸ Case C-408/01, *Adidas-Salomon AG, Adidas Benelux v. Fitnessworld Trading Ltd.* [2003], ECR I-12537 at 40 and Adam Opel at 24.

⁷⁷⁹ Google France, *L'oreal v eBay*.

⁷⁸⁰ *L'oreal v eBay* at 143.

such harms, and a trade mark owner under those circumstances rightfully should receive protection, it is inherently less likely that non-trade mark uses in fact do so and as we know a finding of fact that a link is absent precludes a finding of infringement.⁷⁸¹ Only a fairly narrow subset of potential harms to a brand can thus be redressed under the provisions of EU trade mark law that allow extended protection for reputed marks.⁷⁸²

Lastly, the EUCJ seems content with strengthening defendants' rights in a balancing test as opposed to allowing for a broad defense to infringement via a broad reading of Article 6 of the TMD. This choice may sit more easily with a civil law court, where the judge has a duty to protect defendant's rights under the law. Thus, the onus is not necessarily on the defendant to prove that the use is within its right, but the judge is *ex officio* barred from finding in favor of the plaintiff absent proof of specific harm to the protected functions of the trade mark or dishonest practices on the part of the defendant. EUCJ case law sends a signal to its interpreters in national courts that the further away from the case of double identity the less leeway should be given to the plaintiff in meeting its burden of proof.⁷⁸³ When there is no proof of harm or likelihood thereof there is and should not be a need for legal protection. What remains is a pure case of competition.

5.4 Guidelines for Interpretation of Rights Conferred

The proposed guidelines are built around the international common core of trade mark protection and informed by constitutional values and surrounding societal interests. The societal interest behind the protection of trade marks is to maximize wealth by producing what consumers want at the lowest cost. Protection afforded to reach this goal sometimes generates unwarranted market power, which makes it possible to use the right to interfere with competition.⁷⁸⁴ Trade mark misuses are not, however, reached by competition law, partly because such misuse does not concretely affect the economic structures of the market and partly because it targets potential, not existing competitors.⁷⁸⁵ An increasing number of instances of trade mark misuse are disguised under the veil of protection.⁷⁸⁶ Where a trade mark owner creates an illusion of infringement where protection is not warranted protection does not promote efficiency.

781 Case C-408/01, *Adidas-Salomon AG, Adidas Benelux v. Fitnessworld Trading Ltd.* [2003], ECR I-12537 at 40 and Adam Opel at 24.

782 Compare to Simon 2007 at 147 arguing that it seems odd that there would not be any defense to dilution under EU trade mark law.

783 Gillette at 29, 48-49.

784 Herbert Hovenkamp, Mark D. Janis & Mark A. Lemley, IP and Antitrust: An Analysis of Antitrust Principles Applied to Intellectual Property Law § 1.3 (Supp. 2007). Travis at 55.

785 Hovenkamp, Janis & Lemley at § 3.5.

786 E.g. cases discussed in the Property Rights Article, Freedom of Expression Article, Sports Merchandising Article and ISP Liability Article.

While affording strong protection, the TRIPS Agreement does not create an island of international intellectual property law that is isolated from national and general international law. Instead its provisions should be interpreted in light of the agreement as a whole as well as its practical and contextual framework, according to established principles of customary international law. There are inherent limits to treaty interpretation imbedded in the rules of international jurisdiction and generally great deference should be shown to national legislatures in implementing the country's international obligations.

Viewing trade mark rights as property rights can be both helpful and misleading. Acknowledging that property rights are inherently relational as well as subject to limitation in the public interest, may prove useful when interpreting the provisions of the TRIPS Agreement, especially when the interests of holders of different IPRs are in potential conflict. The TRIPS Agreement and international intellectual property law should be approached as *a complex system of rights allocation*, instead of from the point of view of the individual rights holder. A system premised on the coexistence of multiple users of closely connected, yet distinguishable rights, naturally produces the most efficient result that the market can sustain.

Nevertheless, Western democracies differ in their legislative approaches to trade mark protection. Some countries, mainly common law countries, see trade mark law as part of the larger field of unfair competition law⁷⁸⁷, and clearly state all actions as well as their defenses in legislation. The civil law tradition is somewhat more complex, since it tends to generate specific fields of law around a single statute, each striking a balance between different policy considerations.⁷⁸⁸ This approach creates a more fragmented legal system that is nonetheless reconciled through a method of statutory interpretation that emphasizes general principles of law.⁷⁸⁹

Since the societal interest behind trade mark protection varies according to the use of the mark, categorizing the defendants into groups can be helpful. The systemizing tool is also divided according to the level of protection. First, the strongest protection is afforded against use of an identical mark on identical goods. The second level protects against use of an identical or similar mark on similar goods. The third level protects famous marks against use of an identical or similar mark on dissimilar goods or internationally well-known marks from registration or use of an identical mark.

Furthermore, it can be assumed that the severity of the available punishment reflects the societal interest in deterring behavior, and therefore each category of

787 On the different views of 'unfair competition law' in common law and civil law countries detracting or adding to protection see Gerald Dworkin, *Unfair competition: is it time for European harmonisation?* 175-188 in David Vaver and Lionel Bently (Eds.) *Intellectual Property in the New Millennium Essays in Honour of William R. Cornish*, Paperback Edition 2010 at 176-177.

788 Errera, Roger, *The Freedom of the Press: The United States, France, and Other European Countries*, in Henkin, Louis – Rosenthal, Albert (Eds.) *Constitutionalism and Rights: The Influence of the United States Constitution Abroad*, 1990 at 63.

789 Property Rights Article.

*defendants can be labeled accordingly. Likewise, it can be assumed that the exercise of a fundamental right reflects a societal interest against unnecessary limitation.*⁷⁹⁰ For the purposes of constitutional balancing, each category of defendants forms the target group of specific legislation.

Target group	Use	Remedy	Burden of proof	Aim of International TM law
Pirates	Counterfeit goods Identical mark on identical goods, cyber-squatting	Criminally or heavily sanctioned	Presumption of harm	Core
Copy-cats/ Trespassers	Similar product/marketing/ TM, similar goods Look-a-like products	Normal protection	Proof of likelihood of confusion	Main rule
Category I Free-riders	Use of identical or similar mark on dissimilar products	Injunction Damages only when bad faith	Fame of mark/unfair advantage or detriment/harm	Exceptional circumstances on the market
Category II Free-riders	Attempt to register identical or similar mark	Refusal of registration	Well-known mark	Exceptional circumstances on the global market
Border-liners	Non-trade mark use or informative use of a trade mark	Injunction, expropriation	Inside or outside trade mark law?	Exceptional circumstances on a non-traditional market

Moving away from the international core of trade mark protection, three considerations should influence interpretation of the facts at hand. First, the burden of proof on the part of the plaintiff rises. Second, the relevance of other factors and the interests of other actors on the market grow stronger. Third, when moving from the norm towards an exception, narrow interpretation of the scope of protection should be presumed. The main goal of trade mark protection should be

⁷⁹⁰ Explanation Relating to the Charter of Fundamental Rights at 19 referring to a high standard of protection of rights and principles in the Charter, which should reach at least to the protection afforded under the European Convention on Human Rights.

kept in mind: trade mark rights are rights against misappropriation, which extend only to what cannot lawfully be used by others.⁷⁹¹

For the purposes of defining the legitimate basis for trademark protection under the TRIPS Agreement, i.e. the international minimum standard of trademark protection from which Member States may not derogate, it is helpful, it is argued, to view the relationship between competing property rights, not from a perspective of ownership (property interference), but from a perspective of use (interference with use).⁷⁹² Regardless of how one views trademark entitlements afforded property rights are not absolute under European fundamental rights regulation, but may be limited by legislation when specific requirements for deprivation (provided for by law, respecting the essence of the rights and proportionate to the goal of securing the rights of others⁷⁹³) are met.

The extent to which this right of Member States is limited by the obligation to afford trademark protection under the TRIPS Agreement amounts only to protecting the international minimum standard of trademark protection.⁷⁹⁴ However, the TRIPS Agreement specifically allows Member States to introduce exceptions to trade mark rights (even at the minimum level of international trademark protection) as long as they satisfy the test in Article 17. The international minimum standard for introducing limitations and exceptions is thus set forth in international law that binds both the EU and its Member States. Therefore, an interpretation that prevents member states from introducing exceptions that take account of the legitimate interests of trademark owners and third parties is not justified under international law.⁷⁹⁵ Neither, as discussed above can such a conclusion be justified by EU primary law.

If viewing trademarks as property or other rights as fundamental rights that trump each other is not helpful, we are no closer to a solution to our true conflicts in hard cases. A solution is presented in the Property Rights Article in form of a theory based on *the trademark owner's use* of the trademark:

“A theory of allocation that focuses on the use, instead of the owner or object of property rights, will allow for a near optimal allocation of rights on both sides, as it is inherently flexible to the needs of the users as well as the community. In other words a balance is continuously struck between competing interests both when allocating rights for use and in resolving conflicts of those rights.”⁷⁹⁶

791 See also *Laugh it Off Promotions*, 2005 (1) (CC) at 60; Cohen at 817 (discussing some re-evaluating questions inspired by social and economic considerations that should be asked when the interests clash).

792 Property Rights Article at 177-179 and 198.

793 Charter of Fundamental Rights Article 52.1.

794 Property Rights Article at 198.

795 Peter K. Yu, The Objectives and Principles of the TRIPS Agreement, 46 Houston Law Review 979, 2009:4 at 998.

796 Property Rights Article at 179.

Thus, it is argued that the *boundaries* of the property right in a trademark should be assessed through how it is used, and any finding of infringement hinges upon whether *the use of the trademark by its proprietor is unlawfully affected* by a third party's use of an identical or similar sign.

"... as long as the trademark is used to indicate the origin of goods or services, the owner of the mark is irrelevant for the question of ascertaining whether the mark is protected or not. In other words the property right is alienable as long as its function in the overall system of allocation is not altered. The question is purely whether the use is legitimate in relation to the interests of third parties. The right exists as long as and to the extent it is used according to the initial allocation.⁷⁹⁷ Some pushing of boundaries may occur and is actually desirable in order to maximize the use of all resources.⁷⁹⁸ In the event of a conflict whoever furnishes proof of a legitimate interest in continued use of the disputed subject matter will prevail. Regardless of the outcome of the dispute, the rights are presumed to coexist to the extent that they do not conflict with each other. When the use stops the rights by default revert⁷⁹⁹ back to the community (i.e. the government) that can reallocate them to another user or to the public domain.⁸⁰⁰

In the context of a true conflict of rights (hard cases) a use-based approach considers the reality of *trademark thickets* in the market place. In contrast to the meaning given to the concept of *concurrent use* inside trademark law⁸⁰¹, the same or similar marks are *in reality* often used simultaneously on the market without any conflict.⁸⁰² Similarly, the use approach allows consideration of the *true meaning of a trademark*, which is broader than the *concept of distinctiveness* tailored to assessing registrability of trade marks. Thus, the true level of distinctiveness of a trademark is tested against how unique or creative it is, but also to what extent the trademark owner has managed to give a new meaning to the mark.

From a used-based perspective the trademark right grows (conquers fields) with use more easily, where others are not using the mark within that meaning, while expansion of rights is harder the thicker the trademark thicket. Trademark thickets here refer both to 1) uses of commercial or referential signs that are similar to the trademark, and 2) uses of the mark or elements of the mark within one or more linguistic meanings of the mark. This test thus turns on *consumer understanding* of the trademark as used by the trademark owner for its goods or services. However,

797 Whether based on registration or use.

798 Harold Demsetz, *Toward A Theory of Property Rights*, 57 Am. Econ. Rev. Papers & Proc. 347, 347-348, 350 (1967). See also Stuart Banner (note 51), Two Properties One Land: Law and Space in Nineteenth-Century New Zealand, 24 Law & Society Inquiry 807 (1999) at 813.

799 Pending certain circumstances that are specifically set forth in legislation e.g. abandonment, failure to renew registration etc.

800 After all, it is the government not the individual rights holder that enforces the use rights of the individual against encroachment from others. See Banner at 813-814.

801 Resolving conflicts between national and EU registrations of the same or similar mark for the same or similar goods or services, the CTMR does not recognize concurrent use of registered marks in the EU.

802 Compare to Pöyhönen 1981 at 6-8, 77-79 viewing norms through contemporary reality, not as fixed normative conclusions.

in contrast to the standard that focuses on whether or not consumers are confused in ordinary trademark cases, the focus is on whether the alleged infringing use can be considered to conform to honest practices in industrial and commercial matters in relation to how the trademark owner has claimed rights through use of the mark. *The use-based approach employed in hard cases thus allows consideration of the world outside the confines of the trademark registry, which if taken to reflect and fix the totality of legitimate uses, distorts the playing field by leaving gaps between entitlements unconsidered.*

The proposed general principles of EU trademark law connect trademark law to other fields of law, with focus on protection of consumers, competitors or upcoming businesses in changing markets. It also recognizes different levels, specificity and completeness of regulation in different fields from the perspective of discretion left to decision-makers to strike a fair balance between competing interests that is justified and proportionate to the aims of the regulation. It thus treats substantive provisions of competing regulation as islands (large or small) in a sea of regulation, not as policy fields in struggles for power. The sea consists of EU primary law, which guides the interpretations of all regulation on the EU or national level and allows bridging the gaps, the existing or unforeseen grey areas, through principle-based decision-making, not as a zero-sum game.

5.5 De lege ferenda –general principles of EU Trade mark law

5.5.1 Tools for recognizing legitimate interests

This thesis has endeavored to deduce a new normative framework of EU trade mark law from the consistent statements of the EUCJ and EU primary law. This new framework is not, according to the EUCJ, interpreted in light of old national doctrines, but instead similar limits or even new limits take form when reading the cases together; thus creating a body of general principles of EU trade mark law.⁸⁰³ While the EUCJ has not drawn a complete picture of possible applications or formulations of these new limits, the principles upon which they rest form a legitimate basis that the EUCJ can build on. While the EUCJ has not read the language of Article 6 broadly there are signs that they view the concept of “honest practices in industrial and commercial matters” as a test where the legitimate interests of trade mark owners and the legitimate interests of other parties can be weighed without inherently favoring either party. Indeed, the duty to act fairly (only) in relation to the legitimate interests of the trade mark owner can be found in Article 7(2) of the TMD, the Comparative Advertising Directive and Article 17

803 Lenaerts & Gutiérrez-Fons at 179-180.

of the TRIPS Agreement. Competing interests triggered can be those of other trade mark owners, other property owners or other rights.

The first article⁸⁰⁴ in the series of articles, discussed the legitimate interests of trade mark owners arising from the TRIPS Agreement in light of the WTO Panel –ruling regarding protection of trade marks and geographical indications under the TRIPS Agreement. The issue was whether the obligations to afford trade mark protection prevented member states from affording protection to geographical indications. The WTO-panel ruling concluded that unlike similar provisions on copyright and patent law, the legitimate interests of the trade mark owner do not presumptively enjoy trumped protection against the legitimate interests of others. Instead, the national legislator must merely strike a balance between the two, taking account of the legitimate interests of all actors on the market.

The EUCJ has compared ‘legitimate interests’ under Article 17 of TRIPS with Article 7(2) of the TMD and concluded that they are the same, i.e. give rise to a duty to act fairly that is placed on other market actors. Furthermore, the EUCJ has concluded that this duty is equated to the concept of “honest practices in industrial and commercial matters” in Article 6 of the TMD and the comparative advertising directive.

The first article considered to what extent trade marks enjoy protection as property. The second, third and fourth articles considered to what extent this right can be limited by e.g. the freedom of expression of others⁸⁰⁵, the freedom of competition⁸⁰⁶ and the freedom of entrepreneurship⁸⁰⁷; i.e. some legitimate interests of third parties.

The second and fourth articles both concern new ways of using trade marks in advertising and the sale of goods or services on the internet or in real market commerce. While the second article considered *new types of uses* that trade mark owners have recently started to assert their rights against, the fourth article focuses on *whom* these rights can be *asserted against*. Contemporary EU trade mark law, however, does not have proper tools to distinguish these questions, but addresses the question of infringement through various legal concepts tied to “trade mark use”.

In preservation of the legitimate interests of third parties, the conclusion of both articles is that new tools are needed to weed out infringing from non-infringing uses, to tailor contemporary EU trade mark law to internet use and commerce, to distinguish between direct, indirect and non-infringement and tailor appropriate remedies to the lesser offence. It is suggested that a presumption of non-infringement could take the form of a safe harbor to internet intermediaries

804 Property Rights Article.

805 Expression Article.

806 Sportsmerchandising Article.

807 ISP Liability Article.

under specified circumstances pending reasonable efforts.⁸⁰⁸ Failure to fulfill the requirements would render infringement actionable against the intermediary in question.

The Sports Merchandising Article considered when an extension of trade mark rights is warranted without unduly restricting freedom of competition. It concluded with a two-tiered test that takes account of whether protection is justified from a moral, legal or economic standpoint and whether refusal to protect would lead to market failure. Extension of protection may be justified, if:

- 1) protection is justified from a moral, legal or economic standpoint, that serves
 - a. Public or
 - b. Private interest, and
- 3) non-protection would lead to market failure
 - a. using a holistic approach⁸⁰⁹ not restricted to one field of IP
 - b. with a trade mark-centric⁸¹⁰ view with emphasis on unfair competition⁸¹¹

While extended protection may be justified by both moral, legal or economic grounds more weight is given to protection that serves a public rather than a purely private interest. Extension of protection because it serves a private interest is not precluded, when there is a risk of market failure. The second prong is purely economic, since the perceived result for non-protection would be market failure in standard economic terms. However, relevant economic factors to consider would

808 The most recent case on ISP liability from the EUCJ stated clearly that ISPs cannot enjoy absolute immunity for trademark infringement on their sites for their own actions or for the actions of their users. Although the court carefully limited its discussion to interpretation of contradictory language of the E-commerce and Enforcement Directives, the tone of the judgment clearly indicated that any safe-harbor for hosting would only be available under fairly strict requirements. In effect, the court all but removed the safe harbor for the types of uses of trademarks that ISPs commonly face on the internet today and thus, allowed trademark owner's recourse to injunctions against intermediaries not only to stop infringement, but also to prevent future infringement. The dangers inherent in such a conclusion (especially read from purely a trademark internal perspective) are thoroughly discussed in the ISP Liability Article.

809 Hilty, Reto M., *The Law Against Unfair Competition and Its Interfaces*, p. 1-2 in Hilty, Reto M. & Henning-Bodewig, Frauke, *Law Against Unfair Competition – Towards a New Paradigm in Europe?*, Springer-Verlag Berlin 2007 at 47 and 51.

810 The *trade mark* takes a central position in trade mark infringement analysis and consequently the trade mark owner's interests are protected. After all the civil law statutes confer negative rights to one party only; the trade mark owner. In recent years, this statutory construction has been read by many courts to equal near absolute protection of the trade mark *owner's interests*. However, while the trade mark is at the heart of the analysis both trade mark and unfair competition law interests and issues are raised. Raising the owner's interest above others presumes that protection is warranted, and that loss of rights occur, if protection is not extended. By focusing on the trade mark and the effect on it by other uses the inquiry focuses on *whether there is harm* that amounts to distortion (threat of market failure), without presuming that market change equals legally significant harm. To avoid the property-bias that presumes harm, I would like to call the court's approach trade mark centric. On the history of the competing interests in trade mark law, see Kur 1992 at 218-219.

811 Unfair competition here is a broad and general concept asking *whether* a use can be considered unfair as an exception to the general rule of freedom of competition.

not be restricted to one field of intellectual property, but take account of the market position conferred by protection as a whole. Likewise, the focus is on preventing harm to the trade mark⁸¹², not the trade mark owner⁸¹³, while considering the underlying freedom of competition, i.e. only acts that could be considered unfair to the legitimate interests of the trade mark owner, can cumulatively be presumed to result in market failure. Thus, the mere existence of repeat infringers or a market in counterfeit goods, which clearly harm the trade mark owner's interests, will not justify extended protection against the world. The test for market failure is thus narrowly tailored to achieve specific, not general, means.

While the guidelines offer a systemizing tool that allow judges to recognize requests for enforcement that are justified and proportionate, they are still left with the task of striking a fair balance between the competing interests at stake. This is not a task for the civil law judge that can be accommodated within common rules of procedure. Instead, the legislator should, based on researched socio-economic fact devise informed and narrowly tailored balancing-tests⁸¹⁴ for new settings, where the presumptions favoring protection are reversed to give a level playing field. The key is in a more detailed and defined approach to the question of non-actionable uses of trade marks, which includes codifying existing limiting doctrines and calibrating trade mark law to new settings. Only then are judges adequately prepared for the task of balancing competing interest in increasingly complex settings.

5.5.2 Recognizing legitimate interests pending reform

Advocate General Poiares –Maduro addressed the issue of contributory infringement based on the division between property rules in contrast to purely tort-based liability rules in his opinion in the Google France -case.⁸¹⁵ He found the origin of the concept of contributory infringement that trade mark owners refer to in the United States and the Lanham Act. Under this theory, all acts that may contribute to a trade mark infringement are connected, and therefore, one

812 E.g. loss of (not harm to) distinctiveness or harm to (not mere effect on) repute of the mark.

813 E.g. preserving the uniqueness of the brand image or recouping investments in advertising. Protecting mere expenditures would in fact transfer ALL the risk of doing business to competitors or consumers. Many advertising campaigns and choices of trademarks fail partially or completely for no reason or fail for obvious reasons due to branding mistakes. Matt Haig, Brand Failures: The Truth About the 100 Biggest Branding Mistakes of All Time, Kogan Page, 2003, mentioning e.g. 'New Coke' at 10.

814 Dinwoodie 2009 at 142-143 and 152. Unlike, Dinwoodie, who argues for developing defenses in common law decision-making, I argue that defenses need be developed by the legislator, although judges in the meanwhile should exercise all their discretion in applying the limiting doctrines of trade mark law. See also Dinwoodie & Janis 2007a at 1667.

815 Opinion of the Advocate General in Joined cases C-236/08-238/08, *Google v. Vuitton et al.*, 22.9.2009 at 48-50.

instance of infringement, especially counterfeiting, taints all uses of trade marks as keywords in relation to that site, and should be within the realm of acts that the trade mark owner is entitled to prevent relying on its property right. Otherwise, third parties could freely facilitate infringement and interfere with property rights without consequences.⁸¹⁶ The Advocate General rejects this theory as foreign to trade mark protection in Europe. In Europe, this issue is traditionally addressed through the laws on liability and tort.⁸¹⁷

The Advocate General also rejects an attempt to expand protection even further, by enforcing the property right in instances where there is merely a possibility that a system may be used for infringing purposes⁸¹⁸. This would in effect mean that *any use* of a trade mark *as a keyword* would be precluded under the trade mark right.⁸¹⁹ The Advocate General emphasizes that regardless of even the strongest protection, the protection is not absolute, and must be balanced against other interests such as freedom of expression and freedom of commerce.⁸²⁰

Thus, the issue of liability of ISPs is in Europe and around the world discussed under the secondary liability –heading, presupposing tort-based accountability.⁸²¹

816 Opinion of the Advocate General in Joined cases C-236/08-238/08, *Google v. Vuitton et al.*, 22.9.2009 at 47-48. On the origin of contributory infringement in US Patent Law see Lemley, Mark A., *Inducing Patent Infringement*, 39 U.C. Davis L.R. 225 (2005) at 227.

817 While the term tort, which is derived from common law, has become common also in the rest of Europe, the terms “delict” or “extra-contractual liability” more accurately reflects how the substantive issues are viewed in civil law jurisdiction. See Cees van Dam, European Tort Law, 2006 at 4-5. Today, national laws in Europe cannot be said to reflect a ‘ius commune’, however, with the fluid and border-crossing exchange of contemporary activities the national laws are, again, increasingly influenced by other national and supranational systems. This has spurred academic proposals for harmonization such as the non-binding Principles of European Tort Law or the Principles of European Law of the Study Group on a European Civil Code. Different national systems tend to favor strict liability (France) or fault liability (UK and Germany). Fault liability may however follow a more practical principle of corrective justice (UK) or policy-oriented distributive justice (Germany) although employing seemingly similar tools and terminology.

It should be noted, as the AG also stresses that the Supreme Court of the United States has interpreted the Lanham Act to require more than a showing of contributory infringement, and thus in effect adopted a liability regime based on tort law. Opinion of the Advocate General in Joined cases C-236/08-238/08, *Google v. Vuitton et. al.*, 22.9.2009 at 48 footnote 19 citing *Inwood Laboratories v. Ives Laboratories*, 456 U.S. 844 (1982).

818 See to this effect Louis Vuitton v. eBay reported in 40 IIC 5/2009 611-613.

819 Opinion of the Advocate General in Joined cases C-236/08-238/08, *Google v. Vuitton et. al.*, 22.9.2009 at 49.

820 Opinion of the Advocate General in Joined cases C-236/08-238/08, *Google v. Vuitton et. al.*, 22.9.2009 at 101-103.

821 Strowel, Alain (Ed.) *Peer-to-peer File Sharing and Secondary Liability in Copyright Law* (Edward Elgar, 2009) at 1 and 3. “Contributory and vicarious infringement are just two forms of secondary liability that US copyright law distinguishes.”

This means that in civil law countries *third party liability*⁸²² is based on a general tort rule from which a duty of care can be derived. A primary conviction for direct infringement is not required⁸²³, although the presence of such an underlying act of direct infringement is necessary in relation to which intent or causality can be measured.⁸²⁴ Specific provisions of the TMD now stand against general tort principles that are only partially if at all harmonized in Europe. However, European tort law clearly distinguishes between intentional, grossly-negligent and negligent acts as well as between acts that directly cause damage, indirectly cause damage or contribute to or facilitate damage.

The E-Commerce Directive sought to specify when intermediaries can be held liable for the illegal acts of others and to define the extent of their duties. While the EUCJ in recent decisions has indicated that the E-Commerce Directive could be interpreted broadly to include also new types intermediary activities, the statutory language is severely strained in the process. Unlike, the TMD the E-Commerce Directive allows for broad discretion to national legislators to interpret the safe harbors and duties of intermediaries, as long as an active duty to monitor or actively seek facts, is not imposed.⁸²⁵ Reference by the EUCJ to an interpretation of the E-Commerce Directive that may possibly include the activities of search engines implies not an obligation on member states, but a possibility to regulate accordingly. *The provisions of the E-Commerce Directive cannot thereby be construed as having direct effect that could force the decision-maker to side-step national rules to the contrary.*

Nevertheless, these recent decisions from the EUCJ have broadened the scope for consideration outside the TMD thus creating a large grey area⁸²⁶, while continuing to shift this ever-increasing burden to balance competing interests fairly (stemming from several directives) to national decision-makers.⁸²⁷ It is the hard

822 It could be argued that all trade mark infringement addresses the question of third party liability. After all, trade mark infringement is a tort defined by statute that protects property rights. While all types of interests can be protected (except pre-natal) protection varies by the (societal) value of the object/interest protected. Life and bodily integrity are strongly protected, but not absolute, and whether or not protection ensues depends on the circumstances of each case. Pure economic interests are less strongly protected and more harmful conduct is required by the defendant, e.g. measured by intent or direct causality. However, an actionable tort for pure economic loss may not be compensable at all, especially if it happens in fair competition. van Dam at 180.

823 Unlike, the strict definition of secondary liability in the United States. While, rules in the United States are patent, copyright or trade mark specific they tend to be based on more general common law or civil law rules elsewhere. Dixon, Allen N. 'Liability of users and third parties for copyright infringements on the Internet: overview of international developments' in Alain Strowel (Ed.) *Peer-to-peer File Sharing and Secondary Liability in Copyright Law* (Edgar Elgar, 2009) at 15 and 42.

824 van Damat 179-180.

825 L'oreal v eBay.

826 Instead of providing a solution. Compare to Groussot at 1765.

827 Study on the EU Trade Mark System at 2.175 "The ECJ has so far not acknowledged that European law extends the rights to contributory or secondary infringement. In the Google France cases, the Court did not exclude such infringement theories, but referred to national law."

cases in this grey area that involve high error costs tied to the application of law in favor of the trade mark holder and much lower error costs tied to non-application of the provisions of the TMD that inherently favor the trade mark holder in new settings. The unresolved question of whether protection should extend to new types of uses, against new types of infringers in new settings speaks in favor of an absolute safe-harbor for internet intermediaries, until legislative reform on the national or EU level has occurred.

Thus, legislative intervention is acutely needed in one area of the law. The questions of intermediary liability for actions of direct and indirect infringement including available and properly tailored remedies,⁸²⁸ is not regulated. Whether or not liability exists, EU trade mark law today is too open-ended to allow for appropriately tailored remedies that counterbalance attempts to maximize trade mark protection. At its current state the applicable law is filled with traps for the decision-maker.

"The lesson ... is that unlawfulness or wrongfulness cannot be based one-sidedly on the infringement of a right ... or one-sidedly on a certain kind of conduct... Unlawfulness or wrongfulness is rather determined by balancing the interests of both claimant...and the defendant....The protection of life and property on one hand, and the protection of the freedom to act on the other, cannot be fully warranted at the same time. Full freedom to act would make society extremely dangerous, whereas full protection of rights and interests would paralyse society."⁸²⁹

5.5.3 Regulatory Questions and Mechanisms

The TMD takes the form of affording negative rights to trade mark owners and limits only viewed through a prism of loss of, or infringement of the exclusive right. It is argued here that limits need consideration in the form of positive statements with removed presumptions favoring the trade mark owner.

A fair use provision modeled on copyright law or US trade mark dilution law is, however, not necessarily the best or only option. Similarly, the language of the present Articles 6 and 7 of the TMD, have been very restrictive, not to mention Article 5(3) that is tailored to typical uses of trade marks in real market commerce. The courts juxtaposition of Article 6 against Article 5, where Article 6 can operate as a bar to otherwise infringing uses shows how the EUCJ can operate more freely with two 'competing' provisions than when trying to exclude or include uses within the trade mark owners right under Article 5. Following, this line of reasoning it

828 Study on EU Trade Mark System at 2.203 "Member States do not limit criminal or administrative sanctions to use in commerce, but prohibit and punish even private purchases or possession of counterfeit goods."

829 van Damat 181.

is suggested that Article 5 should be strengthened⁸³⁰ by removing limits analysis, while additional level playing fields that operate under the “honest practices in industrial and commercial matters” -test could be introduced outside Article 5. Thus, Article 5 would focus on the exclusive right, which would presumably apply in the majority of cases and the honest practices -test would remain a flexible tool to tackle new types of uses, new types of actors and new types of infringements as well attempts to misuse trade mark rights.

Article 5(5) of the TMD is somewhat problematic in this regard, since it refers to the possibility or ability of Member States to provide for protection against uses other than for distinguishing purposes. As the Study on the EU Trade mark System notes this provision is intended to allow for Member States to maintain national unfair competition laws, a field that has not been harmonized. The Study on the EU Trade Mark System proposes that Article 5(5) should be made mandatory as well as be included in the Community Trade Mark Regulation and envisions a provision, where national courts could balance interests and only prevent uses that are without due cause and contrary to honest practices in industrial and commercial matters.⁸³¹

Leaving the issue to the member states has benefits, since it is here that overall assessment of the facts takes place. However, member states view ‘unfair competition’ very differently and frequently attempt to circumvent limiting interpretations of Articles 5(1) and 5(2) by affording narrower or extended⁸³² protection for renowned marks. Deference to national law on this issue may solve perceived practical obstacles to deciding cases in new settings under a more general rule, but simultaneously frustrate the harmonization effort.⁸³³

Indeed, Article 5(5) could be interpreted, not as an exception, but as an extension of protection of reputed marks against non-traditional uses.⁸³⁴ Therefore, it is here suggested that a provision addressing actionable uses should be included in the TMD that would remove uses that a trade mark owner is entitled to prohibit under Article 5(3) and uses for other than distinguishing purposes under Article 5(5) from Article 5. This way, viewing the permissibility of uses through the lens of what

⁸³⁰ Thus addressing concerns to preserving the structure of the TMD while making room for principled scrutiny. Compare to Study on the EU Trade Mark System at 2.183 and 2.187, suggesting that the protected functions should be mentioned in the Preamble and that they do not play an autonomous role in defining the scope of protection. See also 2.198 suggesting that Article 5 (2) be relocated to Article 5 (1) for clarity.

⁸³¹ Study on the EU Trade Mark System at 2.211.

⁸³² Study on the EU Trade Mark System at 2.221 and 2.229. It is apparent that Article 5(5) is viewed as a provision that allows for protection of trade mark owners against uses other than for distinguishing purposes and the aim is to harmonize in favor of trade mark owners that are forced to litigate under various national rules.

⁸³³ Groussot at 1745. “The Promusicae case reflects the complexity of the secondary legislation in the context of the information society, the intricacy of its interrelationship and the problems relating to its transposition within national law.”

⁸³⁴ On the different interpretations of the relationship between unfair competition law and trademark law see Kamperman Sanders at 6 and 11.

uses a trade mark owner is entitled to prevent could be reframed as a more neutral and nuanced positive question of either admissibility or scope of application of the law in a particular setting, without thereby reaching the fundamental question of whether the trade mark owner is entitled to prevent a certain type of use.

General limiting principles that indicate what weight is to be given to factors such as use as a trade mark, use for goods or services, use in the course of trade as well as non-commercial use, descriptive or referential use or use in comparative advertising could be (removed from Article 5) *placed in the recitals (preamble)*, thus allowing principled scrutiny without the set mold of old commercial practices. However, given the unclear weight that is to be given to recitals, another solution may be to include an Article with *definitions* with similar effect. Yet another approach would be to use a “*scope of application of the law*” article, which would indicate the primary areas, uses and settings where trade mark owners can assert their rights. Whichever approach is chosen, specific balancing platforms are necessary for descriptive uses, referential uses, the issue of exhaustion of rights and comparative advertising indicating that the honest practices-test applies. Most importantly, these positive statements are not rules that operate in an all-or-nothing fashion, but reflect a general principle of EU trademark law that requires consideration of context and the inherent relativity of these types of uses.

Unlike many commentators have argued there is not necessarily a need for specific exceptions for parody, satire or commercial expression⁸³⁵, since these uses cannot, it is argued, legitimately be exempted in all circumstances. This thesis suggests a more principled approach, which protects the legitimate interests of the trade mark owner to address uses that tarnish or degrade the trade mark, while precluding an action for blurring the distinctiveness of the trade mark in these cases. The principled protection of freedom of expression of others may be addressed in the recitals as well as in the balancing platform for comparative advertising and descriptive or referential use.

This view marks a difference to any influence of American free speech doctrine that has developed in the context of the Constitution and legal culture of the United States that sits poorly with the European view of freedom of expression. European courts and legislators view fundamental rights as inherently limited, which cannot support an absolute exclusion of certain types of uses without consideration of whether protection is justified.

835 Compare to Geiger 2007 at 327, suggesting that arbitrating conflicts in favor of freedom of expression would be beneficial and Mohammad Amin Naser, Trade marks and Freedom of Expression, 40 IIC 2/2009, 188-205 that the public co-authors trade marks and therefore should have an absolute right to use them also for commercial purposes at 193 and 204. For an overview of arguments for freedom of expression trumping trade mark rights see Patricia Loughlan, Trade Marks: Arguments in a Continuing Contest [2005] I.P.Q.:No. 3 at 301-308.

5.5 Summary

There may be concern that this procedural emancipation of the decision-making process is but a veiled attempt at increasing the power of judges (government) that interferes with market dynamics.⁸³⁶ However, we are not discussing ordinary trade mark cases that deal with clear instances of unfair competition in fairly close competitive relationships. Instead, we are designing a tool to weed out the randomly occurring hard cases. Removal of procedural constraints on judges when trademarks are used in new ways or in new settings allows the law to remain flexible to social change. It also allows the judge to navigate *norm thickets and vacuums* more freely and give due weight to overlapping or competing norms or bridge grey areas in law.

Unlike dictated rights-based conclusions that inevitably paint themselves into a corner when dealing with unforeseen circumstances⁸³⁷, principle-based decision-making may allow the law to bridge gaps *in casu* and prevent normative stretching that harm inner coherence. While inevitably inviting all imaginable arguments of the resourceful defendant, we should not underestimate the ability of courts to deal with them.⁸³⁸ It may even be argued that the spectrum of resourceful arguments on both sides enriches the decision-making process that has previously allowed all imaginable arguments of the resourceful plaintiff, and counter-balances⁸³⁹ the perceived trademark-bias in the decision-making process.

When applying Pöyhönen's presumptive contextualism to EU trademark law our strong anchors lie in 1) the *obligation* of national judges to give effect to fundamental rights by choosing the interpretation that supports co-existence and interferes with the protected rights of others only to the extent necessary for preserving another's right; 2) the *obligation* to interpret national laws in line with EU primary law; and 3) the *obligation* of national judges to interpret national law in line with EU secondary legislation. These anchors all require *open weighing of countervailing interests with a focus on conflict avoidance and co-existence*; arguably mirroring fairly closely the real circumstances of trademark thickets in the contemporary market place.

836 Pöyhönen at 186-191.

837 Pöyhönen at 190.

838 Pöyhönen at 191.

839 It is imperative to counter-balance the uncertainties produced by contextualism with strong anchors that preserve equality and predictability. This thesis anchors contextualism in the general principles of EU trademark law informed by the fusion of EU trademark law and EU primary law. See Pöyhönen at 191-194.

6 Conclusion

While the guidelines offer a systemizing tool that allow judges to recognize requests for enforcement that are justified and proportionate, they are still left with the task of striking a fair balance between the competing interests at stake. This is not a task for the civil law judge. Instead, the legislator should, based on researched socio-economic fact devise informed and narrowly tailored balancing-tests⁸⁴⁰ for new settings, where the presumptions favoring protection are reversed to give a level playing field. The key is in a more detailed and defined approach to the question of free, fair or freedom to use, which includes codifying existing limiting doctrines and calibrating trade mark law to new settings. Only then are judges procedurally and normatively prepared for the task of balancing competing interest in increasingly different complex settings.

Legislative intervention is acutely needed in one area of the law. The question of intermediary or secondary liability, of actions for direct and indirect infringement including available and properly tailored remedies, is not regulated.⁸⁴¹ At its current state the applicable law is in conflict with general regulation, and filled with traps for the decision-maker. Recent decisions from the EUCJ have broadened the scope for consideration, while continuing to shift an ever-increasing burden to balance competing interests fairly to national decision-makers. The high error costs tied to the application of law in favor of the trade mark holder combined with much lower error costs tied to non-application, speaks in favor of an absolute safe-harbor for internet intermediaries, until legislative reform on the national or EU level has occurred.

⁸⁴⁰ Dinwoodie 2009 at 142-143 and 152. Unlike, Dinwoodie, who argues for developing defenses in common law decision-making, I argue that defenses need be developed by the legislator, although judges in the meanwhile should exercise all their discretion in applying the limiting doctrines of trade mark law. See also Dinwoodie & Janis 2007a at 1667.

⁸⁴¹ Charter of Fundamental Rights Article 49.1 “No one shall be held guilty of any criminal offence on account of any act or omission which did not constitute a criminal offence under national or international law at the time when it was committed.” and 49.3 “The severity of penalties must not be disproportionate to the criminal offence.”

When Two Giants Collide: Article 17 and the Scope of Trademark Protection Afforded Under the TRIPS Agreement

KATJA WECKSTRÖM*

I. INTRODUCTION

International intellectual property law overtly merged with international trade law in 1995 in the Agreement on Trade-Related Aspects of Intellectual Property Rights (“the TRIPS Agreement”).¹ Although both fields of law have a long international history, each operates on fundamentally different premises. While international trade law focuses on removing trade barriers, intellectual property rights are territorially limited and hence, by definition, barriers to trade. The ‘merger’ was accompanied by an unforeseen depth of commitment by sovereign nations to the World Trade Organization (“WTO”) and its rules.

While bringing a new subject matter within the trade regime broadened the scope of international economic regulation, the enforcement mechanism established within the framework of the WTO also seemingly rendered international trade law more pervasive than ever in relation to its subjects.² Thus, at least from a formal point of view, the international trade regime of today is a system governed by the rule of law, not that of diplomacy.³

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1. See Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, 108 Stat. 4809, 1869 U.N.T.S. 299 [hereinafter TRIPS Agreement].

2. See Gary P. Sampson, *Overview*, in THE ROLE OF THE WORLD TRADE ORGANIZATION IN GLOBAL GOVERNANCE 3-4 (Gary P. Sampson ed., 2001).

3. See JOOST PAUWELYN, CONFLICT OF NORMS IN PUBLIC INTERNATIONAL LAW: HOW WTO LAW RELATES TO OTHER RULES OF INTERNATIONAL LAW 25 (2003); Martin Wolf, *What the World Needs From the Multilateral Trading System*, in THE ROLE

These changes naturally trigger a number of questions. What is the scope of the TRIPS Agreement and how should its provisions be interpreted under existing rules of international law? Do national legislators continue to serve a function within the international trade regime, other than being mere implementing organs? In trademark terms, is the minimum standard of trademark protection set forth in the TRIPS Agreement really a maximum standard of other Intellectual Property (“IP”) protection? To what extent does the international level of trademark protection in the TRIPS Agreement restrict the ability of the national legislator, under international law, to regulate within the area of trademark law and other areas of law?

Article 16 of the TRIPS Agreement sets forth the minimum standard of trademark protection that Member States are obligated to afford.⁴ However, Article 17 of the TRIPS Agreement provides that Member States are allowed to provide for limited exceptions to the afforded rights.⁵ In *European Communities—Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs* (“the GI-report”), the WTO Panel had to resolve the relationship of Articles 16 and 17 to other provisions of the TRIPS agreement, namely, Article 24, which affords protection for Geographical Indications (“GIs”).⁶

One of the most contested issues in the international trade and intellectual property arenas arises when the protection of trademarks conflicts with the protection of GIs. The GI-report gives some insight into what international trademark law mandates. That same report also gives some guidance on how conflicts between different IPRs should be resolved. This Article provides a deeper analysis of the coexistence of rights in the framework of the TRIPS Agreement—a relationship that will inevitably grow in importance when trade-related issues permeate all WTO IP issues.

OF THE WORLD TRADE ORGANIZATION IN GLOBAL GOVERNANCE, *supra* note 2, at 185; see also JOHN H. JACKSON, THE JURISPRUDENCE OF GATT AND THE WTO: INSIGHTS ON TREATY LAW AND ECONOMIC RELATIONS 181 (2000).

4. TRIPS Agreement, *supra* note 1, art. 16; see Appellate Body Report, *United States – Section 211 Omnibus Appropriations Act of 1998*, ¶ 186, WT/DS176/AB/R (Jan. 2, 2002).

5. TRIPS Agreement, *supra* note 1, art. 17.

6. See Panel Report, *European Communities—Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs*, ¶¶ 7.632, 7.637-.686, WT/DS290/R (Mar. 15, 2005) [hereinafter EC Panel Report].

As existing international trademark law has yet to fulfill the market regulatory function it serves on the national level, this Article adopts a new approach to analyzing international trademark law. First, a study of three cases around the world reveals how and when trademarks can be viewed as property through use of different property concepts. Then, the Western concept of trademarks as property (derived from possession) is contrasted to the Maori concept of property (derived from the use of property).

The property discussion is not new to trademark law in the United States or elsewhere, nor is a discussion on the significance of trademark use in trademark law.⁷ Here, however, the discussions are combined and analyzed in an attempt to provide a framework for deciding international trademark cases. This Article is not primarily concerned with a defendant's use of a sign as a trademark, nor the proprietor's right to property. Instead, it argues that the property rights in a trademark should be assessed through its use; any finding of infringement hinges upon whether the proprietor's *use* of the trademark is *unlawfully affected* by a third party's use of an identical or similar sign. The focus is neither on the proprietor nor on the mark itself, but on the protected use.

Second, the analytical framework is supported by an analysis of the international legal system. Then, the analytical framework, informed by property theory and international law, is applied to the issues raised in the GI-report. This leads to the conclusion that the GI-report is flawed in certain respects.

This Article argues that the text of the TRIPS Agreement, when infused with the general principles of public international law, although seemingly vague, provides a binding analytical framework for assessing the legitimate scope of trademark protection under international law. The existing analytical framework can be derived from three sources: (1) the minimum standard of protection set forth in the agreement under Article 16, (2) the degree of derogation allowed from the afforded rights

7. See Ilanah Simon, *Embellishment: Trade Mark Use Triumph or Decorative Disaster*, 28(6) EUR. INTELL. PROP. REV. 321 (2006); Graeme B. Dinwoodie & Mark D. Janis, *Confusion over Use: Contextualism in Trademark Law* 17 (Univ. of Iowa College of Law, Working Paper No. 06-06, 2006), available at <http://ssrn.com/abstract=927996>. See generally Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 Hous. L. Rev. 777 (2004).

under Article 17, and (3) the context and structure of the TRIPS Agreement.⁸

The analytical framework rests on a contextual approach to interpreting the TRIPS Agreement.⁹ Just as the meaning of each word in each provision rests not only on the ordinary meaning of the word, but also on the context in which it is used, the meaning of each provision should be interpreted in context with the other provisions of the treaty. This Article argues that an overly literal interpretation, with the effect of drawing arbitrary lines between different intellectual property rights (“IPRs”), is inconsistent with the TRIPS Agreement.¹⁰

Section II explores the nature of the rights Article 16(1) of the TRIPS Agreement guarantees trademark owners by scrutinizing trademark rights as a legal concept. The Article approaches this question by way of analogy to property law; it inquires to what extent trademark rights can be viewed as

8. After determining that a right may be limited by a country's regulation, the Panel: [E]xamines whether Article 16.1 of the TRIPS Agreement requires Members to make available to trademark owners the right [and if] it does, [it] will consider whether Article 24.5 provides authority to limit that right and, if Article 24.5 does not, conclude . . . by assessing whether Article 17 or Article 24.3 of the TRIPS Agreement permits or requires the European Communities to limit that right

EC Panel Report, *supra* note 6, ¶ 7.519. “A treaty interpreter must begin with, and focus upon, the text of the particular [treaty] provision to be interpreted.” Appellate Body Report, *United States – Import Prohibition of Certain Shrimp and Shrimp Products*, ¶ 114, WT/DS58/AB/R (Oct. 12, 1998) [hereinafter U.S. Shrimp Appellate Body Report]. If the ordinary meaning is equivocal or inconclusive, then “the object and purpose of the treaty as a whole may usefully be sought.” *Id.* Hence, a panel should address the questions in this order, i.e. from the specific to the general.

9. See BLACK’S LAW DICTIONARY 338 (8th ed. 2004) (defining context as “the surrounding text of a word or passage, used to determine the meaning of that word or passage”); OXFORD ENGLISH DICTIONARY 820-21 (2d ed. 1989) (defining context as the “connected structure of a writing or composition” or the “whole structure of a connected passage regarded in its bearing upon any of the parts which constitute it; the parts which immediately precede or follow any particular passage or ‘text’ and determine its meaning”). But see PAUL CRAIG & GRÁINNE DE BÚRCA, EU LAW: TEXTS, CASES, AND MATERIALS 98 (3d ed. 2003) (describing the interpretive approach in which the interpretation that furthers the objective and purpose of the treaty prevails over the one that runs contrary to it).

10. See generally EC Panel Report, *supra* note 6, ¶¶ 7.631-.632 (stating that because Article 24(3) appears in section three of Part II of the TRIPS Agreement, the reference to “this Section” is therefore a reference to section three, which sets out standards for the protection of GIs, and that the scope of Article 24(3) was limited by the introductory phrase “[i]n implementing this Section”).

property¹¹ and explores how different understandings of property influence interpretation of international trademark law. This analysis serves as a foundation for determining how viewing trademark rights as property affects the rights when interacting with other interests in society, i.e. when the rights clash with other equally fundamental interests.

Section III focuses on the relationship between the explicit limitations set forth in Article 16(1) and the limitations that are allowed by virtue of Article 17 in light of the GI-report.¹² The GI-Panel was faced with a complaint that a European Community regulation protecting GIs allegedly encroached upon the minimum level of trademark protection mandated by the TRIPS Agreement.

Section IV approaches the TRIPS Agreement through the interpretive lens of general rules of international law and international trade law.¹³ According to customary international law, treaty provisions should be interpreted narrowly. On the other hand, they should not be interpreted so as to render the provisions ineffectual, since each treaty provision was intended to have an effect.¹⁴ Thus, an interpretation giving some provisions more effect than others is inconsistent with the general objective and purpose of the treaty. Much like WTO panels should not act as an international legislature through activist interpretation, WTO panels should not employ “passivist” interpretation by stalling progress or by shying away from areas of political contention. WTO panels, instead, should interpret the TRIPS Agreement and its provisions in the legal framework and practical context in which they operate. Absent express wording on the specific issue to the contrary, a hierarchy of intellectual property rights should not be presumed to have been included in the TRIPS Agreement. The TRIPS Agreement itself—its mere adoption as well as its structure—supports a presumption of equality.

11. Cf. Michael A. Carrier, *Cabining Intellectual Property Through a Property Paradigm*, 54 DUKE L.J. 1, 4-5 (2004) (stating that “the propertization of IP . . . appears to be irreversible [but] not as absolute as it is often claimed to be.”).

12. See generally EC Panel Report, *supra* note 6, ¶¶ 7.644-686 (discussing how the EC regulations protecting GIs are justified under Article 17 of the TRIPS Agreement).

13. See PAUWELYN, *supra* note 3, at 25.

14. ANTONIO CASSESE, INTERNATIONAL LAW 179 (2d ed. Oxford Univ. Press) (2005) (“[A] treaty must be given an interpretation that enables its provisions to be ‘effective and useful,’ that is, to have the appropriate effect.”); IAN BROWNLIE, PRINCIPLES OF INTERNATIONAL PUBLIC LAW 602-07 (6th ed. Oxford Univ. Press) (2003).

In Section V, the analytical framework produced by this analysis is developed to define the scope and limits of what constitutes the minimum standard of trademark protection under international law. This Article argues that the GI-Panel's reading of the TRIPS Agreement is counter-intuitive; it creates a hierarchy of IPRs that would require Member States to restructure their protective schemes. It is further argued that the TRIPS Agreement—implicitly and explicitly—stands for a presumption of co-existence of rights and the Agreement's provisions should be interpreted accordingly. The TRIPS Agreement does not exist in a vacuum and its interpretation should reflect this.

II. THE MINIMUM STANDARD OF ARTICLE 16(1): TRADEMARK RIGHTS AS A LEGAL CONSTRUCT

A. *Trademark Rights As Property*

This Article assumes that trademark rights are property rights. However, this assumption is limited in terms of the information it reveals. The property label only has meaning in the context of property law, which regulates the rights of that which is designated as "property."¹⁵ This section seeks to ascertain how a property right can be defined at the time of its allocation, as well as later when conflicts with other rights emerge. In trademark terms, we seek guidance in defining the object of the right, i.e. an answer to the following question: what do you own when you own a trademark? Three cases, one decided by the Constitutional Court of South Africa and two by the European Court of Human Rights serve as illustrative tools. Each case involves a non-traditional taking of property without compensation. Hence, the cases raised issues concerning whether the object constituted constitutionally protected property and whether it, nonetheless, could legitimately be subject to a taking without compensation. In other words, when evaluating a proprietary interest one must always ascertain whether the object and holder satisfy the requirements for receiving protection and, if so, whether societal considerations of necessity still outweigh the individual interest in receiving protection in the circumstances of each individual case.

15. See generally JEREMY WALDRON, THE RIGHT TO PRIVATE PROPERTY 29-31 (1988) (discussing the problems associated with defining property law).

In *First National Bank of SA Limited t/a Wesbank v. Commissioner*,¹⁶ three leased cars had been seized by the Revenue Service for the lessee's unpaid customs debts. First National Bank, the owner of the cars, challenged the government's authority under the constitution to sell the seized vehicles, since they were the property of a third party.¹⁷ Section 25 of the South African Constitution contains a negative guarantee of property rights in the form of protection against arbitrary deprivations.¹⁸ Although a large portion of Section 25 concerns issues regarding real property, it expressly states that property is not limited to land.¹⁹ After extensive theoretical and comparative analysis of Section 25, the court held that the provision authorizing the sale was unconstitutional.

The court concluded, on the one hand, that the protection of property in the negative does *not* include an express guarantee of the right to acquire, hold, and dispose of property. On the other hand, the court acknowledged a guarantee of the right to be free from arbitrary deprivation of property.²⁰ The same right extends to both natural and juristic persons;²¹ it is, however, not absolute, but subject to limitation based on societal considerations.²²

The approach to the interpretation of Section 25 has to be contextual in order to reflect this nature of the right. In the words of the court, “[t]he subsections . . . must not be construed in isolation, but in the context of the other provisions of section 25 and their historical context, and indeed in the context of the Constitution as a whole.”²³ The court cites Professor A.J. van der Walt when it states that it is necessary “to move away from a static, typically private-law conceptualist view of the constitution as a guarantee of the status quo to a dynamic, typically public-law view of the constitution as an instrument for social change and transformation under auspices [and control] of entrenched

16. *First Nat'l Bank of S.A. Ltd. v. Comm'r for the South African Revenue Servs.* 2002 (4) SA 768 (CC) paras. 2-5, 7-10 (S. Afr.).

17. *Id.*

18. S. AFR. CONST. 1996, art. 25(1).

19. S. AFR. CONST. 1996, art. 25(4)(b).

20. See generally *First Nat'l Bank*, 2002 (4) SA 768 (CC) paras. 25, 71 (considering approaches followed by other democratic systems when deciding what constitutes “arbitrary” deprivation).

21. *Id.* paras. 41, 45.

22. *Id.* para. 49.

23. *Id.*

constitutional values," when considering the purpose and content of the property clause.²⁴ Hence, property should also serve the public good.²⁵

As an initial matter the court notes that any interference with the use, enjoyment or exploitation of private property involves some degree of deprivation of the title holder's rights. A deprivation *per se* cannot trigger a duty to compensate. The invalidity of a deprivation hinges upon whether it can be viewed as arbitrary.²⁶ Arbitrariness should be evaluated in the legislative context to which the prohibition against "arbitrary" deprivation has to be applied as well as to the nature and extent of the deprivation.²⁷ More specifically, it is to be determined by evaluating the relationship between the means employed and the ends sought, as well as the relationship between the purpose for the deprivation and (1) the person whose property is affected, (2) the nature of the property, and (3) the extent of the deprivation. A more compelling purpose needs to be established when the deprivation affects land as opposed to other property as well as when the deprivation embraces all the incidents of ownership as opposed to affecting only some rights in the bundle of rights.²⁸

Similarly, in *J.A. Pye (Oxford) Ltd. v. the United Kingdom*, the European Court of Human Rights agreed with the petitioner that the English law on adverse possession, as applied, violated their fundamental right to protection of property.²⁹ Under the law of adverse possession the possessor can acquire lawful title (by way of initiating a registration procedure), if the owner has not asserted rights of ownership against the possessor of land in twelve years.³⁰ Petitioner, a company, was the registered owner of twenty-three hectares of agricultural land. After the termination of a grazing agreement between petitioner and the Grahams in 1984, the Grahams continued to graze the land without permission until 1999. The action before the court arose when the Grahams applied

24. *Id.* para. 52 (emphasis and bracketed text in original) (quoting A.J. VAN DER WALT, THE CONSTITUTIONAL PROPERTY CLAUSE 11 (1997)).

25. *Id.* (emphasis and bracketed text in original) (quoting VAN DER WALT, *supra* note 24.)).

26. *Id.* paras. 57-61.

27. *Id.* para. 66.

28. *Id.* para. 100.

29. J.A. Pye (Oxford) Ltd. v. United Kingdom, App. No. 44302/02, 43 Eur. H.R. Rep. 3, 43 (2006).

30. *Id.*

to the registration authority for transfer of title pursuant to the law of adverse possession and petitioner subsequently lost lawful title to the land.³¹

Article 1 of Protocol 1 of the European Convention of Human Rights and Fundamental Freedoms³² secures the right of “peaceful enjoyment of one’s possessions,” except when deprivation is in the public interest, as provided for by law and by the general principles of international law.³³ According to previous case-law by the European Court of Human Rights, a deprivation must comply with the principle of lawfulness and pursue a legitimate means reasonably proportionate to the aim sought in order to satisfy the general principle of peaceful enjoyment.³⁴ Nonetheless, the court recognized that the national legislatures should be shown great deference in determining how to further the public interest and such determination could only be overturned if it is “manifestly without foundation.”³⁵

The existence of alternatives is not enough to render the contested legislation unjustified. The proper inquiry is whether the interference strikes “a fair balance between the demand of the public or general interest of the community and the requirements of the protection of the individual’s fundamental rights.”³⁶ Although a deprivation of property without compensation can be legitimate, the compensation terms set forth in the relevant legislation are important to assess the deprivation’s fairness and ultimate legitimacy.³⁷

The court stressed that unlike other property that is inherently subject to restriction, qualification or limitation, the petitioner’s title to land was absolute. The mere fact that a law of general applicability was in effect at the time of acquisition did not inherently limit petitioner’s property right. Whether a law of general applicability can ever do so depends on whether the law can be seen as qualifying or limiting the right, i.e. take effect, at the

31. *Id.*

32. Protocol to the European Convention for the Protection of Human Rights and Fundamental Freedoms art. I, Mar. 20, 1952, 213 U.N.T.S. 262 [hereinafter ECHR Protocol], available at <http://conventions.coe.int/Treaty/en/Treaties/Html/009.htm>.

33. *Id.* art. 15.

34. See *Bruncrona v. Finland*, App. No. 41673/98, 41 Eur. H.R. Rep. 28, 604 (2005); see also J.A. Pye, 43 Eur. H.R. Rep. 3, at 55-56.

35. J.A. Pye, 43 Eur. H.R. Rep. 3, at 56.

36. *Id.*

37. *Id.*

moment of acquisition rather than pending certain circumstances at some time in the future.³⁸ Due to the fact that petitioner had registered title to the land and the public interest therefore was weaker than in the case of unregistered property, the transfer of title to the possessors without compensation was greatly disproportionate to the total revocation of petitioner's property interest.³⁹ In the end, the decision seemed to turn on the fact that the law did not require that the owner be given notice during the twelve-year time period.⁴⁰

Of the seven justices on the court, three dissented.⁴¹ The dissenters stressed that ownership carries not only rights, but duties as well. The duties imposed on petitioner in this case could not be viewed as excessive or unreasonable, since petitioners were professional real estate developers and therefore should have had full knowledge of the law as well as the minimal steps required to look after their interests. Since the convention only imposed a minimum standard of protection and it is open to national legislatures to heighten the level of protection, the majority's decision was unduly influenced by the legislature's decision to modernize the law of adverse possession.⁴²

In *Anheuser-Busch Inc. v. Portugal*, the European Court of Human Rights concluded that a trademark application can give rise to a protectable property interest based on legitimate expectations.⁴³ Anheuser-Busch argued that the enjoyment of a property right afforded at the time of application could not be disturbed absent specific law to this point.⁴⁴ A Czech holder of a GI had successfully opposed the trademark application in extensive opposition proceedings.⁴⁵ Consequently, the trademark registration never issued.

38. *Id.* at 57-58.

39. *Id.* at 62-63.

40. *Id.* at 63. The court placed great weight on the fact that the act had been amended in 2002 to include a requirement of notice after ten years of possession. *See id.* Throughout the opinion the court emphasized that the applicant was deprived of (1) property (2) without compensation (3) without the ability to contest the decision in court. *See id.*

41. *Id.* at 65 (Maruste, Garlicki & Borrego Borrego, JJ., dissenting).

42. *Id.* (Maruste, Garlicki & Borrego Borrego, JJ., dissenting).

43. *Anheuser-Busch, Inc. v. Portugal*, App. No. 73049/01, para. 47 (2005), <http://cmiskp.echr.coe.int/tkp197/search.asp?skin=hudoc-en> (search for application number "73049/01", then follow the link for the Oct. 11, 2005 decision) (last visited Apr. 22, 2007).

44. *Id.* para. 32.

45. *Id.* paras. 12-16.

The court concluded that a conditional right will not be realized if it conflicts with the rights of third parties, provided that legislation to this effect is clear and precise at the time of acquisition of the right.⁴⁶ The mere fact that some protection is afforded (a right of priority) from the time of application does not necessarily mean that the property interest involved is absolute.⁴⁷

The dissenting judges placed weight on the great economic value of the right conferred by trademark applications in contemporary society and recognized a protected property interest, namely the exclusive right to use the mark for named products in a certain geographic area.⁴⁸ They seemed to view trademark law as wholly unsatisfactory in the modern world, since they concluded that a result that renders a valuable asset unexploitable in some markets amounts to interference with the peaceful enjoyment of one's possessions.⁴⁹ The dissenters therefore concluded that the Portuguese legislation failed to strike a fair balance between the public interest sought and the individual property interest.⁵⁰

In contrast, the Maori system is premised on a theory of property allocation that hinges not on the owner or object of the property but on the ownership rights to use a resource in a specific manner.⁵¹ Before being replaced by the British property system all land was communally owned and the community granted individual members of the community multiple usufructuary rights.⁵² Instead of obtaining a piece of land and all rights to it, the Maori had rights, for example, to hunt, cultivate land and pick berries.⁵³ The community owned the geographical space, which allocated and enforced the usufructuary rights as well as enforced its rights against other communities.⁵⁴ Several members thus could hold rights in the same geographical space, but they were different rights that did not encroach upon each other.⁵⁵ Members were

46. *Id.* para. 50.

47. *Id.* paras. 47, 52.

48. *Id.* para. 5 (Costa, J. & Barreto, J., dissenting).

49. *Id.* (Costa, J. & Barreto, J., dissenting).

50. *Id.* paras. 5-8 (Costa, J. & Barreto, J., dissenting).

51. See Stuart Banner, *Two Properties, One Land: Law and Space in Nineteenth-Century New Zealand*, 24 LAW & SOC. INQUIRY 807, 811 (1999).

52. See *id.* at 814.

53. See *id.* at 811.

54. See *id.* at 814.

55. See *id.* at 811.

encouraged to exercise their rights to their fullest extent without harming others, which put all land to its most efficient use to service the needs of the community.⁵⁶ Unlike the Western system that focuses on the owner, in the Maori system *what defines the scope of the right is its use.*

Dressed in trademark terms, as long as the trademark is used to indicate the origin of goods or services, the owner of the mark is irrelevant for the question of ascertaining whether the mark is protected or not. In other words, the property right is alienable as long as its function in the overall system of allocation is not altered. The question is purely whether the use is legitimate in relation to the interests of third parties. Whether based on registration or use, the right exists as long as, and to the extent, it is used according to the initial allocation. Some boundaries may be encroached, which is actually desirable, in order to maximize the use of all resources.⁵⁷ In the event of a conflict, whoever furnishes proof of a legitimate interest in continued use of the disputed subject matter will prevail. Regardless of the outcome of the dispute, *the rights are presumed to coexist to the extent that they do not conflict with each other.* When the use stops, the rights by default revert back to the community or the government pending certain circumstances set forth in legislation.⁵⁸ Although the current system is arguably based upon similar logic, the contemporary emphasis on individual property rights has clearly overshadowed this premise of trademark law.⁵⁹

In sum, all of the decisions referenced above treat property in land differently than other property interests and are more likely to view the property right in land as one of absolute ownership. By the same token, not all deprivations of land are illegitimate, since only some trigger the duty of compensation. All property systems recognize that property rights are not absolute; there are, however,

56. See *id.* at 814.

57. See *id.* See generally Harold Demsetz, *Toward a Theory of Property Rights*, in THE AMERICAN ECONOMIC REVIEW 347, 350 (Harold F. Williamson & Gertrude Tait eds., 1967) (asserting that property rights develop to internalize externalities when the gains of internalization become larger than the cost of internalization).

58. Banner, *supra* note 51, at 814. After all, it is the government and not the individual rights holder that enforces the use rights of the individual against encroachment from others. See *id.*

59. See Mark A. Lemley, *Property, Intellectual Property and Free Riding*, 83 TEX L. REV. 1031, 1071 (2005). See generally Demsetz, *supra* note 57, at 347 (stating that an owner of property rights possesses the consent of fellowmen to allow him to act in particular ways).

great variances between countries in which private property rights are subject to limitations in the public interest.⁶⁰ Consequently, while some rights can be taken away, some rights were never granted in the first place.⁶¹ All property rights are thus inherently subject to internal as well as external limitations.

In comparison, a mobile phone consists of patented hardware, copyrighted software, and a protected design, and it is marketed under a protected trademark. All these rights exist apart from the property right in the mobile phone itself. This solution caters to needs of the contemporary dynamic community. Likewise, the Maori system optimally served the needs of their community, because the same geographic area cannot be hunted, grazed or cultivated indefinitely or it will be drained. Similarly, trademark owners need to constantly develop their trademarks to fit their products and business. The extent of the actual use therefore rarely completely coincides with the mark that is registered at any given time. However, the option of fixing the right to a physical object is not available in trademark law. While the English system that replaced the Maori system was arguably more efficient, the same system encounters its weaknesses in relation to IPRs. The physical connection distorts rather than aids the attainment of efficient allocation and forces the IPR system to race between the extremes of insufficient protection of third parties to insufficient protection of rights holders. A theory of allocation that focuses on the use, instead of the owner or object of property rights, will allow for a near optimal allocation of rights on both sides, as it is inherently flexible to the needs of the users as well as the community.⁶² In other words, a balance is continuously struck between competing interests both when allocating rights for use and in resolving conflicts of those rights.

What purpose, then, does the two-step deprivation analysis set forth in the South African case serve in treaty interpretation? Professor Joost Pauwelyn categorizes conflicts that arise in treaty interpretation as inherent conflicts, apparent conflicts, and genuine

60. See, e.g., Banner, *supra* note 51, at 811.

61. Compare Anheuser-Busch, Inc. v. Portugal, App. No. 73049/01, para. 47 (2005), <http://cmiskp.echr.coe.int/tkp197/search.asp?skin=hudoc-en> (search for application number “73049/01”, then follow the link for the Oct. 11, 2005 decision) (last visited Apr. 22, 2007) with J.A. Pye (Oxford) Ltd. v. United Kingdom, App. No. 44302/02, 43 Eur. H.R. Rep. 3, 65 (2006) (Maruste, Garlicki & Borrego Borrego, JJ., dissenting).

62. See also Lemley, *supra* note 59, at 1048-50, 1071.

conflicts.⁶³ In matters of international trademark law, a false conflict might arise when trademark rights are impacted by legislation. Careful scrutiny, however, reveals that the trademark owner does not have a legitimate property interest in the subject matter that has allegedly been deprived. The majority in *Anheuser-Busch v. Portugal* reached this conclusion. Likewise, the legislation might not legitimately allow a third party to encroach upon the contested subject matter and hence the apparent conflict of norms was an illusion.

Unlike false conflicts where the decision turns on the lack of a protected interest on either side, a true apparent conflict requires the decision-maker to consider the arbitrariness of a deprivation in light of the public interest, since both parties have legitimate interests in the contested subject matter. Balancing of interests is required and guidance is sought from the contextual framework of the conflicting provisions as well as the general rules of treaty interpretation. A genuine conflict of norms, where the object and purpose of the agreements or provisions in question undeniably conflict, cannot be resolved through treaty interpretation, but can only be resolved by the legislature.⁶⁴

B. The Contents and “Meaning” of an Exclusive Right

As mentioned above, the term “property” in itself bears no legal significance. The significant aspects of property lie in the rights it confers upon its holder—a bundle of rights. The traditional bundle includes (1) the right to lawfully use the property in a certain way, (2) the right to alienate (i.e., the right to sell, lend, lease, and use as collateral, and (3) the right to exclude others.⁶⁵ On one hand, a property right is a right against the world, since it confers enforceable rights to something on the owner. On the other hand, the contents of the rights in the bundle differs depending on whom it is asserted against based on the duties of ownership conferred on the owner in the initial allocation.⁶⁶

63. See generally PAUWELYN, *supra* note 3, at 171-87 (describing different conflicts of laws).

64. See *id.* at 489 (enumerating the four solutions currently available: (1) the agreements contain explicit conflicts clauses, (2) the newer agreement governs (*lex posterior*), (3) the specialized rule governs (*lex specialis*), or (4) the aggrieved party is compensated).

65. See, e.g., WALDRON, *supra* note 15, at 27-28.

66. See, e.g., *id.*

Neither is the bundle of rights static or constant in effect or character, since each right itself confers the right on the owner to change the relationship. In this sense the property right is defined by contracts between the owner and others. However, there are some “inherent defects” in all titles that the owner does not have the power to correct. We focus on those next.

The property right is necessarily defined by its object. Unlike a plot of land or physical object, defining the object of intellectual property rights is notoriously difficult.⁶⁷ Most other intangible interests can be, at least conceptually, tied to some tangible form of property, which in turn can be contrasted against the right. For example, a bank holds a mortgage on a house only insofar as the debt has not been paid, and a shareholder’s interest is defined by the existence and success of the company as well as the interests of other shareholders. No one, generally, has a property right in the subject matter from which a trademark is created; it is taken from the pool of collective resources. At the same time, the object of the right is distinct from the property right in the paper it is printed on, the Web site that displays it, or the goods to which it is affixed. Any attempt to contrast it with a tangible resource leads to a misleading result, since they are not connected in the traditional property law sense.⁶⁸

“Possession” is another traditional approach to defining a property right. It occurs when the resource is taken out of the common pool.⁶⁹ A landowner gains ownership by marking the boundaries of her plot of land and claims ownership to wild horses by capturing them and fencing them in. The trademark owner claims a similar right when he initially uses the mark in commerce. If no one else is using the same mark on the same goods, it is quite easy for the public to accept the capture of a specific “plot” on the market.⁷⁰ However, much like a neighbor who is likely to object when the landowner tries to expand the boundaries of her property—or the community, when one family captures all the

67. See ROBIN JACOB & DANIEL ALEXANDER, A GUIDEBOOK TO INTELLECTUAL PROPERTY: PATENTS, TRADEMARKS, COPYRIGHT AND DESIGNS 4-5 (Sweet & Maxwell 1993) (1970).

68. See Lemley, *supra* note 59, at 1033.

69. See Carol M. Rose, *Possession as the Origin of Property*, in PERSPECTIVES IN PROPERTY LAW 181 (Ellickson et al. eds., 2002) (describing the common law notion of “possession” or “occupancy” as the origin of property).

70. See generally Dinwoodie & Janis, *supra* note 7, at 17-18 (stating the importance of “use” in the establishment of trademark rights).

horses—problems arise when the trademark owner adopts an expansive interpretation of the right to exclude others. If these conflicts were decided by whoever has possession, the “encroacher” would naturally have the upper hand.⁷¹ However, in a society with scarce resources, these conflicts are generally decided by scrutinizing the original allocation of property rights for inherent defects in title.⁷²

In other words, the trademark right is defined by weighing it against the public interest *against* allocating any right (to the contested subject matter) to begin with. The object of contention is separate from the initial allocation and does not affect the original grant. In this sense each infringement action turns on whether or not the trademark owner has a *legitimate* expectation in the property interest sought. After all, a property right only has value if it can be enforced against others.⁷³

Legitimacy is derived from the initial grant as set forth by trademark legislation. Article 16.1 of the TRIPS Agreement affords the trademark owner the following rights:

The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from *using in the course of trade* identical or similar *signs for goods or services* which are *identical or similar to those* in respect of which the trademark is *registered* where such use would result in a *likelihood of confusion*. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed. The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use.

The international minimum standard of trademark protection only applies to registered marks even though Member States are allowed to afford additional protection based on use of a mark. A

71. The encroachment on a trademark is similar to a claim of adverse possession. *See, e.g.*, Carrier, *supra* note 11, at 58-59 (describing how adverse possessors were favored by the law as a means to encourage productive use of land).

72. For example, John Locke's theory on allocation views property rights as an extension of labor and presumes that it is immoral to take too much. *See JOHN LOCKE, TWO TREATISES OF GOVERNMENT, 300-02* (Peter Laslett ed., Cambridge Univ. Press 1988) (1690); *see also* Rose, *supra* note 69, at 180.

73. *See* Demsetz, *supra* note 57, at 347, 355. Ownership has no value if anyone can take the object of ownership from its owner or the owner has no conceivable means of enforcing his right. *See id.*

mark that has become well-known through extended use (after registration) is awarded extended protection.⁷⁴ The initial grant of an exclusive right is thus subject to four inherent defects in title; the owner only can prevent a third party from using a mark (1) in commerce, (2) as a trade or service mark, (3) on identical or similar goods, and (4) where the use results in a likelihood of confusion.⁷⁵ The chosen language clearly indicates that the factors are cumulative.

In addition to affording a limited right, the TRIPS Agreement acknowledges that the trademark right confers certain rights and duties on the trademark owner. Member States may impose a requirement of use (and most do) and renewal in order to maintain the registration, but a trademark registration shall, in principle, be renewable indefinitely.⁷⁶ The use of a trademark shall not be unjustifiably burdened with special requirements, nor can it ever be subject to a compulsory license.⁷⁷ In addition, licensing and assignment of a trademark shall be possible with or without transfer of the business to which the trademark belongs.⁷⁸

III. THE DEROGATION ALLOWED FROM AFFORDED RIGHTS UNDER ARTICLE 17

A. *Introduction*

The last section concerned the inherent constraints on the afforded right. This section concerns the right of the government to regulate in ways that affect the exercise of trademark rights. The distinction between allocation and exercise of a right is not necessarily clear in practice. However, national laws generally acknowledge this distinction through evidentiary rules. Since registration serves as notice on third parties the legitimacy of the trademark owner's interest is presumed for what is registered.⁷⁹ The trademark owner must prove his entitlement to any additional protection. Only when the trademark owner has a legitimate interest in the exclusive use of a mark does the defendant's duty to furnish evidence in his defense kick in.

74. TRIPS Agreement, *supra* note 1, art. 16, para. 3.

75. *Id.* art. 16, paras. 1, 3

76. *Id.* arts. 18-19.

77. *Id.* arts. 20-21.

78. *Id.* art. 21.

79. *See id.* art. 16.

The logic of this analytical structure operates with a twist on the international level. Under the TRIPS Agreement, Member States are only mandated to provide minimum protection to trademark owners, unless the principles of national treatment or most favored nation are violated.⁸⁰ Hence, additional protection is not mandated but a choice which in turn can trigger certain duties, namely that of equal treatment. The paramount question of law when considering the arbitrariness of the deprivation remains whether or not the Member State is in violation of its international obligation to provide a minimum standard of protection for trademarks. Like the question in the property cases above, the inquiry includes two parts: (1) is a legitimate property interest at stake? and (2) is the deprivation arbitrary or illegitimate?

Article 17 of the TRIPS Agreement reads as follows: “Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the trademark owner and of third parties.”

Hence, the exclusive right afforded in Article 16(1) can be subject to limited exceptions. In other words, even if all four elements of Article 16 (1) are satisfied and a mark is used in commerce on identical or similar goods in a way that causes a likelihood of confusion, the use may nonetheless be lawful.

B. European Communities—Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs

1. Does Article 24 of the TRIPS Agreement Provide an Exception to Trademark Rights?

The proposed conceptual structure of international trademark law is useful in assessing the above-mentioned Panel Report regarding the protection of trademarks and GIs under the TRIPS Agreement. The GI-report interpreted Articles 24.5, 24.3, and 17 of the TRIPS Agreement, since the European Communities raised them as a defense of its legislation regarding GIs,⁸¹ in response to

80. *Id.* arts. 3-4.

81. Compare Council Regulation 2081/92, arts. 10-14, 1992 O.J. (L 208) 1, 1-8 (EC), with TRIPS Agreement, *supra* note 1, arts. 17, 24.

complaints by Australia and the United States that the EC violated Article 16(1) of the TRIPS Agreement.⁸²

The EC legislation confers an implied right to use a GI in relation to the relevant products upon registration.⁸³ Article 14(2) of the regulation allows for the continued use of trademarks that were registered prior to the registration of a GI. In addition, Article 14(3) of the regulation provides that the registration of a GI shall be refused if it leads to a likelihood of confusion with an earlier trademark. Notwithstanding Article 14(3) of the regulation, the main argument set forth by the complainants is that the trademark rights afforded under Article 16(1) of the TRIPS Agreement cannot be *fully* exercised against a person who uses a registered GI in accordance with the right conferred by registration.⁸⁴ The EC, on the other hand, claims that Article 14(2) is necessary to implement its obligations under Article 24 of the TRIPS Agreement.⁸⁵

Article 24 sets forth the minimum standard of GI protection in the TRIPS Agreement. Article 24.5 limits the reach of GI protection that a Member State may afford in relation to existing trademarks, the exclusive rights to which have been acquired *prior to* the protection of the GI in its home country. The Panel rejected the argument that Article 24.5 is exhaustive in the sense that Member States under the TRIPS agreement are free to limit the use of trademarks that have been acquired *after* a GI is protected in its home country.⁸⁶ Likewise the Panel rejected the argument that a Member State is obligated under Article 24 to afford such GI protection.⁸⁷

The Panel concluded that Article 24.5 creates an exception to GI protection mandated by the TRIPS Agreement and also that, notwithstanding Article 24, Members States are required under Article 16(1) to make available the right to exclude certain uses, which includes uses as a GI.⁸⁸ The GI-Panel arrived at this conclusion by way of interpreting the words “when implementing

82. EC Panel Report, *supra* note 6, ¶¶ 7.627-.686.

83. Traditionally, however, this has been interpreted in civil law countries as granting an implied right to use. See EC Panel Report, *supra* note 6, ¶ 7.521. Compare EC Panel Report, *supra* note 6, ¶ 7.522, with Council Regulation 2081/92, art. 13.

84. EC Panel Report, *supra* note 6, ¶ 7.531.

85. *Id.* ¶ 7.525.

86. *Id.* ¶¶ 7.624-.625.

87. See *id.* ¶¶ 7.617-.619.

88. *Id.* ¶ 7.625.

this section" in Articles 24.3 and 24.5 to render the conferred obligations inapplicable in relation to other obligations in the TRIPS Agreement. Since the obligation to afford trademark protection is found in section 2 of the TRIPS agreement (without a similar qualifier), any obligation of coexistence cannot be presumed.⁸⁹ The GI-Panel concluded that they refuse to adopt an approach to treaty interpretation, which is not supported by the ordinary meaning of its terms in their context.⁹⁰

2. Exceptions under Article 17 of the TRIPS Agreement

According to Article 17 the GI-Panel recognized two elements that the national legislation must satisfy: (1) the exceptions must be limited and (2) must take into account the legitimate interests of the trademark owner *and* of third parties. Any interpretation of either element that excludes the example "fair use of descriptive terms" is necessarily incorrect.⁹¹

The GI-Panel relied upon the interpretation by two previous panels regarding exceptions to copyrights and patents.⁹² However, there are some significant differences between these provisions, requiring interpretation of Article 17 "according to its own terms."

[U]nlike the other provisions Article 17 contains no reference to 'conflict with a [or the] normal exploitation,' no reference to 'unreasonable prejudice to the legitimate interests' of the right holder or owner, and it not only refers to the legitimate interests of third parties but treats them on par with those of the right holder.⁹³

Article 17 clearly permits exceptions that are not applicable to other intellectual property rights.⁹⁴

In ascertaining the meaning of the term "limited exceptions" the GI-Panel concluded that the issue is whether the exception to

89. *Id.* ¶¶ 7.606, 7.632.

90. *Id.* ¶ 7.624.

91. *Id.* ¶ 7.648.

92. Panel Report, *Canada—Patent Protection of Pharmaceutical Products*, WT/DS114/R (Mar. 17, 2000) [hereinafter Canada Patent Panel Report] (interpreting exceptions to patent regulations under article 30 of the TRIPS Agreement); Panel Report, *United States—Section 110(5) of the U.S. Copyright Act*, 26-29, WT/DS160/R (June 15, 2000) [hereinafter U.S. Copyright Panel Report] (interpreting exceptions to copyright regulations under article thirteen of the TRIPS Agreement).

93. EC Panel Report, *supra* note 6, ¶ 7.649.

94. *Id.* ¶ 7.649.

the rights conferred by a trademark is narrow.⁹⁵ Exceptions may apply to (1) the category of third parties, (2) the identity or similarity of the marks or goods, (3) the degree of likelihood of confusion, (4) a combination of the above, or (5) in some other way, as long as they are limited. The Panel noted that

Fair use of descriptive terms is *not* limited in terms of the number of third parties who may benefit, nor in terms of the quantity of goods or services with respect to which they use the descriptive terms, although implicitly it only applies to those third parties who would use those terms in the course of trade and to those goods or services which those terms describe.⁹⁶

Still, it satisfies the elements of Article 17.

The number of trademarks or trademark owners affected is irrelevant.⁹⁷ Thus, the focus remains on the impact on the rights of the trademark owner. Although the quantity of goods that benefit from an exception might indirectly curtail the exercise of the right to exclude others, preventing acts of making, selling or importing goods are not rights conferred by a trademark.⁹⁸ The trademark right only entails the right to prevent confusing uses.⁹⁹ On the other hand, the GI-Panel noted that “GI registration does not confer a positive right to use any other signs or combinations of signs nor to use the name in any linguistic versions.”¹⁰⁰ Hence, the trademark owner’s rights are not limited against such uses. Likewise, the GI regulation recognizes a ground for refusal of registration based on an earlier trademark.¹⁰¹ Therefore, the trademark owner’s right to exclude confusing uses is not completely diminished even against the GI applicant.

3. Legitimate interests

Following a contextual approach, the GI-Panel concluded that the legitimate interests of the trademark owner must be something different from the full enjoyment of the rights conferred

95. *Id.* ¶ 7.650. See Canada Patent Panel Report, *supra* note 92, ¶ 7.30 (noting that relevant inquiry focuses on exceptions to the rights conferred, not to a set of trademarks or trademark owners).

96. EC Panel Report, *supra* note 6, ¶ 7.654.

97. *Id.* ¶ 7.655.

98. *Id.* ¶ 7.656.

99. *Id.*

100. *Id.* ¶ 7.657.

101. *Id.* ¶ 7.658.

by a trademark.¹⁰² Equally, the legitimate interests of third parties must be something more than simple enjoyment of their legal rights.¹⁰³ Citing *Canada-Pharmaceuticals Patents*, the GI-Panel concluded that the provision calls “for protection of interests that are ‘justifiable’ in the sense that they are supported by relevant public policies and other social norms.”¹⁰⁴

The GI-Panel referred to the WTO Members’ shared understandings of the policies and norms relevant to trademarks when concluding that the protected function of trademarks is the ability to distinguish goods and services from those of other companies in the course of trade.¹⁰⁵ While it is in the legitimate interest of the trademark owner to receive protection of the source identifying function of its trademark, protection is not absolute.¹⁰⁶ Compared to Articles 13, 26.2, and 30, which refer to “unreasonable prejudice,” Article 17 only requires that exceptions “take account” of the legitimate interests of the owner.¹⁰⁷ According to the GI-Panel the chosen wording suggests that less protection is required for the legitimate interests of the trademark owner.¹⁰⁸ This reading also corresponds with the absence of specific reference to the rights of third parties in Articles 13, 26.2, and 30.

The GI-Panel further notes that the relevant third parties for the purposes of Article 17 include both consumers and persons using a geographical indication.¹⁰⁹ After all, the legitimacy of the interests of GI users is reflected in the TRIPS Agreement itself.¹¹⁰ The Panel defines the legitimate interest of GI owners by contrasting Articles 22 and 23 of the TRIPS Agreement, in which the legal protection of GIs are described.¹¹¹ Furthermore, the GI-Panel analogizes to the example in Article 17 concluding that GI protection serves a similar purpose and is therefore legitimate.¹¹²

102. *Id.* ¶ 7.662.

103. *Id.*

104. *Id.* ¶ 7.663 (citing Canada Patent Panel Report, *supra* note 92, ¶ 7.69).

105. *Id.* ¶ 7.664.

106. *Id.* ¶ 7.670.

107. *Id.* ¶ 7.671.

108. *Id.*

109. *Id.* ¶¶ 7.675, 7.679.

110. *Id.* ¶ 7.680

111. *Id.*

112. *Id.* ¶ 7.681.

IV. THE CONTEXTUAL AND STRUCTURAL FRAMEWORK OF THE TRIPS AGREEMENT

A. The Framework of International Law and International Trade

The TRIPS Agreement is part of a larger framework of treaties that regulate international trade under the auspices of the WTO.¹¹³ The underlying purpose of the TRIPS Agreement is to reduce distortions and impediments to international trade. The means employed to reach this goal are securing effective and adequate protection of IPRs while ensuring that the measures and procedures to enforce IPRs do not themselves become barriers to legitimate trade.¹¹⁴ According to Article 7, the objective of the TRIPS Agreement is to “contribute to the promotion of technological innovation . . . to the mutual advantage of producers and users . . . in a manner conducive to the social and economic welfare, and to a balance of rights and obligations.”¹¹⁵ Furthermore, Article 8 shows deference to Member States in formulating and amending laws and adopting measures necessary to promote the public interest in sectors of vital importance to their socio-economic and technological development.¹¹⁶ With the objective and purpose of the TRIPS Agreement in mind the Member States adopted the following international obligation:

Article 1

Nature and Scope of Obligations

1. Members shall give effect to the provisions of this Agreement. Members *may, but shall not be obliged to*, implement in their law more extensive protection than is required by this Agreement, provided that such protection does not contravene the provisions of this Agreement. *Members shall be free to determine* the appropriate method of implementing the provisions of this Agreement within their own legal system and practice.

Adopting minimum standards of protection follows the traditional format of international agreements. After all, it is notoriously difficult to reach consensus on an adequate level of protection between more than 150 different legal systems while

113. See TRIPS Agreement, *supra* note 1, annexes 1A-1C, 2.

114. *Id.*, pmb.

115. *Id.* art. 7.

116. *Id.* art. 8.

maintaining a level that has any practical effect.¹¹⁷ In addition, great deference is shown to the Member States in implementing the provisions of the treaty, both in the means chosen as well as in the level of protection in practice, provided that it is higher than the minimum level of protection.¹¹⁸ Lastly, it should be noted that while Member States agreed on the issue of granting protection, they excluded from consideration the issue of when the rights afforded under the TRIPS Agreement are exhausted.¹¹⁹

To give added force to the international trade rules, the Understanding on Rules and Procedures Governing the Settlement of Disputes (“DSU”) was annexed to the agreement establishing the WTO, to govern all disputes between Member States.¹²⁰ DSU Article 3.2 states that the WTO dispute settlement system “serves to preserve the rights and obligations of Members under the . . . agreements, and to clarify the existing provisions of those agreements in accordance with customary rules of interpretation of public international law.”¹²¹ Recommendations and rulings cannot add or diminish those rights and obligations.¹²² In *United States—Standards for Reformulated and Conventional Gasoline*, the Appellate Body confirmed that Articles 31 and 32 of the Vienna Convention on the Law of Treaties incorporates the customary rules of public international law.¹²³

Customary rules of public international law mandate that “a treaty shall be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their

117. See Rubens Ricupero, *Rebuilding Confidence in the Multilateral Trading System: Closing the “Legitimacy Gap,”* in THE ROLE OF THE WORLD TRADE ORGANIZATION IN GLOBAL GOVERNANCE, *supra* note 2, at 37-38 (describing problems facing the WTO despite adoption of minimum standards).

118. JACKSON, *supra* note 3, at 134.

119. TRIPS Agreement, *supra* note 1, art. 6 (stating the principles of national treatment and most-favored nation cannot be invoked in dispute settlement regarding the issue of exhaustion of intellectual property rights).

120. See Understanding on Rules and Procedures Governing the Settlement of Disputes, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 2, Legal Instruments—Results of the Uruguay Round, 33 I.L.M. 122 (1994) [hereinafter DSU].

121. *Id.* art. 3(2).

122. *See id.* art. 3(5).

123. Appellate Body Report, *United States—Standards for Reformulated and Conventional Gasoline*, 15-16, WT/DS2/AB/R (Apr. 29, 1996) [hereinafter U.S. Standards Appellate Body Report].

context and in the light of its objective and purpose.”¹²⁴ The relevant context is composed of the text, preamble, annexes, and any other agreement relating to the treaty between the same parties.¹²⁵ Recourse to supplementary means of interpretation is *only* allowed when the contextual interpretation leaves the meaning ambiguous or leads to a manifestly absurd or unreasonable result.¹²⁶ Customary international law thus provides different tools of interpretation for different conflicts within international jurisdiction and also draws the line between national and international jurisdiction.¹²⁷

The requirement of good faith interpretation has traditionally been construed to mandate narrow interpretation of treaty provisions and exclude *e contrario* conclusions regarding the intentions of Member States in international law.¹²⁸ However, in light of the objective and purpose of the treaty, the contextual approach secures an interpretation that gives all provisions some effect. The universally recognized principle of *pacta sunt servanda* mandates that the text of the treaty is binding upon the parties and cannot be watered down by subsequent interpretation.¹²⁹

In sum, international law operates much like contract law, which is premised on the principles of contractual freedom on the one hand and strict (legal or diplomatic) enforcement of contractual obligations on the other. Commitment to the system of international law, however, does not allow for parties to opt out of all of their obligations. Because there is no hierarchy of treaties, the unity of international law is what lends legitimacy to international law. Unless a Member State explicitly contracts out of an international obligation, it is presumptively bound by that obligation in all other contractual relationships.¹³⁰

124. Vienna Convention on the Law of Treaties art. 31.1, May 23, 1969, 21 U.S.T. 77, 1155 U.N.T.S. 331 [hereinafter Vienna Convention]; see U.S. Shrimp Appellate Body Report, *supra* note 8, at ¶¶ 104, 111.

125. Vienna Convention, *supra* note 124, art. 31.

126. *Id.* art. 32.

127. See PAUWELYN, *supra* note 3, at 441-43.

128. See generally *id.* at 465.

129. See Vienna Convention, *supra* note 124, pmbl. (noting the principles of free consent and good faith and *pacta sunt servanda* are universally recognized).

130. See PAUWELYN, *supra* note 3, at 461-67 (citing Panel Report, *Korea – Government Procurement*, ¶ 7.101 n.755, WT/DS163/R (May 1, 2000)).

B. The Evolution of International Norms and the Status of WTO Panel Reports

The function of WTO panels is to assist the Dispute Settlement Body (“DSB”) by making an objective assessment of the facts at hand and their applicability and conformity with the relevant agreements.¹³¹ Nowadays, WTO panel reports as well as Appellate Body reports are semi-automatically adopted by the DSB and subsequently obtain the status of an authoritative statement of international law.¹³² How then should the WTO panel reports be interpreted and what reach should the rulings be given?

This section will ascertain the binding force or effect of a panel ruling as a contribution to the body of international trade law.¹³³ According to the DSU the purpose of the dispute settlement system and hence the rulings set forth by it is to provide “security and predictability to the multilateral trading system.”¹³⁴ Much like any other decision-making body in a rule-oriented (as opposed to policy-based) system, the WTO system cannot be successful unless three goals are met: the system must be viewed by the Member States as (1) just, (2) credible, and (3) efficient.¹³⁵ All panel rulings and rationales are thus subject to intense scrutiny. Consequently, WTO panels have sought to adopt an analytical, objective, and nonpolitical procedure that is firmly anchored in principles of international law.¹³⁶ While clearly aware of their larger audience in aspects of procedure and form, it seems unclear what substantive reach (source value) is to be given to the rulings of WTO panels.

Due to the above-mentioned concerns the approach of WTO panels is necessarily formalistic in the sense that panels will rely heavily on treaty text as well as perceived neutral sources of interpretation. Certain WTO panels have, however, taken a highly formalistic, almost exclusively literal approach, to interpretation of

131. DSU, *supra* note 120, art. 11.

132. DSU, *supra* note 120, arts. 16(4), 17(14).

133. John H. Jackson, *The WTO Dispute Settlement Understanding—Misunderstandings on the Nature of Legal Obligation*, 91 AM. J. INT'L L. 60 (1997); Warren F. Schwartz & Alan O. Sykes, *The Economic Structure of Renegotiation and Dispute Resolution in the World Trade Organization*, 31 J. LEGAL STUD. 179 (2002). See generally Judith Hippler Bello, Commentary, *The WTO Dispute Settlement Understanding: Less is More*, 90 AM. J. INT'L L. 416 (1996) (discussing to what extent the WTO's rules enforcement affects Members' obligation to comply in practice).

134. DSU, *supra* note 120, art. 3(2).

135. JACKSON, *supra* note 3, at 134, 161.

136. *Id.* at 134, 160.

the provisions of the TRIPS Agreement.¹³⁷ What weight should these reports or statements have as a source of law?

In *Japan—Taxes on Alcoholic Beverages* the Appellate Body considered whether prior reports constitute “subsequent practice” for purposes of treaty interpretation within the meaning of Article 31 of the Vienna Convention.¹³⁸ The Appellate Body held that the decision to adopt a panel report neither constitutes agreement on the reasoning by that panel, nor elevates the report to a binding source of law on subsequent panels.¹³⁹ Reports are only binding with respect to resolving a particular dispute between the parties. Nevertheless, panel reports should be taken into account because they may create legitimate expectations among Member States.¹⁴⁰

Furthermore, the correct interpretative approach under the Vienna Convention follows the general principle of effectiveness of treaty interpretation.¹⁴¹ Although the correct approach to any provision is textual, interpretation should always rest on the objective and purpose of provisions, i.e. respecting the words while not diminishing the meaning of words actually used in other provisions. Any provision should be read in light of the broad and fundamental purpose of that provision that gives meaning and effect to all of its terms.¹⁴²

The Appellate Body has further elaborated on rules of treaty interpretation in *US-Import Prohibition of Certain Shrimp and Shrimp Products*.¹⁴³ Any measure that is subject to a violation complaint¹⁴⁴ should be scrutinized in light of its meaning and effect

137. Canada Patent Panel Report, *supra* note 92 (interpreting exceptions to patent regulations under article thirty of the TRIPS Agreement); U.S. Copyright Panel Report, *supra* note 92 (interpreting exceptions to copyright regulations under article thirteen of the TRIPS Agreement); see EC Panel Report, *supra* note 6.

138. See Appellate Body Report, *Japan – Taxes on Alcoholic Beverages*, WT/DS8/AB/R, WT/DS10/AB/R, WT/DS11/AB/R (Oct. 4, 1996) [hereinafter Japan Taxes Appellate Body Report].

139. *See id.* The Appellate body relied on Article IX(2) of the WTO Agreement as well as DSU article 3.9, which retains the exclusive authority to issue definite treaty interpretations to the General Ministerial Council by a three-fourths majority vote. *Id.*

140. *See id.*

141. *See id.*

142. *See id.*

143. U.S. Shrimp Appellate Body Report, *supra* note 8.

144. At present, violation complaints are the only form of complaint under the TRIPS agreement, since the TRIPS Council has been unable to agree on the permissibility of non-violation complaints. *See, e.g.*, Developing Country Group, *TRIPS and Public Health*, ¶ 42 (World Trade Org., Working Paper, June 20, 2001), available at http://www.wto.org/english/tratop_e/trips_e/paper_develop_w296_e.htm (discussing access to medicine); see

in relation to the relevant international obligations of the Member-State in question, not with a focus on the nature or design of the measure itself.¹⁴⁵ Furthermore, maintaining the multilateral trading system is not a right or obligation *per se*, instead each provision should be reviewed in light of the object and purpose of the provision itself. Thus, generally testing a measure for consistency with the object and purpose of the treaty exceeds the jurisdiction of the panels.¹⁴⁶ Nevertheless, the result of the interpretative approach must lead to a test or standard that is justifiable under the agreement.¹⁴⁷ Consequently, absent express wording on point, terms of the treaty must nonetheless be read in light of contemporary concerns among the Member States as expressed, e.g., in the preamble of the agreement.¹⁴⁸

Finally, the Appellate Body has expressly stated that Member States “should not be assumed . . . to have continued previous protection or discrimination through the adoption of a new measure”, since this would amount to a presumption of bad faith that is inconsistent with the general nature of international law.¹⁴⁹ However, the policy goal of a measure, no matter how noble, cannot provide its justification, if it does not meet the general requirements for an exemption.¹⁵⁰ Total deference to Member States cannot ensure an objective assessment under Article 3.2 of the DSU.¹⁵¹

In any search for a meaning of a treaty, treaty interpretation should be seen as a tool for conflict avoidance.¹⁵² As mentioned above, conflicts can generally be categorized as false conflicts, true

also GRAEME B. DINWOODIE ET AL., INTERNATIONAL INTELLECTUAL PROPERTY LAW AND POLICY 847-48 (2001) (noting the fact that non-violation complaints are not available also constrains panel jurisdiction in interpreting the TRIPS Agreement).

145. U.S. Shrimp Appellate Body Report, *supra* note 8, ¶¶ 114-15.

146. *Id.* ¶ 116.

147. *Id.* ¶ 121.

148. *Id.* ¶ 129.

149. See Appellate Body Report, *Chile — Taxes on Alcoholic Beverages*, ¶ 74, WT/DS87/AB/R, WT/DS110/AB/R (Dec. 13, 1999).

150. U.S. Shrimp Appellate Body Report, *supra* note 8, ¶ 149.

151. Cf. DAVID PALMETER & PETROS C. MAVRODIS, DISPUTE SETTLEMENT IN THE WORLD TRADE ORGANIZATION PRACTICE AND PROCEDURE 86 (1999) (citing Panel Report, *United States—Restrictions on Import of Cotton and Man-Made Fibre Underwear*, ¶ 7.10, WT/DS24/R (Nov. 8, 1996) (*adopted* Feb. 10, 1997) (stating that a “policy of total deference to the findings of the national authorities could not ensure an ‘objective assessment’ as envisioned by Article 11”).

152. See PAUWELYN, *supra* note 3, at 244-45.

apparent conflicts, and genuine conflicts.¹⁵³ While the former two can be solved by recourse to treaty interpretation, genuine conflicts are outside the jurisdiction of WTO panels.¹⁵⁴ However, no conflict can even hypothetically exist if (1) the language of the provision in question is not broad or ambiguous enough to allow input from other provisions regarding its meaning and (2) the second rule in question does not express anything about what the first one means.¹⁵⁵ This rule stems from the prohibition under customary international law of interpretations *contra legem*.¹⁵⁶

False conflicts can be solved by reference to the principle of efficient treaty interpretation. The provisions are interpreted in good faith in light of their objective and purpose. No meaning can be given to the provisions that would be contrary to their "letter and spirit."¹⁵⁷ Hence, words cannot be interpreted into nor out of a treaty provision.¹⁵⁸ Efficient treaty interpretation is only permissible to the extent that a harmonious result can be reached. Whether the result is in favor of the first or second provision is irrelevant.

True conflicts, on the other hand, require reference to norms outside the text of the treaty in order to determine whether the solution of the conflict is within international jurisdiction.¹⁵⁹ True apparent conflicts generally are within international jurisdiction (although decision-making authority can have been withheld from the WTO panels). However, genuine conflicts can only be resolved by way of amendment of the treaty.¹⁶⁰

V. EVALUATION OF THE GI PANEL REPORT IN LIGHT OF THE PROPOSED ANALYTICAL FRAMEWORK

The GI-Panel arguably was in a difficult position, since the collision between the interests of trademark owners and GI

153. See discussion *supra* note 63.

154. PAUWELYN, *supra* note 3, at 272.

155. *Id.* at 245.

156. See *id.* Conflicts (false, apparent or genuine) only arise, if a *bona fide* interpretation of the text of the allegedly conflicting provisions appears to create a conflict. See *id.*

157. See *id.* at 248; U.S. Standards Appellate Body Report, *supra* note 123, at 23; Japan Taxes Appellate Body Report, *supra* note 138, at 12.

158. See PAUWELYN, *supra* note 3, at 249.

159. See generally *id.* at 251-68 (discussing how the Appellate Body has viewed articles 31 and 32 of the Vienna Convention and norms of international law in preventing genuine conflicts from arising).

160. See PAUWELYN, *supra* note 3, at 248-49, 272.

owners are one of the most contested issues in the international arena. In its final analysis, the GI-Panel correctly focused the analysis on the rights afforded and the effect of the limitation on the underlying property interest. However, the GI-Panel failed to distinguish the rights afforded from those withheld *in relation to GI holders*¹⁶¹ and consequently failed to distinguish between deprivations *per se* (exceptions that should not be analyzed under Article 17 because no legitimate property interest is deprived) and arbitrary or illegitimate deprivations (exceptions that should be analyzed under Article 17).

In other words, the GI-Panel should have asked whether trademark owners have a legitimate interest in excluding GI users and weighed this interest against the legitimacy of the interest of GI users in receiving protection. At this juncture, the GI-Panel should have distinguished between the legitimate interests of existing trademark owners and prospective trademark owners in the relevant market and accordingly weighed how the regulation protected their respective interests against existing and prospective GI users. After all, sweeping generalizations regarding the legitimate interest of the trademark owner as well as a GI owner are unadvisable since they, like all property rights, vary according to whom it is asserted against. The distinction is supported by the text of the treaty since Article 24.5, the exception to GI protection in favor of trademark owners, only applies to existing trademark owners in relation to prospective GI users. A reading that does not make the distinction renders Article 24.5 meaningless, a conclusion that can never be supported under the international rules on treaty interpretation.¹⁶²

Secondly, Article 17 clearly includes a static dimension, i.e. Member States are allowed to maintain existing limitations on trademark rights. The question to what extent Member States are

161. The Panel treated this discussion as non-relational in the sense that it focused on what interests the trademark owner had in protecting, as opposed to legitimate interests and what interest GI users had in limiting the trademark owner's right. The Panel did not take the necessary third step; i.e. Article 17 expressly mandates that legitimacy of interests be assessed *in relation to* the interests of third parties. This is not meant to say that the Panel should not have weighed the effect of the "deprivation" in relation to the rights the trademark owner retained despite GIs. Indeed, the degree of "deprivation" is an important component when assessing the fairness of the balance struck.

162. U.S. Standards Appellate Body Report, *supra* note 123, at 23.

allowed to introduce new exceptions to trademark rights under the TRIPS Agreement is arguably more controversial.¹⁶³

Despite the adopted contextual approach, the GI-Panel arguably treated Article 17 as well as the TRIPS Agreement itself as only including a static dimension, i.e. a fixed allocation of rights and duties. The GI-Panel took the standard of protection expressed in the TRIPS Agreement as the starting point for its analysis when evaluating whether the exceptions were limited and whether the interests of the parties were legitimate. Hence, the limited scope of the exception was ascertained by contrasting it to the international minimum standard of protection, and the legitimacy of interests of third parties was ascertained by equating the interest to the international minimum standard of protection and subjecting it to the provision of Article 17.

Member States, however, are entitled to grant more protection for IPRs than the international minimum standard set forth in the TRIPS Agreement.¹⁶⁴ Most Western nations do, and the Member States of the European Community grant higher levels of protection to both trademarks and GIs than mandated by the TRIPS Agreement. In other words, while the TRIPS Agreement mandates that Member States afford some level of protection for trademarks as well as GIs, an *e contrario* conclusion is not permissible under international law: *the TRIPS Agreement does not mandate protection only to the extent afforded by its provisions.*

163. According to the GI-Panel's reading of Article 24, this issue is and is not governed by international obligations. See EC Panel Report, *supra* note 6, ¶¶ 7.634-.636. The TRIPS Agreement mandates protection of trademarks and GIs, but only insofar as the latter does not encroach on the exercise of the former. *See id.* The GI-Panel thus created a hierarchy of IPRs and seemed to treat the issue of compliance as one of fact, not of law, when concluding that the EC regulation did not impact the exercise of trademark rights so as to render the exception too broad to qualify under Article 17. *See id.* ¶¶ 7.644-.688. The Panel should as a matter of law (compare to Article 1.1) have shown deference to the Member State and started from the factual presumption that the measure, at least in part, was mandated by Article 24 of TRIPS. After all, the European Community had not previously offered *any* GI protection under its post-TRIPS regulations prior to January 1, 1995. *See id.* ¶ 7.636. It is at least questionable, whether the GI-Panel had jurisdiction to interpret the TRIPS Agreement so as to alter the delicate balance struck in the negotiations that led to TRIPS. Under international law genuine conflicts cannot be solved by way of interpretation. *See PAUWELYN, supra* note 3, at 272.

164. *See* TRIPS Agreement, *supra* note 1, art. 1.1. Even regarding GI protection, the TRIPS Agreement can hardly objectively be read as having concluded that, for example, France and Italy agreed to lower their existing GI protection based on their obligation under Article 16(1).

The GI-Panel treated the minimum standard of protection afforded to GIs under the TRIPS Agreement as a “ceiling” in the sense that it only recognized these interests as legitimate, and analytically subordinated these interests to those of trademark owners by viewing minimum GI protection as an exception. The GI-Panel, as panels before it had done regarding copyright and patents, used a standard similar to viewing third party use as interfering with “normal exploitation” or creating “unreasonable prejudice” to the interests of the trademark owner. However, Article 17 explicitly shows deference to national legislatures to strike a fair balance between competing equal interests.¹⁶⁵ A proper inquiry under international law would have treated the protection afforded to GIs under the TRIPS Agreement as a “floor” and scrutinized *only* the legitimacy of interests behind national legislation granting *additional protection* in light of the international minimum standard of trademark protection.

The theory of allocation of trademark rights based on a use-based property system explains the relationships between rights embedded in the TRIPS Agreement. Keeping in mind the necessary link between property rights allocation and enforcement it is inevitable that only governments can allocate trademark rights for their respective territories.¹⁶⁶ It is within national jurisdiction to strike the final balance between the rights of trademark owners and third parties, since genuine conflicts can only be solved internationally by consensus, i.e. treaty amendment. In striking this balance, international law mandates that *partial* protection, and not absolute protection, be given to IPRs.

On the other hand, international law is the flip side of national law: obligations are allocated instead of rights. Contrary to the findings of the GI-Panel, it therefore naturally follows that the coexistence of all obligations is the norm.¹⁶⁷ After all, a contract

165. Cf. TRIPS Agreement, *supra* note 1, art. 1.2.

166. Cf. Lemley, *supra* note 59, at 1072-73 (analogizing intellectual property to government-created subsidies).

167. The GI-Panel noted that the parties had not alleged a conflict between Article 16, section 1, and Article 24. EC Panel Report, *supra* note 6, ¶ 7.624. Citing previous reports, the GI-panel recognized that there is a general presumption in international law against conflicts. *Id.* ¶¶ 7.605, 7.624. These holdings, in which Member States raised a defense alleging *conflict between obligations under different agreements*, confirm the general principle of efficiency of treaty interpretation that presumes coexistence of treaty obligations and only supports a finding of formal conflict when an interpretation that avoids conflict is impossible. Panel Report, *Turkey – Restrictions on Imports of Textile and Clothing Products*, ¶¶ 9.92-95, WT/DS34/R (May 31, 1999); Appellate Body Report,

is meaningless if a signatory can reap the benefits of international cooperation but opt out of its obligations. Hence an international instrument cannot be interpreted to allow one or some rights allocations at the national level to become supreme without destroying the system of international law. Instead all treaty interpretation should rest on the presumption of coexistence and conflict avoidance.

VI. CONCLUSION

The TRIPS Agreement does not create an island of international intellectual property law that is isolated from both national and general international law. Instead its provisions should be interpreted in light of the agreement as a whole as well as its practical and contextual framework, according to established principles of customary international law. There are inherent limits to treaty interpretation imbedded in the rules of international jurisdiction and generally great deference should be shown to national legislatures in implementing the country's international obligations.

Viewing trademark rights as property rights can be both helpful and misleading on the international level. Acknowledging that property rights are inherently relational as well as subject to limitation in the public interest may prove useful when interpreting the provisions of the TRIPS Agreement, especially when the interests of holders of different IPRs are in potential conflict. Approaching the TRIPS Agreement as a complex system of rights allocation, instead of from the point of view of the individual rights holder, results in a more efficient use of all resources. A system premised on the coexistence of multiple users

Indonesia — Certain Measures Affecting the Automobile Industry, ¶ 14.28, WT/DS54/R (July 2, 1998). The GI-Panel seems to conclude that since there is no formal conflict, there is no obligation under international law to consider the relationship between *two provisions in the same treaty*. The cited cases set forth the principle of coexistence of obligations as well as the rule of conflict-avoidance as general rules in treaty interpretation. These rules apply in all treaty interpretation regardless of whether a formal conflict is even alleged. See PAUWELYN, *supra* note 3, at 244. The GI-panel instead resorted to a purely literal interpretation of the text of the TRIPS Agreement according to the ordinary meaning of the words used. See EC Panel Report, *supra* note 6, ¶ 7.620. A situation where WTO Panels has and thus legitimately can show less deference to national decisions is when the decision undermines the effectiveness of WTO rules, and could trigger damaging activities in other Member States. See JACKSON, *supra* note 3, at 161.

of closely connected, yet distinguishable rights, naturally produces the most efficient result that the market can sustain.

WTO Panels should therefore tread carefully in areas of political contention applying a contextual approach to treaty interpretation based on an objective assessment of the obligations in the concluded agreement. Although the allocation of obligations in the TRIPS Agreement in this sense is static, interpretation should remain flexible for the purposes of continued development of national legislation in the field of intellectual property law. Promoting the gradual increase in standards of protection of IPRs on the global level is, after all, the objective and purpose of the TRIPS Agreement.

THE LAWFULNESS OF CRITICIZING BIG BUSINESS: COMPARING APPROACHES TO THE BALANCING OF SOCIETAL INTERESTS BEHIND TRADEMARK PROTECTION

by
Katja Weckström*

Today, third parties that have not traditionally been subject to trademark law increasingly find themselves as defendants in trademark infringement law suits. Whether the sole culprit or not, strong international trademark protection has unevenly influenced national trademark regulation and the lack of emphasis and clear reference to limits on the acquired right has left courts struggling with how to balance conflicting interests in the use of marks. This Article goes back to the source, i.e. international trademark law, in an attempt to locate the limits of trademark law, expressed or implied, and ascertain whether there exists a common understanding of when trademark protection is legitimately afforded and when it is not.

After conducting a theoretical and practical comparison of alternative approaches to balancing competing rights, this Article argues that an international common core of trademark protection is inherent in existing international rules. However, this Article concludes that this common core mandates a re-evaluation of the traditional approach to trademark interpretation. The author introduces a systemizing tool designed to aid judges in securing the realization of no more and no less than the international common core of trademark protection in the national application of trademark law.

Re-evaluation is necessary to avoid the harmful results that the traditional categorical approach produces in relation to this new group of defendants, as well as to repair the doctrinal damage incurred from forceful attempts to fit these cases into existing doctrine. The proposed systemizing framework introduces the flexible analytical tools needed to service the global marketplace in striking an adequate balance between equally important conflicting interests in society.

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I. INTRODUCTION

The recent regulatory developments on the international, regional, and national level have resulted in an expansion of the rights of trademark owners. At the same time, globalization and technological development has redefined the marketplace.¹ The internet as a medium crosses borders, but also blurs the line between non-commercial and commercial use.² However, traditional trademark law only applies territorially and in a commercial setting. Likewise, extended protection for famous marks against harm to the distinctive character or reputation of the mark expands trademark protection to non-competing commercial uses.³ This tendency is in contrast with the traditional view, which contends that identical marks used on dissimilar goods can peacefully coexist.⁴

¹ Instead of a mere preference for protection, “effective international protection has become essential” in the global marketplace. Graeme B. Dinwoodie, *A New Copyright Order: Why National Courts Should Create Global Norms*, 149 U. PA. L. REV. 469, 478 (2000) [hereinafter Dinwoodie 2000].

² When the system is premised on searching a vast body of material with the aid of keywords or phrases, it inevitably clashes with a law that prohibits free-riding on the reputation of another. Non-commercial uses can easily and cheaply reach a wide audience, the impact of which is more notably felt by the trademark owner. The trademark owner is therefore more likely to suffer economic harm and take action to stop such use than before.

³ This form of protection is known as dilution protection in the United States as well as abroad and requires a level of fame that is less than that required of well-known marks. The

Consequently, trademark disputes today involve third party defendants that have not traditionally been subject to trademark regulation. For instance, a French court held a non-degrading and non-commercial use of a famous mark infringing, since the use of the mark in newspapers without referring to it as a trademark contributed to the degradation of the distinctive character of the mark.⁵ Similarly, depicting the famous wrapping paper for “PRESIDENT” cheese on an album cover constituted unlawful exploitation of another’s reputation, although the argument was made that the use was satirical.⁶ Countless examples of domain name disputes alone show favoritism of trademark owners in cyberspace.⁷

Absent immunity for their activities within the core of trademark doctrine, the defendants have instituted what might be called a constitutional⁸ defense to infringing behavior. Defendants have primarily argued that the scope of trademark owners’ rights should be interpreted so as not to conflict with the fundamental rights⁹ of others.¹⁰ Usually defendants in trademark cases do not directly claim that a provision of trademark law with the effect of unlawfully

equivalent provision in the European Union awkwardly refers to “trademarks having a reputation.” The rest of the world generally follows one or the other.

⁴ E.g., “CINGULAR” for mobile services and “SINGULAIR” for allergy medicine.

⁵ MARTINE BLOCH-WEILL ET AL., GROUP REPORT FRANCE, AIPPI REPORTS 2005, Q 188: CONFLICTS BETWEEN TRADEMARK PROTECTION AND FREEDOM OF EXPRESSION 127 (2005) [hereinafter GROUP REPORT FRANCE] (citing Tribunal de grande Instance de Paris [TGI Paris] [Paris District Court], *Caddie/Le Figaro*, First Chamber, 1st Section (Feb. 26, 1997)).

⁶ *Id.* at 127 (citing Cour de Cassation [Supreme Court], *Caddie/Le Figaro* (Jan. 3, 1996)).

⁷ Hannibal Travis, *The Battle for Mindshare: The Emerging Consensus That the First Amendment Protects Corporate Criticism and Parody on the Internet*, 10 VA. J.L. & TECH. 3, at *4–5 (2005).

⁸ This Note uses the terms “constitutional” and “constitutionalism” to refer to the international value system that is generally manifested in national constitutions without implying that all nations have written constitutions or constitutional bills of rights, nor that national constitutions operate the same way.

⁹ This Note uses the term “fundamental rights” to refer on a general level to rights recognized as inalienable human rights and manifested nationally as constitutional rights. The latter terms are only used when referring to them in a specific context that itself demands the use of the commonly known term. While constitutional rights necessarily include the concept of human rights, some countries afford additional protection of the recognized inalienable human rights. This Note, however, speaks of fundamental rights when operating within the minimum standard of human rights protection.

¹⁰ Association Greenpeace France v. SA Sté Esso, Cour d’appeal [CA] [regional court of appeal] Paris, 14th ch., Feb. 26, 2003 (Fr.), *translated in* 35 IIC 342 (2004); SA SPCEA v. Assoc. Greenpeace et al., Cour d’appeal [CA] [regional court of appeal] Paris, 14th ch., Feb. 26, 2003 (Fr.), *translated in* 35 IIC 342 (2004); Association Le Réseau Voltaire pour la liberté d’expression v. Sté Gervais Danone, Cour d’appeal [CA] [regional court of appeal] Paris, 14th ch., Feb. 26, 2003 (Fr.), *translated in* 35 IIC 342 (2004); Laugh it Off Promotions CC v. South African Breweries Int’l 2005 (1) (CC) (S. Afr.), available at <http://www.constitutionalcourt.org.za/Archimages/3549.pdf>. To aid the reader in finding this case, the case number is CCT 42/04.

restricting speech is invalid,¹¹ although it has been argued that exercise of freedom of expression should be an absolute defense to trademark infringement.¹² Until recently, defendants asserting a constitutional defense have not been successful.¹³ Regardless of outcome, this line of cases raises the question of whether the interests reflected and safeguards placed within trademark law itself are sufficient to protect the fundamental rights of these “new age” defendants.

The minimum standard of international trademark protection was fixed in the TRIPS agreement, ratified by 148 countries worldwide.¹⁴ Traditionally, international agreements on intellectual property rights only address exceptions and limitations of afforded rights when and to the extent that such exceptions are not allowed.¹⁵ The language regarding limitations of trademark rights in the TRIPS agreement allows for member states to make limited exceptions to afforded rights.¹⁶ However, the only explicit rule is a limitation on *that* right; i.e., a rule prohibiting the compulsory licensing of trademark rights.¹⁷ In comparison, the rights afforded to patent and copyright holders are subject to numerous exceptions.¹⁸ Therefore, the text of the agreement concerning trademarks may create an appearance that trademark rights are less limited than other intellectual property rights.

This view was rejected by a World Trade Organization (WTO) panel, which considered the allowed limited exceptions under Article 17 in relation to protection for geographical indications. The panel concluded that unlike the corresponding articles regarding patent and copyright, Article 17 “not only refers to the legitimate interests of third parties but treats them on par with those of the right holder.”¹⁹ The panel stressed the importance of interpreting

¹¹ Two unsuccessful attempts have been made in Canada. GROUP REPORT FRANCE, *supra* note 5, at 88 (citing *Source Perrier S.A. v. Fira-Less Marketing Co.*, [1983] 2 F.C. 18, 70 C.P.R. (2d) 61 (Fed. T.D.); *Cie générale des établissements Michelin - Michelin & Cie v. CAW-Canada* (1996), (sub nom. *Cie Générale des Établissements Michelin-Michelin & Cie v. C.A.W.-Canada*) 71 C.P.R. (3d) 348, [1997] 2 F.C. 306 (Fed. T.D.)).

¹² *Lamparello v. Falwell*, 420 F.3d. 309, 313 (4th Cir. 2005); *Laugh it Off Promotions*, 2005 (1) (CC) at 39.

¹³ *Id.* Similarly, U.S. First Amendment theory has been criticized for being ill-equipped to handle conflicting claims to symbols with expressive content. Rochelle Cooper Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 NOTRE DAME L. REV. 397, 398–99 (1990).

¹⁴ Agreement on Trade Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299 [hereinafter TRIPS]. For information on current membership, see World Trade Organization Member List, www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm.

¹⁵ *Dinwoodie* 2000, *supra* note 1, at 516–17.

¹⁶ TRIPS, *supra* note 14, art. 17.

¹⁷ *Id.*, art. 21.

¹⁸ *Id.*, arts. 9, 12 and 13 (copyright), and 30, 31, and 33 (patent).

¹⁹ Panel Report, *European Communities—Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs*, WT/DS290/R, ¶ 7.649 (Mar. 15, 2005) [hereinafter Geographical Indications Panel Report].

Article 17 on its own terms rather than relying by analogy on previous interpretation of Articles 13 and 30, addressing allowed limitations on copyright and patent rights respectively.²⁰ The panel held that a regulation denying trademark owners the right to prohibit the use of legitimate geographical indications constituted a limited exception that adequately took account of the legitimate interests of the trademark owner and that of third parties.²¹

The silence follows the tradition of the national trademark laws of some member states that do not include express limits on acquired rights in their statutes.²² However, the national statutes all include at least implied limits, and no country has instituted a system where the right in a trademark is absolute.²³ This Note seeks to identify these expressed or implied limits, and ascertain whether there exists an international common core of trademark protection, i.e., a common understanding of when trademark protection is legitimately afforded and when it is not.

The outcome of any examination of trademark law from a fundamental rights perspective depends on the starting point. How are rights in a trademark and freedom of expression valued? One approach could be to view freedom of expression as a superior right entering into the realms of trademark law.²⁴ An individual's freedom of expression is viewed as absolute, meaning it cannot legitimately be restricted even by legislative enactment. In this scenario, the courts act as a post-enactment safeguard against the excesses of the legislature.

Another approach could be to view trademark law as a manifestation of constitutionally protected property, which by mere enactment trumps any concerns regarding freedom of expression.²⁵ This view shows great deference to the legislature. An extreme form of this approach views any trademark interest as constitutionally protected property. In a recent case before the European Court of Human Rights, it was argued that a trademark *application* created constitutionally protectable "legitimate expectations," which must be protected against expropriation, even if registration is subsequently rejected due to opposition by a third party with prior rights to the mark.²⁶ The court agreed

²⁰ *Id.* I have analyzed this decision more extensively elsewhere. See Katja Weckström, *When Two Giants Collide: Article 17 and the Scope of Trademark Protection Afforded Under the Trips Agreement*, 29 LOY. L.A. INT'L & COMP. L. REV. (forthcoming 2007), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=930646.

²¹ Geographical Indications Panel Report, *supra* note 19, ¶7.685.

²² Traditionally, civil law countries do not include express limits on acquired rights in the statutes. Christophe Geiger, *Fundamental Rights, a Safeguard for the Coherence of Intellectual Property Law?*, 35 IIC 268, 271 (2004); Dinwoodie 2000, *supra* note 1, at 517.

²³ Geiger, *supra* note 22, at 271; GROUP REPORT FRANCE, *supra* note 5.

²⁴ Tuomas Mylly, *Intellectual Property, Fundamental Rights (and Competition Law): Do They Interoperate?*, (Intellectual Property Beyond Rights, Int'l Conf. Oct. 2004), available at <http://www.iprinfo.com/tiedostot/bQyXluA0.pdf>.

²⁵ *Id.* at 5, 7.

²⁶ Anheuser-Busch Inc. vs. Portugal, App. No. 73049/01, 44 Eur. H.R. Rep. 42, ¶¶ 33–37, 47 (2005).

that an application could create legitimate expectations that merit protection.²⁷ The majority, however, rejected that this could be the case when the registration was subsequently denied as a result of statutory opposition or cancellation proceedings.²⁸ The two dissents recognized the high economic value of the applicant's expectations and would have required the actions of the Portuguese government to be weighed against this property interest.²⁹

This Note argues for a third approach, taking as its starting point two competing rights—the property rights of the trademark owners and the constitutionally protected rights of defendants—that are inherently equal.³⁰ They are balanced against each other according to the factual circumstances of each case. Since no right is unlimited, the provisions of trademark law in this setting are a manifestation of a limited right that reflects the intent of the legislature to protect a specific societal interest.³¹ In the circumstances of a concrete case, the defendant's actions either more or less squarely fall within the realm of protection the legislature sought to afford. Conversely, other societal interests, including the freedom of expression of others, weigh more heavily the further away the actions of the defendant fall from the core of protection. Subsequently, this Note refers to the realm in which trademark protection operates as the international common core of trademark protection.

First, this Note argues in Part II that an international common core of trademark protection that preserves the *legitimacy* of international trademark law can be found within existing rules. Second, the author argues in Part III(A) that this core indicates a need to restructure the traditional approach to the interpretation of trademark rules. In Part III(B), the author presents a proposal on what different interests should be given weight and how the weight given should differ depending on the circumstances of each case. The proposal is designed to ensure the legitimacy as well as the *predictability* of outcomes under the rules of trademark law.

Before inquiry into whether an international common core exists or not, one needs to look at the framework in which international trademark law operates. Although substantial agreement regarding trademark norms exists on the international level, trademark laws are still inherently territorial in nature. This point is significant for two reasons. First, each country has its own system of trademark protection, concretized differently in rules of unfair competition

²⁷ *Id.* ¶ 47.

²⁸ *Id.* ¶¶ 48–50.

²⁹ *Id.* ¶¶ 5–8 (Costa & Cabral Barreto, JJ. dissenting).

³⁰ ROBERT ALEXY, A THEORY OF CONSTITUTIONAL RIGHTS 397, 401, 405 (Julian Rivers trans., Oxford University Press 2002); Mylly, *supra* note 24, at 5–6. All fundamental rights are interdependent and their final concretization depends on the circumstances of each case. In addition to being substantive rights, the rights are objective principles or optimization requirements. Fundamental rights are also of inter-subjective character, i.e., depending on mutual recognition. Their basic function as principles is to serve as systematization and interpretation tools not necessarily in and of themselves producing a solution. *See also* Geographical Indications Panel Report, *supra* note 19, ¶ 7.649.

³¹ Mylly, *supra* note 24, at 19.

or trademark law.³² Consequently, some countries afford stronger protection than others. However, international trademark law only sets forth minimum standards of trademark protection. This Note, therefore, is concerned with the limits on trademark protection within the minimum standard, so to speak.

Second, concrete protection is afforded on the national level and it is also here that trademark law interacts with the rest of the legal system in the circumstances of a concrete case.³³ This fact implicates two interrelated questions: (1) How is the legitimacy of the international rules of trademark law preserved within the national legal systems; and (2) do other rules of international or national law implicitly or explicitly affect the interpretation of trademark rules in practice?

II. THE INTERNATIONAL COMMON CORE OF TRADEMARK PROTECTION

A. *The Inherent Relationship Between the Global Economy and Democracy*

The purpose of this Part is to analyze different concerns with preserving the legitimacy of international trademark rules in contemporary market reality and locate ways to define the content of international trademark law. Put differently, if we elevate the legislative power to non-democratic international fora, how do the rules put forth retain their legitimacy?³⁴ This Note is based on the premise that preserving legitimacy is a two-step process.³⁵ First, it includes the acceptance of international rules by the democratically elected national legislature.³⁶ Second, the rules need to be socially acceptable, i.e., indirectly legitimized by the citizenry, as evidenced by how they operate in practice

³² Although a trademark owner can file an international application, he is still the holder of several national trademark rights if the application is approved. Therefore, in the case of infringement the general rule is that a claim is brought and decided separately in each country where infringement has occurred. The claim is usually decided under the national trademark law of the country in which the action is brought. In this sense there is no such thing as an international trademark. *See also* Dinwoodie 2000, *supra* note 1, at 532.

³³ *See also* Dinwoodie 2000, *supra* note 1, at 528–29 (regarding copyright).

³⁴ *Id.*, at 484–85, 487 (The author discusses how the preferred distribution of power between the legislature and the judiciary might produce one answer in the national context and another in the international context. If the safeguards of the national legal system are not in place, the question of access and equal opportunity to influence the lawmaking process increases in importance).

³⁵ Consequently, this approach rejects the notion that adjudicatory processes in international institutions could legitimately perform the role of shaping international trademark law. See generally Dinwoodie 2000, *supra* note 1, for an extensive discussion on why such an approach is not durable. Nothing in this Note should be interpreted to suggest that these processes are illegitimate, when performing their prescribed functions.

³⁶ The second stage is a necessary check on the first, since the relationship between national, regional, and international developments is increasingly complex, and national laws risk becoming mere strategic tools to influence the direction of international development. *See* Dinwoodie 2000, *supra* note 1, at 499–501. The second stage serves as a practical check that keeps the actions of the first in tune with the rest of the legal system.

within the national legal system.³⁷ National courts play a crucial role as interpreters of international trademark law between the first and second step of this process. This in turn raises the question of how to preserve the legitimacy of the decision-making process. The latter question is discussed here. As a result of completing the two-step process, and thus retaining the legitimacy of international trademark rules with the aid of a fundamental rights framework, the remaining content of those rules is what is subsequently referred to as the international core of trademark protection.

The concept of intellectual property is premised on the property-based systems of the Western world.³⁸ These countries are market economies and democracies. Although all countries of the world are not premised on these same principles, the concept of intellectual property is. Therefore, for the purposes of this Note it is presumed that the international rules of trademark law are at least implicitly,³⁹ if not explicitly, premised on how they operate in the aforementioned systems.

The Western democracies share a similar conception of fundamental values and system of fundamental rights protection. While this value structure demands a certain institutional structure and a specific interpretive methodology, it is sufficiently general to allow for national derogations.⁴⁰ Nonetheless, on a general level, constitutional systems are arguably converging towards a single dominant system which points very strongly to the existence of universal principles of law.⁴¹ Similarly, this Note focuses on resolving differences, such as instances where independent national decision-making in several nations reflects similar argumentation towards the same goal, despite national differences.⁴²

³⁷ Universal Declaration of Human Rights, art. 21(3), G.A. Res. 217A, at 75, U.N. GAOR, 3d Sess., 1st plen. mtg., U.N. Doc. A/810 (Dec. 10, 1948) (“The will of the people shall be the basis of the authority of government . . . ”).

³⁸ David Schneiderman, *Comparative Constitutional Law in an Age of Economic Globalization*, in *DEFINING THE FIELD OF COMPARATIVE CONSTITUTIONAL LAW* 237, 242 (Vicki C. Jackson & Mark Tushnet eds., 2002).

³⁹ After all, other countries cannot be expected to adopt broader protection for intellectual property than has traditionally been afforded in any industrialized nation.

⁴⁰ Lorraine E. Weinrib, *Constitutional Conceptions and Constitutional Comparativism*, in *DEFINING THE FIELD OF COMPARATIVE CONSTITUTIONAL LAW*, *supra* note 38, at 3, 4.

⁴¹ David Beatty, *Law and Politics*, 44 AM. J. COMP. L. 131, 141–42 (1996).

⁴² For example, judges in the civil law tradition (most notably in France) are traditionally reluctant to consider and apply constitutional rights in the framework of private litigation, while judicial review is natural to a judge in the United States. Nonetheless, instances where civil law judges break the historical pattern, as has been done in several trademark cases, are on the increase. The mere fact that this difference is gradually overcome reflects the need for replacing the lack of internal limitations with external ones. See Geiger, *supra* note 22, at 276–78. A prerequisite for reaching this goal is that the comparative analysis has a consistent connection to the value structure, interpretive methodology, and institutional roles inherent in any constitutional framework. Thus, the structure itself limits its application and interpretation. See Weinrib, *supra* note 40, at 22.

In developing interpretive techniques for the protection of rights, the twofold goal of fundamental rights protection should be kept in mind. Rights aim to protect the individual from acts of the government; however, the government is also the provider of freedom and the guarantor of individual rights from oppression by others.⁴³ This Note focuses on the government's role when performing the latter function. However, some guidance can be found by way of analogy when determining the scope of protection of an individual right. As Justice Sachs of the South African Constitutional Court noted in a concurring opinion finding gripe t-shirts permissible: there is no reason why a joke against the government can be tolerated, but not one against big business.⁴⁴

No Western democracy disputes the supreme value of fundamental rights in relation to the rest of the legal system. Nonetheless, great variances can be found in how these rights are manifested and enforced.⁴⁵ This Note, however, is not concerned with how and which rights are afforded, but rather on how fundamental rights affect interpretation of existing acts, namely trademark acts.⁴⁶ How should a conflict between two apparently competing rights be resolved? A universal principle of interpretation of conflicting rights mandates that a statutory provision be given a meaning which is least destructive of other entrenched rights.⁴⁷ In trademark cases today, this abstraction is necessary to force judges to ask the forgotten question of whether protection is necessary.⁴⁸

B. Retaining Legitimacy of International Norms in Interpretation

Few scholars have attempted to analyze the relationship between international market regulation and fundamental rights. Even less frequently has substantive international law been interpreted in light of a fundamental rights framework. Schneiderman has argued that there exists among constitutional scholars a "propensity to divorce questions of international

⁴³ Jean-Pierre Théron, *A European Perspective: Economic and Social Rights in the French Constitution*, in DEFINING THE FIELD OF COMPARATIVE CONSTITUTIONAL LAW, *supra* note 38, at 231, 235.

⁴⁴ *Laugh it Off Promotions CC v South African Breweries Int'l* 2005 (1) (CC) at 63-64 (S. Afr.).

⁴⁵ Ernst-Ullrich Petersmann, *Theories of Justice, Human Rights and the Constitution of International Markets* 4 (European University Institute, Florence Working Paper No. 2003/17), available at <http://cadmus.iue.it/dspace/bitstream/1814/1880/1/law03-17.pdf>.

⁴⁶ Universal principles of law determine the constitutionality of a law, not the law's text. This is the only way to determine whether a government has met its obligations to protect individual rights. See Beatty, *supra* note 41, at 142.

⁴⁷ Vienna Convention on the Law of Treaties, done May 23, 1969, 1155 U.N.T.S. 331 (1980). See *Laugh it Off Promotions*, 2005 (1) (CC) at 30, for an example of this principle being applied nationally in a non-signatory state. For an example of this principle being applied in dispute settlement proceedings of the World Trade Organization, see Appellate Body Report, *India-Patent Protection for Pharmaceutical and Agricultural Chemical Products*, WT/DS50/AB/R (Dec. 19, 1997).

⁴⁸ Geiger, *supra* note 22, at 279.

power and authority from the content of local legal rules.”⁴⁹ However, quite the opposite view was put forth by Justice Mosencke of the South African Constitutional Court in the national and practical context, finding it “trite” that the provisions of trademark law should “be understood through the prism of the Constitution” in a constitutional democracy.⁵⁰ What then is the role of constitutionalism in framing international norms and the rules of international institutions associated with economic globalization?

Like Schneiderman, Petersmann views international market regulation and fundamental rights as inseparable, inevitable consequences of one another. “Effective protection of . . . human rights protects also the ‘market forces’ of individual demand and supply of scarce goods, services and job opportunities necessary for the enjoyment of human rights, and gives inevitably rise to spontaneous emergence of ‘equilibrium prices’ coordinating demand and supply.”⁵¹ He sees the emergence of international constitutional law as natural, following the long-lasting universal recognition of inalienable human rights and focuses more on the concept of legitimacy of and compliance with international norms.⁵²

Petersmann further argues that compliance results not from the *perceived legitimacy* of international rules, but from a government’s cost/benefit analysis on a larger scale as well as the practice of “internalization” of international rules into the domestic policy-making process and laws.⁵³ Values and policies of international economic law based on abstract notions of “welfare” and “economic efficiency” must be legitimized through individual consent, equal rights, and democratic procedures. Therefore, he contends that “justice” is and should be the only objective of national as well as international law.⁵⁴ The appropriate basis for national as well as international justice is found through respect for and protection of the inalienable core of fundamental rights.⁵⁵

Geiger also argues that fundamental rights act as a correcting restraint on governments.⁵⁶ The underlying premise of the argument is that national governments cannot assign their constitutional obligations by the creation of international bodies like the WTO.⁵⁷ The obligation instead is divided in two parts: governments are obligated to protect individual rights on both the national and the international level.⁵⁸ Cohen similarly argues that we should not create such a complex system of abstract norms so as to lose sight of the

⁴⁹ Schneiderman, *supra* note 38, at 238.

⁵⁰ *Laugh it Off Promotions*, 2005 (1) (CC) at 25.

⁵¹ Petersmann, *supra* note 45, at 20. Efficiency therefore depends on the proper assignment of different rights.

⁵² *Id.* at 1.

⁵³ *Id.* at 2.

⁵⁴ *Id.* at 2–3.

⁵⁵ *Id.* at 4.

⁵⁶ Geiger, *supra* note 22, at 275.

⁵⁷ Petersmann, *supra* note 45, at 7; Mylly, *supra* note 24, at 18-19.

⁵⁸ Petersmann, *supra* note 45, at 17.

framework in which it operates.⁵⁹ A rule is therefore not legitimate merely because governments or their courts enforce it; rather it should be acknowledged that every decision-maker engages in distributing economic wealth and power.⁶⁰ A rule can only be legitimate if the consequence of this distribution leads to a socially acceptable result, which is in tune with the prevailing values of society.⁶¹

Although Posner also uses the actual consequences of a decision as the starting point for any decision-making process, he rejects the notion that decision-makers are constrained by legal, moral, or political theories.⁶² Instead, he argues that the decision-maker in a democracy is influenced by the institutional and material constraints of the legal framework.⁶³ In order to avoid erosion of his own authority, the decision-maker acknowledges his own limits in rethinking settled issues.⁶⁴ Depending on the circumstances, a pragmatic approach might call for balancing competing interests or abstaining from balancing altogether.⁶⁵

However, Posner's approach is case-specific and practical, and concerns itself mostly with the role of the judiciary within a democracy.⁶⁶ Posner's criterion for whether a decision-maker should adhere to past decisions is the practical consequences of doing so now and in the future.⁶⁷ Systemic consequences, other than maintaining predictability, generality, and impartiality are irrelevant, since the decision-maker should reach a decision that produces the best consequences for the parties.⁶⁸ On a general level, Posner's theory shows great deference to other branches of government regarding the systemic consequences of legal norms.⁶⁹

On the other hand, Posner's considerations of democratic theory are limited to the realities of the United States' democratic system, which he views as elitist,⁷⁰ and directly and purely instrumental.⁷¹ Nevertheless, he

⁵⁹ Felix Cohen, *Transcendental Nonsense and the Functional Approach*, 35 COLUM. L. REV. 809, 811–12 (1935).

⁶⁰ *Id.* at 816.

⁶¹ *Id.* at 833, 847.

⁶² See generally RICHARD A. POSNER, *LAW, PRAGMATISM AND DEMOCRACY* (2003).

⁶³ *Id.*

⁶⁴ *Id.* at 363.

⁶⁵ *Id.* at 364.

⁶⁶ *Id.* at 1.

⁶⁷ *Id.* at 6.

⁶⁸ *Id.* at 12.

⁶⁹ *Id.* at 14.

⁷⁰ See generally *id.* An “elitist” system exists where a self-interested political elite compete for the votes of a basically ignorant electorate. Compare to a deliberative system where voters and officials are public-spirited as well as politically engaged and informed.

⁷¹ See generally *id.* Contrast “directly and purely instrumental,” where decision-making should exercise restraint in relation to other branches of government, with engaging in improving the political character, or always acting on the highest level of moral and intellectual capacity of the citizenry.

acknowledges flexibility in his theory based on the level of regulation, the varying value of things, and the position of the defendant in contemporary political reality. Therefore, the more local the rule, the greater deference should be given to the regulator, weighing the experimental value of flexible decision-making against the harm of a single wrongful decision.⁷² Second, although some things are considered more valuable than others in the abstract, it does not follow that one thing is more valuable and therefore should be given preference in all circumstances.⁷³ Finally, it does make a difference, as a matter of practical consequences for the parties, whether a defendant holds a majority or a minority view.⁷⁴

How then do the above-mentioned arguments apply in the context of international trademark law? First, instead of relying purely on the embodied rules and principles of international trademark agreements, they should be read in a broader context, i.e., in the context of existing international law and the national laws from which they were derived. Second, the nature and purpose of international rules should be borne in mind, and the process of defining the content of the law through interpretation should reflect the limited nature of all statutory rights. Third, any contemplated decision should be weighed against the concrete consequences for the parties, especially in relation to the fundamental rights of the defendant. Fourth, adequate consideration should be given to whether the defendant's interests were represented when the rule was set forth.⁷⁵

In conclusion, the global economy, as well as protection of fundamental rights, requires constant regulation and redistribution of rights to prevent market failure. This never-ending adjustment task cannot be tied to any one value in a constitution, but to the constitutional framework of democracy and a functioning market economy.⁷⁶

C. A Practical Review of the Inherent Limitations on the Statutory Rights of the Trademark Owner

1. Limitations Within Trademark Law

Common law countries explicitly regulate both causes of action and defenses. Civil law countries, however, rarely include express limitations in their trademark statutes. This does not mean that the afforded rights are intended to be unlimited.⁷⁷ For historical reasons, the civil law tradition is reflected in international intellectual property regulation.⁷⁸ The strong

⁷² *Id.* at 371.

⁷³ *Id.* at 374.

⁷⁴ *Id.* at 365 and 377.

⁷⁵ Dinwoodie 2000, *supra* note 1, at 576–78.

⁷⁶ Petersmann, *supra* note 45, at 38.

⁷⁷ Geiger, *supra* note 22, at 270–72.

⁷⁸ Until the end of the 1980s, the United States had not joined most international intellectual property agreements.

negotiating power of the United States in recent years, which has sought to mirror the substantive level of protection to that of its national laws, has greatly influenced international intellectual property regulation. In the United States, however, the interests of competition as well as the consumers are protected as entrenched constitutional rights. Thus, in a sense, they remain constant and equally present, regardless of the expansion of protection for owners of intellectual property. In contrast, civil law countries need to actively consider striking a balance, and then take appropriate action. When, as in trademark law, however, the statute is based on implied limitations, consideration has largely been neglected.⁷⁹

The implied limitations of trademark law can be found in the practice of restricting protection to instances of (1) use of a mark in the course of trade,⁸⁰ (2) use of a mark as a trade mark,⁸¹ and (3) use of a mark for commercial gain.⁸² However, in the era of strong protection for intellectual property rights, each of these exceptions has been interpreted narrowly by courts in favor of the trademark owner.⁸³ Furthermore, the weight and scope of these exceptions in relation to dilution protection is unclear.

2. Limitations Outside Trademark Law—A Comparative Approach

a. Laying the Foundation for an Issue-Based Comparison

Unfair competition rules as well as international and regional trade rules, impose restrictions on trademark owners' use of their exclusive right. Increasing reference to the fundamental right of freedom of expression—be it political or artistic—has occurred in trademark cases. As mentioned above, until recently, claims have not succeeded when the defendant's activities have been of a commercial nature. Below follows a brief comparative analysis of adopted approaches to balancing of fundamental rights in selected cases from France, South Africa and the United States.⁸⁴

Before looking more closely at the cases, a brief excursion into the law of freedom of expression is warranted. Although protected in all Western democracies, there are differences in how, to what extent, and to whom

⁷⁹ Geiger, *supra* note 22, at 273.

⁸⁰ When, for instance, the infringing user is a business seeking to use the mark to promote the sale of its products.

⁸¹ When, for instance, the infringer uses the trademark affixed to or in connection with a product.

⁸² When, for instance, the infringer uses the mark to gain financially. Compare to French cases below, where the trademark owner contends that the use is infringing because the defendant is a commercial enterprise. *See also* Travis, *supra* note 7, at *17–22.

⁸³ Geiger, *supra* note 22, at 273–74. The mere existence of a legal concept that could be interpreted as a safeguard is meaningless, if in practice it is interpreted to the detriment of the purported goal. *See Cohen, supra* note 59, at 815–17, 838.

⁸⁴ The decisions all find in favor of the defendants on account of their freedom of expression. A large number of cases all over the world find similar uses infringing. These cases do not balance fundamental rights, but find that the infringing use does not enjoy protection. Therefore, they are of no avail for the present purposes.

protection is afforded. This time, the dividing line can be drawn between European democracies and other Western democracies.⁸⁵ The European countries are governed by the European Convention of Human Rights, which affords protection for freedom of expression in Article 10, as well as authorizes limitations of that freedom: (1) in certain circumstances; (2) when necessary; and if so, (3) by legislative action. Limitations for reasons other than those expressly stated are not allowed.⁸⁶

For the purposes of this Note, it suffices to emphasize that freedom of expression includes the freedom to receive and impart information and ideas without interference, unless proscribed by law as necessary in a democratic society for the protection of the reputation or the rights of others. In its case law, the European Court of Human Rights has not balanced the right against the public interest of restricting it.⁸⁷ Rather, it has scrutinized the legislative action for sufficient reason to warrant interference with the protected right.⁸⁸ The principle of proportionality further commands that the interfering act is proportional to the aim sought. The nature and severity of the penalties imposed are relevant in this assessment.⁸⁹ Lastly, a norm cannot be regarded as "law" unless it is sufficiently precisely formulated, so that a citizen can reasonably foresee the consequences of a given action and thus is able to regulate his conduct.⁹⁰ National courts in Europe, however, are still not used to directly considering and applying substantive rights in private litigation even though such decisions are on the increase.⁹¹

By contrast, the United States' legal system is infused by the concept of constitutional rights, and all courts can, and do, exercise judicial review, including the balancing of fundamental rights. As mentioned above, the defenses warranted by the First Amendment are expressly stated in the Lanham Act. Even so, until recently courts have been surprisingly reluctant to consistently allow a defense based on the right of freedom of expression in the digital environment.⁹²

Under the doctrine of "initial interest confusion," the trademark owner can prevail regardless of consumer confusion, by the mere fact that the consumers,

⁸⁵ New democracies around the world have generally adopted an American or European democratic model.

⁸⁶ Convention for the Protection of Human Rights and Fundamental Freedoms art. 10, Nov. 4, 1950, 1950 WL 36092.

⁸⁷ See also H.R. REP. NO. 106-412, at 10 (1999); Lamparello v. Falwell, 420 F.3d. 309, 319 (4th Cir. 2005).

⁸⁸ Fressoz v. France, App. No. 29183/95, 31 Eur. H.R. Rep. 2 (1999). See also Anheuser-Busch Inc. v. Portugal, App. No. 73049/01, 44 Eur. H.R. Rep. 42, ¶¶ 50–51 (2005); Roger Errera, *The Freedom of the Press: The United States, France, and Other European Countries, in CONSTITUTIONALISM AND RIGHTS: THE INFLUENCE OF THE UNITED STATES CONSTITUTION ABROAD* 71–74 (Louis Henkin & Albert Rosenthal eds., 1990).

⁸⁹ Skalka v. Poland, App. No. 43425/98, 38 Eur. H.R. Rep. 1 (2003)

⁹⁰ Sunday Times v. United Kingdom, App. No. 6538/74, 2 Eur. H.R. Rep. 245 (1979)

⁹¹ Geiger, *supra* note 22, at 277.

⁹² Travis, *supra* note 7, at *17–36.

who ended up at the defendant had initially sought the plaintiff.⁹³ The original rationale targeted a form of free-riding that lured consumers to the defendant's place of business by use of a confusingly similar mark in advertising.⁹⁴ When extending this rationale to cyberspace, the use of trademarks or confusingly similar words in meta-tags and domain names has been enjoined.⁹⁵ In the digital environment, however, competitors, non-competitors and private citizens are indistinguishable if weight is not given to the context of the use of the mark.

This Note does not attempt to discuss whether the exclusive right in a trademark enjoys constitutional protection as property.⁹⁶ Rather, the focus is on drawing the line between when protection is warranted to the detriment of the rights of others, and when it is not. Inquiry into where the protection originally stems from does not further this goal, since any interest of the legislature in affording protection is already manifested in the trademark statute. Thus, giving the legislature's intent additional weight implies intent to raise this right above others, which is inconsistent with the principle of equality. Taking the statute as a starting point confines the reach of the limitation of the rights of others to its constitutional bounds, and consequently within the legislature's power. After all, a fundamental right can only be subject to the restrictions necessary for the protection of the rights of others.⁹⁷

b. France—Criticizing Exxon, Areva, and Danone

A French appeals court has approached the issue of balancing the trademark rights of Exxon, the French Atomic Energy Commission, and Danone against the right of freedom of critical expression by Greenpeace and the Voltaire Freedom of Expression Association.⁹⁸ While all uses in these cases

⁹³ Dorr-Oliver, Inc. v. Fluid-Quip, Inc., 94 F.3d 376, 382 (7th Cir. 1996).

⁹⁴ See Travis, *supra* note 7, at *26–28.

⁹⁵ *Id.*

⁹⁶ Furthermore, regardless of one's view on the matter, the question is not relevant. After all, constitutional protection of property, like any other constitutional right, is not absolute and is subject to limitation under the same rules as other rights. Anheuser-Busch Inc. v. Portugal, App. No. 73049/01, 44 Eur. H.R. Rep. 42, ¶¶ 48–53 (2005).

⁹⁷ Universal Declaration of Human Rights, *supra* note 37, art. 30; Convention for the Protection of Human Rights and Fundamental Freedoms, *supra* note 86, art. 10(2).

⁹⁸ Association Greenpeace France v. SA Sté Esso, Cour d'appeal [CA] [regional court of appeal] Paris, 14th ch., Feb. 26, 2003 (Fr.); Association Le Réseau Voltaire pour la liberté d'expression v. Sté Gervais Danone, Cour d'appeal [CA] [regional court of appeal] Paris, 14th ch., Feb. 26, 2003 (Fr.). The original decisions are available at www.juriscom.net. English translations of the summarized court opinions are available in 35 IIC 342–45 (2004). In the first two cases, the appeals regarded an interim injunction. In the main hearing of the *Areva* case, the District Court found the continuing systematic psychological association with the devil excessively critical and enjoined Greenpeace's use. Sté AREVA c/ Association Greenpeace France, Association Greenpeace New Zealand et SA Internet FR, Tribunal de grande instance [T.G.I.] [ordinary court of original jurisdiction] Paris, 3e ch., 2e section, (July 9, 2004). An appeal is pending. However, Greenpeace was victorious against ESSO, and ESSO's appeal was dismissed on November 16, 2005. Esso c/ Greenpeace, Cour d'appel [CA] [regional court of appeal] Paris, 4e ch., Section A (Nov. 16, 2005).

occurred on the internet, Greenpeace had depicted alterations of the plaintiffs' marks on its website, while the Danone case concerned use of the plaintiff's mark in domain names in "I boycott TM"-format.⁹⁹ The court noted that it was obliged not only to evaluate the seriousness of the alleged acts, but also to determine whether the requested legal measures against the acts, in the present circumstances, were appropriate. Therefore, the court did not proceed to inquire whether the acts were infringing, but to what extent they were permitted. The court noted that although the freedom of expression is not absolute, the speaker is entitled to choose whatever form to denounce someone's activities it feels appropriate to the objective pursued. After emphasizing that this right can only be restrained to the extent necessary for the protection of the rights of others, the court went on to evaluate the actions of the defendant.

The Greenpeace court noted that the context of the use (1) clearly showed the intention to denounce plaintiff's activities, (2) without misleading the public about the identity of the author of the message, (3) and was clearly not intended to promote the goods or services of the defendant, (4) nor was the use otherwise normal in ordinary business life.¹⁰⁰ Furthermore, the court noted that the acts complained of could be the object of compensation after the proceedings, and therefore interlocutory measures were not required.¹⁰¹

The Danone court, like the Greenpeace court, made note of the four above-mentioned factors. In addition, the court noted that reference to the plaintiff's mark was necessary to show the political or polemical nature of the message and that the defendant had "established their activities within the framework of a strict exercise of their freedom of expression while respecting the rights of the [plaintiff], whose products were not disparaged."¹⁰²

c. South Africa—Parodying Carling Label Beer on T-shirts

Similarly, the Constitutional Court of South Africa reversed a judgment finding tarnishment of plaintiff's well-known trademark on account of the defendant's exercise of freedom of expression.¹⁰³ The plaintiff sold beer under the Carling Black Label Beer trademark and used the slogans "Enjoyed by men around the world" and "America's Lusty, Lively Beer" on its label. The defendant altered the logo to read "Black Labour" surrounded by "White Guilt," "Africa's lusty, lively exploitation since 1652," and "No regard given

⁹⁹ Greenpeace had depicted alterations of the plaintiffs' trademarks on its website "STOP E\$\$O," and Areva's mark with horns of the devil on the A. The Danone case concerned the domain names *jeboycottedanone.net* and .com. Greenpeace had also used ESSO in the source code for its web-site.

¹⁰⁰ *Association Greenpeace France*, 35 IIC at 343. Note how the court refers to one of the implied limits of trademark law: use in the course of trade.

¹⁰¹ *Id.*

¹⁰² *Assoc. Le Réseau Voltaire pour la liberté d'expression*, 35 IIC at 345.

¹⁰³ *Laugh it Off Promotions CC v South African Breweries Int'l* 2005 (1) (CC) at 40 (S. Afr.).

worldwide," and sold t-shirts bearing the altered mark.¹⁰⁴ The marketing took place on the internet.¹⁰⁵

The court found that the lower court incorrectly approached the case: inquiring first whether the acts amounted to infringement, and only after finding infringement asking whether the defendant's constitutional right of freedom of expression afforded justification for it.¹⁰⁶ The court held that a finding of infringement hinges on whether the expression at issue is constitutionally protected or not. If the expression is constitutionally protected, what is allegedly unfair or detrimental must be weighed against the competing claim of freedom of expression.¹⁰⁷ The trademark statute should be given "a meaning which is the least destructive of other entrenched rights . . .".¹⁰⁸

The court noted that merely unpopular speech could not have been targeted by the trademark legislation, since this would amount to censorship of certain speech. Thus the speech itself and the common understanding of it do not constitute proof of harm for the purposes of dilution protection. The legislator must instead have intended to protect the selling power of the mark against economic detriment.¹⁰⁹ A party that wishes to restrict constitutionally protected expression must show a likelihood of substantial economic detriment.

The court declined to consider the issue of whether a parody constitutes fair use of a trademark, and expressly rejected United States' First Amendment doctrine on that issue. Instead, the court emphasized that all speech is protected under the South African Constitution and may be restricted only in a way constitutionally authorized. No category of protected speech enjoys special protection.¹¹⁰

d. United States—Expressing Opposing Views to Those of Reverend Falwell

A shift in court practice in the United States is in the air as well.¹¹¹ The United States Court of Appeals for the Fourth Circuit recently reversed the judgment of the lower court that had found a gripe site infringing.¹¹² The defendant had created a website (www.falwell.com) to respond to and criticize the views of a nationally known television minister, the late Reverend Jerry Falwell.¹¹³ Although other courts have dismissed similar claims on similar

¹⁰⁴ *Id.* at 7–8. The defendant also sold t-shirts with similar alterations of other well-known marks such as Coca-Cola, Kentucky Fried Chicken, Shell, e-tv, Standard Bank, Diesel, McDonald's, Virgin, National Lottery, and Lego. Only Standard Bank had (unsuccessfully) litigated against the defendant.

¹⁰⁵ *Id.* at 7.

¹⁰⁶ *Id.* at 26.

¹⁰⁷ *Id.* at 26–27.

¹⁰⁸ *Id.* at 30.

¹⁰⁹ *Id.* at 34.

¹¹⁰ *Id.* at 40.

¹¹¹ Travis, *supra* note 7, at *38.

¹¹² *Lamparello v. Falwell*, 420 F.3d 319 (4th Cir. 2005).

¹¹³ *Id.* at 312.

grounds,¹¹⁴ this case is significant because a shift in favor of free speech concerns is notable in the way the court construed its own precedents. The court also explicitly rejected the digital branch of “initial interest confusion” theory that had developed in some courts, contrary to what the Ninth Circuit initially had intended in *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*¹¹⁵

The court held that an allegedly infringing use should always be examined “in the context in which it is seen by the ordinary consumer.”¹¹⁶ Similarly, “a court should not consider how closely a fragment of a given use duplicates the trademark, but must instead consider whether the use in its entirety creates a likelihood of confusion.”¹¹⁷ Like the South African court, the U.S. court emphasized that the mere fact that “speech is critical of a corporation and its business practices is not . . . sufficient . . . to enjoin the speech.”¹¹⁸

e. Comparative Conclusions

The South African Constitutional Court was the only court that actually engaged in comparative analysis on constitutional as well as trademark issues. All of the courts examined approached the issue from a balancing perspective, although the U.S. court was assessing the case in relation to the ordinary test of infringement, unlike the French and South African courts which found the fact that the use constituted constitutionally protected expression exceptional. The latter courts expressly indicated that a stricter test applied when protected expression was being restricted.¹¹⁹ It is hard to say if the U.S. court gave greater weight than they ordinarily would have given to the constitutional nature of the use, or if it was the resulting effect (or lack thereof) of the defendant’s use, that tilted each of the factors in the infringement test in the defendant’s favor.

Not surprisingly, the burden in the U.S. court seemed to be on the defendant to prove that its acts constituted constitutionally protected speech. The French and South African courts did not, however, directly address the

¹¹⁴ See *Travis, supra* note 7, at *38–42 (discussing Bally Total Fitness Holding Corp v. Faber, 29 F. Supp. 2d 1161 (C.D. Cal. 1998) (comparing the purposes of the different sites); *Taubman Co. v. Webfeats*, 319 F.3d 770 (6th Cir. 2003) (protecting speech no matter how critical of business, when there is no confusion); *TMI, Inc. v. Maxwell*, 368 F.3d 433 (5th Cir. 2004) (holding that dilution protection does not extend to non-commercial speech on the internet); *Nissan Motor Corp., v. Nissan Computer Co.*, 378 F.3d 1002 (9th Cir. 2004) (protecting disparaging commercial speech on the internet)).

¹¹⁵ *Brookfield Commc’ns, Inc. v. West Coast Entm’t Corp.*, 174 F.3d 1036 (9th Cir. 1999).

¹¹⁶ *Lamparello*, 420 F.3d at 316 (citing *Anheuser-Busch, Inc. v. L. & L Wings, Inc.*, 962 F.2d 316, 319 (4th Cir. 1992); *What-A-Burger of Va., Inc. v. WHATABURGER, Inc.*, 357 F.3d 441, 450 (4th Cir. 2004)).

¹¹⁷ *Lamparello*, 420 F.3d at 316 (citing *People for Ethical Treatment of Animals v. Doughney*, 263 F.3d 359, 366 (4th Cir. 2001)) (emphasis omitted).

¹¹⁸ *Id.* at 318 (citing *CPC Int’l. Inc. v. Skippy, Inc.*, 214 F.3d 456, 462 (4th Cir. 2000)).

¹¹⁹ *Laugh it Off Promotions CC v South African Breweries Int’l* 2005 (1) (CC) at 26-27 (S. Afr.).

issue. Rather they seemed to regard the question as one of law, which was to be determined by the court's assessment of the facts of the case, not necessarily as presented to it by the parties.¹²⁰ Both approaches seem to leave adequate room for addressing constitutional issues in trademark cases. The U.S. approach, however, seems somewhat more vulnerable to undue restriction of a fundamental right, since the defendant's failure to argue its case properly or persuasively might lead to the accordance of constitutionally undue benefit to the plaintiff. The systemic consequences of a series of decisions of this nature are felt today worldwide; when unchecked, expansive interpretation of trademark rights has led to encroachment on all other rights. Lastly, the courts seemed to agree that trademark protection is not intended to protect the dignity of the business, but the commercial value of the trademark in relation to their products.

D. National Courts as Necessary International Laboratories

Since the Universal Declaration of Human Rights of 1948, human rights have been reaffirmed in more than one hundred treaties by most nations worldwide.¹²¹ Petersmann argues that this history alone has turned human rights (at least the most frequently cited rights) into constitutional obligations on all 191 UN Member states.¹²² Substantive regulation of trademark law on the international level dates back to 1883, when the Paris Convention was signed.¹²³ However, the more recent TRIPS agreement, which is part of the agreements establishing the WTO, has had a far broader harmonizing effect in its 148 member states, due, in main part, to its efficient enforcement provisions.¹²⁴ As mentioned above, it should be noted, though, that Western democratic nations generally afford greater trademark protection than mandated by the minimum standards of international trademark law.

How then does the grant of a privilege in the form of an intellectual property right affect the state's duty or ability to promote recognized human rights? The UN High Commissioner for Human Rights' report argues that

¹²⁰ *Id.* at 10, 12–13 (discussing the meaning of the message and the South African High Court's inquiry into whether the message was disparaging).

¹²¹ Adopted and proclaimed by the Universal Declaration of Human Rights, *supra* note 37.

¹²² Petersmann, *supra* note 45, at 4. For current data on membership of the United Nations see <http://www.un.org>.

¹²³ Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, 21 U.S.T. 1583, T.I.A.S. No. 6923 (revised July 14, 1967), 1883 WL 18944. There are currently 169 signatory states as of Nov. 4, 2005. For current data on membership, see http://www.wipo.int/treaties/en>ShowResults.jsp?lang=en&treaty_id=2.

¹²⁴ TRIPS, *supra* note 14. See U.N. Econ. & Soc. Council [ECOSOC], Report of the High Commissioner, *The Impact of the Agreement on Trade-Related Aspects of Intellectual Property Rights on Human Rights*, at 4, E/CN.4/Sub.2/2001/13 (June 27, 2001) [hereinafter Report of the High Commissioner] (stating that the "comprehensive rules governing . . . protection . . . are subject to international legal interpretation and enforcement through an effective dispute settlement mechanism.")

whatever the balance struck between public and private interests in intellectual property, the balance should not work to the detriment of *any* recognized human right.¹²⁵ Furthermore, the report recognizes two steps in determining whether the TRIPS agreement promotes human rights. First, the agreement itself “must be assessed for compatibility with a human rights approach,” and second, “the implementation of the Agreement must be assessed . . . to determine the effects of the Agreement on human rights in practice.”¹²⁶ While the report focuses on the former, this Note focuses on the more indirect latter step.

Some general guidance for interpretation can be found in the objectives of the TRIPS agreement, which recognizes a need to balance competing interests in society and emphasize that nothing in the agreement is intended to allow for rights afforded to themselves become illegitimate barriers to trade.¹²⁷ Unlike agreements regarding other forms of intellectual property, the TRIPS agreement does not contain any explicit limitations on trademark rights (other than allowing for limited exceptions).¹²⁸ As discussed above, international agreements tend to focus on broadly defining what the member states must and cannot do.¹²⁹

The absence of specific guidance necessitates a higher level of abstraction. According to the Vienna Convention on the Law of Treaties,¹³⁰ all treaties are to be interpreted in good faith in light of their object and purpose as well as in a way so as to avoid conflict with other norms of international law.¹³¹ Thus, the international economic dimension could act as a conditioning framework for constitutionalism and vice versa.¹³² Since a treaty is to be interpreted narrowly and according to the ordinary meaning of its text, there is no room for *e contrario* conclusions in international law. The absence of expressed limits merely means that the issue was not addressed.¹³³ This in turn leads the interpreter to look to practices within member states.

¹²⁵ Report of the High Commissioner, *supra* note 124, at 5–6. It should be noted that the report argues for recognition of rights (right to health and right to development) that are arguably outside the inalienable core of human rights.

¹²⁶ *Id.* at 6.

¹²⁷ TRIPS, *supra* note 14, at art. 7.

¹²⁸ Geiger, *supra* note 22, at 271; Dinwoodie 2000, *supra* note 1, at 516–17.

¹²⁹ See Part I.

¹³⁰ Vienna Convention, *supra* note 47. Although not all members of the United Nations or WTO are signatories to the Vienna Convention, its provisions nonetheless apply to those members who are signatories of the Convention (Art. 3(c)). The Vienna Convention also codifies some rules of customary international law on interpretation of treaties that are binding on all nations, and its rules are frequently applied, for example, by WTO panels in dispute settlement proceedings. Some Western democracies are signatories to the Convention and are therefore bound by all of its provisions in interpreting the TRIPS agreement.

¹³¹ Vienna Convention, *supra* note 47, art. 31.

¹³² Petersmann, *supra* note 45, at 14.

¹³³ Dinwoodie 2000, *supra* note 1, at 516–17.

Dinwoodie argues that development of international intellectual property rules on the national level—more specifically, through private litigation—is preferred to the development taking place in international fora.¹³⁴ National decision-making is fast, flexible, efficient, and thus more apt to keep up with technological advancement and social change. Furthermore, national courts are less likely to be trapped in a narrow trade-related frame of mind, since they naturally apply trade regulation as part of a complete legal system. Nor are cases in private litigation as likely to be affected by political interests.¹³⁵

While the results of national courts are not formally binding on other nations, they function as international laboratories producing results that gain international legitimacy through the persuasiveness of the rule that is set forth. Each decision is tested by the force of its own argument in justifying the chosen approach.¹³⁶ It is imperative that this test occurs in the context of local analysis by another court.¹³⁷ Critical scrutiny of foreign decisions, including testing, analyzing, distinguishing, rejecting, and borrowing, is an essential part of the development of a legitimate body of international law.¹³⁸ Thus, rather than being binding, the developing body of international law is premised on the law of reason.¹³⁹

The level of persuasiveness depends on both the issue to be decided and the degree of conflict with international law. On the other hand, the lack of consensus on one issue of trademark protection does not preclude the influence of international law on another related issue.¹⁴⁰ National courts engage in an international dialogue that “neither undermines local authority nor disconnects legal analysis from its local origins”; on the contrary, the dialogue is essential to the authority of the rule itself.¹⁴¹ The analysis simply adds an international dimension to the national analysis—after all, international law and policy is the origin of the rules of national trademark law today. Awareness of the similarities and differences in the national systems is therefore essential to any endeavor seeking an international core of trademark protection.

¹³⁴ *Id.* at 474–75; Graeme B. Dinwoodie, *The Development and Incorporation of International Norms in the Formation of Copyright Law*, 62 OHIO ST. L.J. 733, 735 (2001) [hereinafter Dinwoodie 2001].

¹³⁵ Dinwoodie 2000, *supra* note 1, at 474–75, 569, 577–79; Dinwoodie 2001, *supra* note 134, at 766, 772, 775, 781.

¹³⁶ Beatty, *supra* note 41, at 145.

¹³⁷ Sarah K. Harding, *Comparative Reasoning and Judicial Review*, 28 YALE J. INT'L L. 409, 427 (2003).

¹³⁸ *Id.* at 424–25.

¹³⁹ Dinwoodie 2000, *supra* note 1, at 550–52, 570.

¹⁴⁰ *Laugh it Off Promotions*, at 33.

¹⁴¹ Harding, *supra* note 137, at 464. Harding also states that “the point . . . [is] to broaden the scope of analysis on the use of foreign law, to understand the larger context of decision-making in which the use of foreign law is just a piece, and through such larger context to determine whether connected concerns about legitimacy, certainty, coherence, and utility are valid.” *Id.* at 461.

As mentioned above, although formally recognized by all Western democracies, the concrete protection of fundamental rights within national legal systems varies greatly from one country to another. Some countries afford protection through various forms of judicial review; others afford protection passively relying on government bodies to secure the distribution of rights equally among its citizens. Still others allow for judicial review, but have no case law in practice.¹⁴² Does this mean that states without judicial review, where the scope of each right therefore is less refined, are less obligated to secure the ‘core’ human rights of its citizens?

This Note argues that the opposite should be presumed; absent an equally fundamental public interest against protecting fundamental rights in a specific instance, citizens of the world are equally protected under international law. This approach allows for constitutionalism to serve the purpose of framing the rules and institutions associated with economic globalization without the requirement of specific unitary action of national governments.¹⁴³ Instead of being constrained by the text of a statute or the absence of an adequate rule, the judge is constrained by the international legal framework in seeking to strike an appropriate balance in accordance with the rules set forth by it.¹⁴⁴ There is no reason why the law should be helpless when society or conduct changes in an unpredictable way.¹⁴⁵ After all, fundamental rights are not unlimited in application.

¹⁴² For a concise overview of judicial review in some Western democracies see Louis Favoreu, *Constitutional Review in Europe*, in CONSTITUTIONALISM AND RIGHTS: THE INFLUENCE OF THE UNITED STATES CONSTITUTION ABROAD, *supra* note 88, at 38; VICKI C. JACKSON & MARK TUSHNET, COMPARATIVE CONSTITUTIONAL LAW 490–91 (1999).

¹⁴³ Schneiderman, *supra* note 38, at 240, 243.

¹⁴⁴ POSNER, *supra* note 62, at 363. This Note views the legal framework somewhat differently than Posner. First, Posner refers solely to the U.S. system and the judge’s role in it. The judicial role worldwide differs remarkably from its U.S. counterpart. Rather than attempting to define the judicial role in a system, this Note merely argues that the judge is bound by the rule of law when applying international rules in a new, previously undefined setting. Second, Posner’s theory is premised on judicial deference to the other branches of a democratic government. The international organs are, however, not democratic. Furthermore, the “legislative” branch, consisting of representatives of all nations that must reach consensus to take legislative action, is far too inefficient to serve as the corrective organ Posner envisions, where the democratic process works at its best. Third, Posner’s theory presupposes the existence of a complex, but nonetheless unitary legal framework. This does not exist on the international level if the binding general principles of international (and national) law are not allowed to be given concrete effect in national courts. Posner also recognizes the exceptional nature of interest analysis when weighing constitutional rights; since the Constitution is so hard to amend, the consequences of a bad decision are therefore far graver. However, the primary focus should still be on the case-specific rather than systemic consequences, and the cost-benefit analysis should be based on long-run as opposed to short-run social costs and benefits. It should be noted that cost-benefit analysis is only used as a tool to the extent that it helps the judge identify and weigh the consequences of alternative decisions. See also Petersmann, *supra* note 45, at 2–4.

¹⁴⁵ POSNER, *supra* note 62, at 375.

Rather, on the international level, fundamental rights can be viewed as social obligations, as duties on national lawmakers to those they represent.¹⁴⁶ The product of the legislature—in this case a trademark act or provision—is thus tested against standards of necessity and consistency in view of alternative policies.¹⁴⁷ Thus, citizen-equality is the goal. The principle of rationality mandates that the lawmaker choose a means that interferes with individual rights no more than necessary in order to pursue a social good. The principle of proportionality, on the other hand, mandates the lawmaker to achieve an end that is consistent with how similar interests have been treated in the past.¹⁴⁸ Access to justice is thus guaranteed to minorities, who cannot exert influence in the political process on the international level.

However, when balancing fundamental rights against each other, rights can be viewed as optimization requirements. The standards thus take on the form of negative criteria, which do not lead to answers, but rather to the exclusion of incorrect ones.¹⁴⁹ Some solutions present themselves naturally as a choice in favor of the Pareto-optimal.¹⁵⁰ Some present a true conflict that requires the assessment of (1) the degree of non-satisfaction of a right; (2) the degree of importance of the rights in question; and (3) their relationship to each other.

Alexy summarizes his point in two laws of balancing. First, “The greater the degree of non-satisfaction of, or detriment to, one principle, the greater must be the importance of satisfying the other,” and second, “The more heavily an interference in a constitutional right weighs, the greater must be the certainty of its underlying premisses [sic].”¹⁵¹ These laws reflect the twofold nature of fundamental rights; they serve both as a qualitative foundation and a framework for decision-making.¹⁵²

How then, and in what state of mind, should one go about balancing interests in international trademark law? Glenn identifies the starting point for our endeavor:

¹⁴⁶ Beatty, *supra* note 41, at 147 (arguing that the focus should not be on a sphere of protection for individual rights).

¹⁴⁷ *Id.* at 147–48.

¹⁴⁸ *Id.* at 149.

¹⁴⁹ ALEXY, *supra* note 30, at 398–99.

¹⁵⁰ See *id.* (discussing how Pareto-optimal is a decision that advances a goal to the detriment of no other).

¹⁵¹ *Id.* at 102, 401, 418.

¹⁵² *Id.* at 393–94 (“What is commanded by the constitution is constitutionally necessary, what is prohibited by the constitution is constitutionally impossible, and what has been left free by the constitution is on account of the constitution neither necessary nor impossible, that is, it is constitutionally merely possible.”). Constitutional discretion lies within the realm of the merely possible, and conversely the limits on that discretion are set by what the legislature is prohibited from doing and commanded to do. Compare to Beatty, *supra* note 41, at 147 (stating that courts pose no threat to legislative autonomy when invalidating a law on the basis that it infringes a fundamental right, since it is not within the discretion of the legislature to pass such laws).

Multivalent thinking tells you to keep in mind the sources of conflict, that is, the large, inconsistent principles, the sources of alleged incommensurability. . . . Multivalent thinking tells you . . . that these opposing principles really only serve to define the field of play. They tell you where to find the middle ground, and there is always a middle ground. To find the middle ground you need more information. You need the detailed information which disintegrates boundaries (it's just like quantum physics) . . . It is an instrument which deals, not with the conflict of laws (they are disintegrated), but with the conciliation of laws, conciliation being a primary feature of multivalence.¹⁵³

III. THE NEED TO RESTRUCTURE TRADITIONAL THINKING

A. *Competing Interest Groups in the Market and Society's Interest in Protecting Them*

Western democracies differ in their legislative approaches to trademark protection. Some countries, mainly common law countries, see trademark law as part of the larger field of unfair competition law, and clearly state all actions as well as their defenses in legislation. The civil law tradition is somewhat more complex, since it tends to generate specific fields of law around a single statute, each striking a balance between different policy considerations.¹⁵⁴ This approach creates a more fragmented legal system that is nonetheless reconciled through a method of statutory interpretation that emphasizes the same general principles of law throughout the legal system.

This Note focuses on evaluating how the constitutional interests of a new group of defendants—those using a trademark for informative purposes—are reflected in contemporary trademark law. For the purposes of this Note, informative use of a trademark is defined as referring to something using its known name. Informative uses bring questions of trademark law into play when businesses or private persons inform consumers. A business might utilize another's trademark when describing their product, its characteristics or use, or in the realm of comparative advertising. These uses are generally permissible as long as the use is in accordance with honest business practices.¹⁵⁵

As noted above in Part II(C), a relatively new form of informative use, where societal interest groups use trademarks in order to criticize the trademark owner's products or activities, has recently been subject to trademark litigation in several countries.¹⁵⁶ Unlike ordinary criticism, which is ordinarily exempt from the scope of trademark rights, it has been argued that these uses fall within the scope of trademark law since the users engage in economic

¹⁵³ H. PATRICK GLENN, *LEGAL TRADITIONS OF THE WORLD* 360, 362 (2d ed. 2004).

¹⁵⁴ Errera, *supra* note 88, at 63.

¹⁵⁵ Compare Lanham Act, 15 U.S.C § 1115(b) (2000) (statutory defense) with Council Directive 89/104/EEC, art. 6.1(c), 1989 O.J. (L 040) 1, 5 (EC) (on approximating the trademark laws of the Member States).

¹⁵⁶ See Travis, *supra* note 7, at *5–17; GROUP REPORT FRANCE, *supra* note 5, at 128.

activities, although not necessarily for profit. Likewise, expression, whether purely critical or artistic, by private individuals on the internet has been increasingly targeted by trademark owners. Some courts have extended the traditional doctrines of trademark infringement to accommodate these new forms of use, while others refer to the implicit limits of trademark law in refusing to do so.¹⁵⁷

How do these cases fit within the traditional framework of trademark protection? Where is the line between lawful exercise of an exclusive right (even if the defendant prevails) and abuse of an acquired right that is trademark misuse? The answers to these questions present themselves when reviewing what societal interest trademark statutes are designed to protect.

The societal interest behind the protection of trademarks and other intellectual property rights is to maximize wealth by producing what consumers want at the lowest cost. Hovenkamp, Janis and Lemley argue that the protection afforded to reach this economic goal sometimes generates unwarranted market power, which makes it possible to use the right to interfere with competition.¹⁵⁸ Antitrust law does not, however, reach trademark law, for example, as it counterbalances patents and copyrights through licensing restrictions. This is partially because trademark misuses do not as concretely and effectively affect the economic structures of the market.¹⁵⁹ Likewise, trademark misuse is generally future-oriented in the sense that it targets potential, not existing, competitors. Hovenkamp, Janis and Lemley recognize that the harms of trademark misuse merely target other dimensions of law and society not relevant or accessible through antitrust law. Furthermore, antitrust remedies, such as compulsory licensing, are incompatible with the basic function of trademark rights. The purposes of antitrust law and trademark law are contradictory in these circumstances.¹⁶⁰ Unfair competition law to some extent has tools to deal with trademark misuse; however, these avenues are hardly used in practice due to the climate of strongly protecting intellectual property rights.¹⁶¹

¹⁵⁷ See Travis, *supra* note 7, at *17–36 for an overview of the case law in the United States regarding trademarks versus free speech interests in cyberspace. He lists four avenues of interpretive extension of trademark protection that courts have utilized in order to find infringement. First, the requirement of a finding of commercial activity has been eroded by, for example, finding that an offer to sell a domain name to a trademark owner constitutes commercial use. Second, loosening the standard of consumer confusion has allowed relief against momentary confusion without impact on any purchasing decision. Third, the flexible expansion of the theory of initial interest confusion to non-competing uses has allowed trademark owners to prohibit any attempt to gain the attention of consumers with the aid of trademarks in cyberspace. Finally, the dilution provision has been interpreted to prohibit creating any negative associations with a trademark.

¹⁵⁸ 1 HERBERT HOVENKAMP, MARK D. JANIS & MARK A. LEMLEY, IP AND ANTITRUST: AN ANALYSIS OF ANTITRUST PRINCIPLES APPLIED TO INTELLECTUAL PROPERTY LAW § 1.3 (Supp. 2007) [hereinafter HOVENKAMP ET AL.]. *See also* Travis, *supra* note 7, at *55.

¹⁵⁹ HOVENKAMP ET AL., *supra* note 158, § 3.5.

¹⁶⁰ *Id.* § 3.5.

¹⁶¹ *But see* Geiger, *supra* note 22, at 270, 272.

Landes and Posner, however, reject the notion that trademark protection, because it fosters product differentiation, creates deadweight costs on society, whether of monopoly or excessive competition.¹⁶² Kitch clarifies the economist's perspective on the inherent economic nature of trademark rights. "Trademarks, which protect the exclusive right to commercial identity, are much more difficult to characterize as a monopoly, since the ability of a firm to identify itself would seem to be an essential prerequisite for competition, not a limit on competition . . . [However, w]hether a particular right, or combination of rights, confers an economic monopoly is an empirical question."¹⁶³ In line with this distinction, this Note argues that the increasing number of instances of trademark misuse, disguised under the veil of protection of current legislation, warrants review of whether the benefits of the system still outweigh the costs.¹⁶⁴

Landes and Posner further argue that a common mistake in economic analysis of intellectual property rights is to reduce the discussion to a trade-off between incentive and access, and ignore the lessons learned in striking an appropriate balance between competing interests regarding physical property. This trend is particularly damaging to the analysis of trademark rights, because unlike copyrighted works and patented products, a trademark is not a public good.¹⁶⁵ The social value lies in its ability to designate origin. Thus, the social cost of protection as well as infringement varies in relation to the type of mark and the social benefit it produces.¹⁶⁶ For example, when the trademark owner creates an illusion of infringement where protection is not afforded, the social costs of infringement are not equal to instances of traditional trademark infringement. Quite the contrary, in this situation the social cost of protection rises. It is therefore not necessary to assume that trademarks can never create deadweight costs on society by the mere fact that protection is afforded.

We then turn to the trademark laws themselves to search for limits on trademark owners' rights. Unlike property ownership that is derived from possession of a physical object, the exclusive right in a trademark is an abstract legislative creation. In an attempt to regulate the free market and protect consumers, trademark legislation affords a negative right, the right to exclude

¹⁶² WILLIAM M. LANDES & RICHARD A. POSNER, THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW 173–74 (2003). Their theory is solely viewed from the point of view of increase or decrease in consumer search costs and presupposes that the infringing acts are performed by competitors or free-riders. See Travis, *supra* note 7, *108–119, *122 (critiquing this view).

¹⁶³ Edmund W. Kitch, *Elementary and Persistent Errors in the Economic Analysis of Intellectual Property*, 53 VAND. L. REV. 1727, 1730–31 (2000); see also *Id.* at 1731–32 ("It is also important to make a distinction between the issue of whether intellectual property rights confer an economic monopoly, . . . and the fact that intellectual property rights systems have costs—as does any system of property rights.").

¹⁶⁴ *Id.* at 1732, 1738–41. See also Travis, *supra* note 7, at *36–37, *54–55 (giving examples of trademark misuse).

¹⁶⁵ LANDES & POSNER, *supra* note 162, at 172.

¹⁶⁶ *Id.* at 172–73.

others. Trademark rights are thus a legislative exception to the general rule of freedom of competition.¹⁶⁷ All trademark statutes contain implied limits, for example, by restricting the scope of protection to the economic sector, to use in commerce, and to competing goods.¹⁶⁸ The recent piecemeal expansion of trademark protection has, however, somewhat blurred the traditional function of trademark law. Court practice also suggests an absence of limits, since all traditional doctrines of limitation have gradually been interpreted to allow for protection against new forms of use.¹⁶⁹ Thus, the contemporary challenge for the trademark system is to restore its limits and enforce their application, so as not to cause market failure.¹⁷⁰

This leads us back to allowing fundamental rights to serve as a qualitative foundation when deciding issues that are of great importance to society.¹⁷¹ This tool is particularly useful, since it is no longer possible or desirable to give categorical answers, but the line has to be drawn on a case-by-case basis. This raises the question of predictability.

B. From Good vs. Bad to Right vs. Right

In sum, the legislative compromise struck between different interest groups in the market at the international level arguably creates a paradox. It has allowed the field of intellectual property law to drift away from the safeguards of national legal systems, even though no equivalent safeguards are in place at the international level, since deference is traditionally shown to national legislatures on this issue. International norms and lawmaking, however, depend on the context of the national legal rules to work appropriately.¹⁷² It is quite clear that no one intended to elevate international intellectual property law as the supreme law of the world.¹⁷³

International intellectual property law allows for protection of one actor in the marketplace to secure the interests of another interest group: consumers. Securing the interests of a functioning market for other actors in the market is left to national legislators. It is also important to acknowledge the purposes and goals of international rules, which mainly aim to (1) prevent piracy, (2) allow

¹⁶⁷ 1 J. THOMAS McCARTHY, *McCarthy on Trademarks and Unfair Competition* §§ 1:3, 1:7 (4th ed. 2007).

¹⁶⁸ Geiger, *supra* note 22, at 271.

¹⁶⁹ *Id.* at 272–73. Travis, *supra* note 7, at *5–17.

¹⁷⁰ Geiger, *supra* note 22, at 278–280.

¹⁷¹ ALEXY, *supra* note 30, at 394. The systemic consequences of decision-making have long been ignored within trademark law, which has become increasingly elitist and separated from the rest of the legal system. Compare to Cohen, *supra* note 59, at 811, 814 (“Even in the most modern realms of legal development one finds the thought of courts and of legal scholars trapezing around in cycles and epicycles without coming to rest on the floor of verifiable fact Strange as this manner of argument will seem to laymen, lawyers . . . will accept this reasoning as relevant, material, and competent.”).

¹⁷² Petersmann, *supra* note 45, at 2; Schneiderman, *supra* note 38, at 240.

¹⁷³ Dinwoodie 2000, *supra* note 1, at 505.

for adequate enforcement against piracy and free-riding, and (3) secure a minimum standard of protection of intellectual property worldwide.¹⁷⁴ In contrast, the aim of national regulation is broader: to strike an adequate balance between the competing interest groups in the market: trademark owners, consumers, and competitors.

The avalanche of international rules focusing on the aforementioned two interests has resulted in an uneven emphasis in the national rules of market regulation.¹⁷⁵ The goal of this Note is to strengthen the third inherent pillar of international market regulation, which secures the societal interest in a functioning market by encouraging competition and fair trade. The issue is no longer the limitation of one right, but the balancing of competing rights.¹⁷⁶

When adding a new dimension to trademark interpretation one cannot simply try to fit the new data into the old two-dimensional formula. You need to create a new multi-dimensional formula, in which you insert the new and old data and calculate how several factors affect and relate to each other. Such a systemizing tool is needed to secure the realization of—no more and no less than—the international core of trademark protection in the national application of trademark law.¹⁷⁷

Since the societal interest behind trademark protection varies according to the use of the mark, it would be helpful to find a way to categorize the defendants into groups. There are three¹⁷⁸ levels of protection for trademark infringement and exercising a fundamental right can amount to a defense to all of them. First, the strongest protection is afforded against use of an identical mark on identical goods. The second level protects against use of an identical or similar mark on similar goods. The third level protects famous marks against use of an identical or similar mark on dissimilar goods.

This Note assumes that the severity of the available punishment reflects the societal interest in deterring behavior, and therefore lists and labels each category of defendants accordingly. Likewise, it assumes that the exercise of a fundamental right reflects a societal interest against unnecessary limitation. For the purposes of constitutional balancing, each category of defendants forms the target group of specific legislation.

¹⁷⁴ TRIPS, *supra* note 14.

¹⁷⁵ Mylly, *supra* note 24, at 8, 12.

¹⁷⁶ Laugh it Off Promotions CC v South African Breweries Int'l 2005 (1) (CC) at 50 (S. Afr.).

¹⁷⁷ In accordance with TRIPS, *supra* note 14, art. 17; *see also* Geographical Indications Panel Report, *supra* note 19, ¶ 7.649.

¹⁷⁸ In addition, well-known marks—marks like Coca-Cola or Rolls Royce that are universally known—enjoy close to absolute protection against commercial exploitation. Trademark applications confusingly similar to these marks are ex officio rejected worldwide. Naturally, these marks also enjoy first, second, and third level protection.

Target group	Use	Remedy	Burden of proof	Aim of International TM law
Pirates	Counterfeit goods, Identical mark on identical goods, Cybersquatting	Criminally or heavily sanctioned	Presumption of harm	Core
Copycats/ Trespassers	Similar product/ marketing/ TM, Similar goods, Look-a-like products	Normal protection	Proof of likelihood of confusion	Main rule
Category I Free-riders	Use of identical or similar mark on dissimilar products	Injunction damages only when bad faith	Fame of mark/unfair advantage or detriment/harm	Exceptional circumstances on the market
Category II Free-riders	Attempt to register identical or similar mark	Refusal of registration	Well-known mark	Exceptional circumstances on the global market
Border-liners	Non-trademark use or informative use of a trademark	Injunction, Expropriation	Inside or outside trademark law?	Exceptional circumstances on a non-traditional market

Moving away from the international core of trademark protection, three considerations should influence interpretation of the facts at hand. First, the burden of proof on the part of the plaintiff rises. Second, the relevance of other factors and the interests of other actors on the market grow stronger. Third, when moving from the norm towards an exception, narrow interpretation of the scope of protection should be presumed. The main goal of trademark protection

should be kept in mind: trademark rights are rights against misappropriation, which extend only to what cannot lawfully be used by others.¹⁷⁹

IV. CONCLUSION

Strong international trademark protection has unevenly influenced national trademark regulation, which has led to an increasing number of instances of misuse of trademark rights. Third parties that have not traditionally been subject to trademark regulation find themselves as defendants to claims of trademark infringement. Since traditional legislation lacks clear reference to limits on the acquired right, courts are struggling with how to balance conflicting interests in the use of marks.

Since categorical approaches tend to produce unsatisfactory results, judges need to approach these cases from a broader perspective placing trademark law in its proper legal framework. In so doing, it is necessary to take into account the purposes of societal interests behind international and national trademark norms. A forward-looking approach in tune with a fundamental rights framework will guide the judge in balancing trademark protection against the fundamental rights of others.

Since national trademark rules share a common source, national courts should look to prior decisions on the issue by other courts and engage in an international dialogue. Where independent national decision-making in several nations, despite national differences, reflects similar argumentation towards the same goal, the emerging network of decisions would set forth rules of international trademark law. This non-binding international lawmaking by national courts would be premised on the law of reason and would gain legitimacy through its level of persuasiveness.¹⁸⁰ At the same time these rules would serve to repair the current void in international trademark law that seemingly has no limits. Thus, a new body of law would develop that provides international trademark law with the flexible tools needed to service the global marketplace.

¹⁷⁹ See also *Laugh it Off Promotions*, 2005 (1) (CC) at 60; see also Cohen, *supra* note 59, at 817 (discussing some re-evaluating questions inspired by social and economic considerations that should be asked when the interests clash).

¹⁸⁰ Dinwoodie 2000, *supra* note 1, at 550–52, 558, 561–62, 564, 569, 570.

Chapter 13. Trademark take-over or *sui generis* regimes – absolute merchandising rights in sports

*Katja Weckström**

1. INTRODUCTION

In a constitutional state, committed to liberal values, the intervention of the legislator in the market forces of free competition requires a specific justification. Economically speaking, this justification rests on the consideration that, without any such intervention, a market failure would ensue after a certain period of time.¹

When considering justifications, there are two possibilities. We can consider the justification for each individual right in intellectual property, i.e., copyright, design, geographical indication or trademark, separately. Legislatures tend to do so when balancing incentives for intervention against those for non-intervention.² Alternatively, we could consider the market position conferred by IP rights in general in a particular field, before considering whether market intervention is justified via a particular form of IP protection.

The latter, i.e., horizontal intellectual property law issues are seldom considered.³ A natural consequence of this is that horizontal issues related to the rest of the legal system are also ignored, or considered from only one perspective; e.g. trademarks are balanced against freedom of expression concerns. I argue that it is here, when protection crosses over the interface between IP rights⁴, where the system is most vulnerable to over-protection and thus, where we should ask the question whether a justification for protection still exists.

This is not to say that we would have to resort to examination in search of a violation akin to competition law.⁵ Instead we can operate within one IP framework, but shift the

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¹ Hilty, Reto M., ‘The Law Against Unfair Competition and Its Interfaces’, p. 1–2 in Hilty, Reto M. & Henning-Bodewig, Frauke, *Law Against Unfair Competition – Towards a New Paradigm in Europe?*, Springer-Verlag Berlin (2007) p. 1–52.

² Hilty, at 26, see *supra* note 1.

³ Hilty, at 51, see *supra* note 1.

⁴ The example of trademark protection combined with exclusive broadcasting rights is used here. Monopoly rights positions may also follow from combined trademark protection and publicity rights (sports video games), database protection (protecting sports results, statistics against use in fantasy sports), unfair competition (non-confusing slavish imitation); free riding, copyright (fan fiction); tarnishment, defamation (fan sleuth fiction or games), criminal law (ambush marketing); contract law (exclusive visibility deals).

⁵ True competition law issues may naturally arise, when considering for instance whether sports leagues constitute illegal collusion, or whether they abuse a dominant position in relation to their teams or players. For

emphasis from the rights holder to a broader unfair competition⁶ perspective. The threshold for our consideration is, whether *market failure* will ensue if protection is removed, bearing in mind that *market change* does not equal market failure. Hence, a legitimate justification exceeds the *private interest*, and has consequences, where preserving a balance between market forces amounts to a *public interest*.

For example, the sports industry can be placed in a legal framework. It is likely uncontested that sports serve important, e.g. educational, public health, social, cultural and recreational, functions. Together the legal protection of sports as well as the infra- and governance structures that facilitate the public access to, practice and dissemination of sports clearly serve legitimate societal interests.⁷

Like any regulation that facilitates attainment of a specific societal interest its justification ultimately comes down to a question of balancing and degree, when pitted against other interests in society.⁸ Therefore, the law tends to phrase the question as one of proportionality⁹ of adopted means to the end sought, the relative weight of competing interests and the effect of regulation for the benefit of some interests on the overall attainment of the competing values.¹⁰ While the benefit may ultimately be private its protection must serve a greater public interest.

Conversely, protection of purely private interests to the detriment of other private or public interests tend to be treated as unfair, protectionist or as favoritism without legal

an analysis from this perspective see Brandon L. Grusd, 'The Antitrust Implications of Professional Sports' League-Wide Licensing', 1 Va. J. Sports & L 1 (1999).

⁶ Unfair competition here is a broad and general concept asking whether a use can be considered unfair as an exception to the general rule of freedom of competition. It is not intended to reference unfair competition laws in some civil law traditions used to extend trademark protection in new areas. It is also not necessarily synonymous with the opposite, i.e. that unfair competition counterbalances and restricts trademark protection as the concept could be considered in the UK (if searching for an equivalent in name, not function). See Dworkin, Gerald, 'Unfair competition: is it time for European harmonisation?' p. 176-177 in David Vaver and Lionel Bently (Eds.) *Intellectual Property in the New Millennium Essays in Honour of William R. Cornish*, Paperback Edition (2010) p. 175-188. (hereinafter Gerald Dworkin) See also Helen Norman, 'Blowing the Whistle on Trade Mark Use?' 3 I.P.Q.:No.1 (2004), 1-34, at 2.

⁷ White Paper on Sport, COM (2007) 391, 11 July 2007 at 1-2. Commission Communication Developing the European Dimension in Sport, COM (2011) 12, 18 January 2011 at Ch. 4.2 p. 11 (hereinafter Developing the European Dimension in Sport).

⁸ See Stephen Weatherhill, 'The Influence of EU Law on Sports Governance' p. 79 in Simon Gardiner, Richard Parrish, Robert C.R. Siekmann (Eds.) *EU, Sport, Law and Policy: Regulation, Re-Regulation and Representation*, T.M.C. Asser Press, (2009)p. 101-114, arguing that whether the EU has competence to intervene is at heart a constitutional matter.

⁹ Annex 1 to the Commission Staff Working Document SEC (2007) 935, 11 July 2007 at Ch. 2.1.5 referring to established guidelines from cases Case 36/74, *Walgrave v Union Cycliste Internationale*, [1974] ECR 1405 at 4 and 9, Case 13/76 *Doná v Mantero* [1976] ECR 1333 at 12 and 15, Case C-415/93 *URBSFA v Bosman* [1995] ECR I-4921 at 73 and 76 and Case C-176/96 *Lehtonen* [2000] ECR I-2681 at 34 that distinguish between "purely sporting interests" and "reasons of economic nature" and Case C-519/04 *Meca Medina* [2006] ECR I-6691 at 42 which further requires a legitimate objective, that the measure is inherent in the pursuit of that objective and proportionate to the ends sought.

¹⁰ Case C-519/04 *Meca Medina* ECR I-6691 [2006] at 42. Developing the European Dimension in Sport, *supra* note 7 at Ch. 3.2 at 8-9 and Ch. 4.2 at 11. See generally e.g. Articles 50-54 EU Charter of Fundamental Rights Official Journal C303 Volume 50 14 December 2007, 2007/C 303/01 and Explanations relating to the Charter of Fundamental Rights, Official Journal C 303 Volume 50, 14 December 2007, 2007/C 303/02 at C 303/23.

foundation and are specifically targeted under national¹¹, regional¹² and international¹³ law.¹⁴ Thus, the sports industry faces legal pressure at these junctures, where leagues/teams abuse the rights of players, where financial interests de-root the activity from its (local) educational, public health moorings, and when community (cultural) interests are routinely trumped by private profit-making.¹⁵

In essence, while law has long recognized the need for consideration of the unique features of the sports industry, it declines to exempt it entirely from the application of other more general rules of law and to equate private self-governance in practice to private self-governance at law.¹⁶

One extension of trademark rights, i.e. the¹⁷ sports merchandising right is discussed and compared to protection already offered under trademark law in an attempt to define “what more” is at issue, when arguing for extension of protection. After all, it is argued, protection cannot be tested for legitimacy or balanced against countervailing interests, unless it is clear what protection or non-protection adds to the market. Unlike most scholarship¹⁸ on the merchandising right this article *does not ask or argue for or against* the merchandising right as a justified *theoretical* construct. The practical starting point presumes that the right exists¹⁹ on formally valid²⁰ grounds and therefore the question becomes, when it applies.²¹ A consequence of this approach is that the article does not ask, when the merchandising right is not justified (negative statement).²² Instead, *it seeks tools to distinguish when there exist*

¹¹ E.g. rules on public procurement, competition or positions for Ombudsmen to protect the generally disadvantaged.

¹² E.g. EU rules on the free movement of goods, services, capital and people.

¹³ E.g. the GATT and WTO rules targeting taxes, tariffs, subsidies and other protectionist measures.

¹⁴ Weatherhill, *supra* note 8, at 80.

¹⁵ Henrik Erik Meier, ‘Emergence, Dynamics and Impact of European Sport Policy’ p. 8-9 in Simon Gardiner, Richard Parrish, Robert C.R. Siekmann (Eds.) *EU, Sport, Law and Policy: Regulation, Re-Regulation and Representation*, T.M.C. Asser Press (2009), p. 7-34.

¹⁶ Developing the European Dimension in Sports, *supra* note 7, at 3.2 p. 8-9 and 4.2 p. 11. Weatherhill, *supra* note 8, p. 79; Melchior Wathelet, ‘Sport Governance and EU Legal Order: Present and Future’ p. 58-59 and 68-69 in Simon Gardiner, Richard Parrish, Robert C.R. Siekmann (Eds.) *EU, Sport, Law and Policy: Regulation, Re-Regulation and Representation*, T.M.C. Asser Press (2009) p. 57-78; and Richard Parrish, ‘Introduction’ p. 2 in Simon Gardiner, Richard Parrish, Robert C.R. Siekmann (Eds.) *EU, Sport, Law and Policy: Regulation, Re-Regulation and Representation*, T.M.C. Asser Press (2009) p. 1-6.

¹⁷ Arguing for a more nuanced approach to the question of protection in its old and new manifestations. *Supra* note 4 on monopoly right positions.

¹⁸ For an overview of academic discussion on the topic see *infra* note 19 and J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* ss 24:10-12 (4th Ed. 2011).

¹⁹ Trademark merchandising is big business. Grusd, *supra* note 5, at 6. Stacey Dogan and Mark Lemley, ‘The Merchandising Right: Fragile Theory or Fait Accompli?’ 54 Emory L.J. 461 (2005) p. 461; Irene Calboli, ‘The Case for A Limited Protection of Trademark Merchandising’, 2011 U. Ill. L. Rev. 865 p. 872; Joseph P. Liu, ‘Sports Merchandising, Publicity Rights, and the Missing Role of the Sports Fan’, 5 B.C.L. Rev. 493 (2011) p. 495-496.

²⁰ Validity here stems from legislative action that follows constitutional *procedure* and therefore the result is formally valid. Arguments against normative justification of the legislative decision are considered as constraints on this right, i.e. when considering its legitimate scope and application.

²¹ See Bruce Proctor, ‘Unauthorised Use of Trade Marks: A Trade Mark Proprietor’s Perspective’ p. 212-214 and 219 in Jeremy Phillips (Ed.) *Trademarks At the Limit*, Edward Elgar 2006 p. 212-220 arguing that only some unauthorised uses that amount to ‘a taking’ or are intuitively ‘unfair’ (albeit most) should be preventable.

²² This article does not for example discuss so called ambush marketing and whether or not it can be prevented.

legitimate interests for extension of protection (positive statement) from the point of view of a functioning market. These tools may serve and inform the decision-making process both in courts and legislature, ideally turning an all-or-nothing political question into justified and proportionate judgment applicable to the circumstances at hand.

Section 2 defines the practical context, the market consequences and the legal manifestation of the sport merchandising right with the example of protection for the Olympic Symbol in the Nairobi Treaty. It focuses on the international level²³, since *global absolute protection* generally is stronger than more extensive (additional) national protection. Its purpose is to define the *minimum level* of protection for sports merchandising. Section 3 sketches trademark protection with a focus on the *maximum level*²⁴ of protection for renowned marks in relation to product categories and geographical scope. It is presumed that sports merchandises have *registered marks* that are well-known, reputed, famous or renowned in the traditional trademark law sense in their *primary areas of business*, and that it is where this right ends, because of *countervailing societal interests* that the sports merchandising right begins (the floor of the merchandising right).²⁵ Section 4 continues discussion of the maximum level of protection from the point of view of *limits on the use* of a protected trademark. It is presumed that these limits reflect some of the *same societal interests*²⁶ that are at stake, when considering protection for merchandising. Thus, it is argued that the concept of “honest practices in industrial and commercial matters” can be utilized as a threshold (the ceiling of the merchandising right) to consideration of legitimacy of extended protection for merchandising, or alternatively, restriction of various forms of marketing. Section 5 combines these interests and concludes with a tailored test for evaluating whether increased protection is legitimate from the point of view of a functioning market.

²³ At this level, it is safe to presume that the right is formally valid, since it has been accepted by 49 states outside the Western world, where the extensive protection of trademarks is usually questioned. Western nations protect sports franchises more extensively both in scope and application than the Nairobi Treaty, *infra* note 33.

²⁴ It is not argued here that there is a fixed and clear maximum level of protection. Like any legislation there is disagreement on some aspects of protection. The discussion focuses on the agreed upon normative framework and takes the rulings of the EUCJ as the authoritative statements of the content of the law that they are. It is not argued that the statements are clear, all-encompassing or uncontroversial or that there is not more to trademark law than meets the eye. For the purposes of this article it is important to show that there is *some agreement* on what is protected and what is not, although there would be ample opportunity to criticize the EUCJ for inconsistency. The aim of sections 3 and 4 is to show that there is *some logic* after all to the protection of trademarks although there is much confusion and controversy on the optimal protection of trademarks.

²⁵ It could be argued that the rights are parallel and overlapping and therefore, it is not possible to view them as separate blocks. It is argued here that if we allow this type of fluidity to restrict the evaluation of whether protection is justified, protection may never be scrutinized. *Theoretical* scrutiny is contingent on defining the right and what indeed is considered worthy of protection.

²⁶ Opinion of the Advocate General in Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy*, 9.12.2004, at 54-55.

2. THE PROTECTION OF THE OLYMPIC SYMBOL – THE PINNACLE OF SPORT MERCHANDISING

The most traditional form of sports merchandising; strong trademark rights combined with exclusive broadcasting rights for the Olympic Games, is used as an example, of how increasing protection affects the market for competitive sports. This example is used to bring forth the market reality from which global rights emerge, but also the strength of legitimate societal interests of the protection of sports in global culture.²⁷ The aim of this section is to find some normative and theoretical contours for the elusive concept of sports merchandising.²⁸

The protection of the Olympic symbol shows the market reality, which follows from extreme trademark protection. The trademark itself becomes a commodity²⁹ that is bought and sold; the cornerstone of a profitable business.³⁰ Consequently, *any unauthorized use* of the mark affects the owner's exclusive right to control the use of the mark from which follows that absolute protection is warranted.³¹ The right in question is commonly referred to as the *sports merchandising right*. Following this line of reasoning the commodity in question, in our case the Olympic symbol, needs to be defined.³² The Olympic symbol consists of five interlaced rings: blue, yellow, black, green and red, arranged in that order from left to right. See Figure 13.1



²⁷ White Paper on Sports, *supra* note 7, p. 2-3.

²⁸ Calboli, *supra* note 19, discusses how the concept, despite its controversial nature, has escaped definition in both linguistic and normative terms p. 871-872.

²⁹ Sonia Katyal, 'Trademark Intersectionality', 57 UCLALR 1601 (2010) p. 1620. Mark Lemley and Mark McKenna, 'Irrelevant Confusion', 62 Stan. L. Rev. 413 (2010), at 437.

³⁰ Dogan & Lemley, *supra* note 19, p. 461-463.

³¹ There are several reasons and theories underlying this conclusion. Logically, however, it is the fact that competing/concurrent use affects the control of a valuable commodity that lies at the heart of the discussion. Critics of the merchandising right argue that *effect on the market*, not on the trademark owners ability to control 'their' mark, should be decisive. Spyros M. Maniatis discusses the right-based rationale of trademark protection as property: "A right over some object means that the right holder can determine the object's destiny, therefore rights endow the right holder with power, yet rights themselves do not stem from that power"..."The marketplace is constantly changing, creating new arenas of appropriation where the exclusionary property role of trademarks as a regulatory tool needs to be justified. Otherwise, trade mark law will succumb to the fallacy that whatever has value is also worth protecting — or that what is worth copying is also worth protecting — and will become a tool in the hands of competing actors rather than a relational and justified system of protection." internal references omitted. Spyros M. Maniatis, 'Trademark Rights— A Justification Based on Property', [2002] I.P.Q.: No.2 123 (Maniatis 2002) at 126 and 128.

³² Property theory, however strongly advocating for preserving private property, recognizes that the property right is really a bundle of rights that can vary depending on market values and laws. Harold Demsetz, 'Toward a Theory of Property Rights', 57 Am. Econ. Rev. Pap. & Proc. 347-358 (1967) p. 347-348. William P. Landes and Richard Posner, *The Economic Structure of Intellectual Property Law*, Harvard University Press, (2003) p. 11.

Figure 13.1 The Olympic symbol

It consists of the Olympic rings alone, whether delineated in a single color or in different colors. Article 1 of the Nairobi Treaty on the Protection of the Olympic Symbol obligates to refuse or invalidate the registration of a mark and to prohibit by appropriate measures the use, as a mark or other sign for commercial purposes of any sign consisting of or containing the Olympic Symbol, as defined in the Charter of the International Olympic Committee, except with the authorization of the International Olympic Committee.³³

The form of trademark protection set forth in the Nairobi Treaty translates into a market position of the trademark holder, i.e., the International Olympic Committee that at least to some extent is related to marketing revenue. Table 13.1 shows the Olympic marketing revenue.

Table 13.1 Olympic marketing revenue

Source ³⁴	1993–1996	1997–2000	2001–2004	2005–2008
	US\$	US\$	US\$	US\$
Broadcast	1,251,000,000	1,845,000,000	2,232,000,000	2,570,000,000
TOP Programme ³⁵	279,000,000	579,000,000	663,000,000	866,000,000
Domestic Sponsorship	534,000,000	655,000,000	796,000,000	1,555,000,000
Ticketing	451,000,000	625,000,000	411,000,000	274,000,000
Licensing	115,000,000	66,000,000	87,000,000	185,000,000
Total	2,630,000,000	3,770,000,000	4,189,000,000	5,450,000,000

Every trademark owner enjoys an unabridged monopoly on trademark licensing, since compulsory licensing of trademarks is prohibited by Article 21 of the TRIPS Agreement.³⁶ The absolute right to the Olympic symbol trademark arguably facilitates the revenue incurred by licensing, including the TOP Program, as well as domestic sponsorship. The TOP program is the worldwide sponsorship program managed by the IOC. It provides each Olympic partner with exclusive global marketing rights and opportunities within a designated product or service category. The global marketing rights include partnerships with the International Olympic Committee, all active National Olympic Committees and their

³³ Nairobi Treaty on the Protection of the Olympic Symbol adopted in Nairobi September 26, 1981.

³⁴ Olympic Marketing Fact File, p. 6, available at http://www.olympic.org/Documents/FactFile25_11.pdf, “Olympic Marketing Revenue: The Past Four Quadrenniums. All figures in the chart above have been rounded to the nearest US\$1 million. N.B. Does not include NOC domestic commercial programme revenues.”

³⁵ “The Olympic Partners (TOP) programme is the worldwide sponsorship programme managed by the IOC. ... The TOP programme provides each Olympic partner with exclusive global marketing rights and opportunities within a designated product or service category. The global marketing rights include partnerships with the IOC, all active NOCs [National Olympic Committees] and their Olympic teams, and the two OCOGs and the Games of each quadrennium.” Olympic Marketing File, p. 11. See *supra* note 5.

³⁶ Under EU law a trademark owner cannot erect artificial barriers to trade by way of trademark licensing Case 10/89 *HAG AF* [1990] ECR I-3711 at 13). However, no entity can decide whether to license or to whom other than the trademark owner.

Olympic teams, and the two Organizing Committees of the Olympic Games and the Games of each quadrennial.

Table 13.2³⁷ shows the evolution of the TOP program, a program that was at least in part enabled by the merchandising right conferred by the Nairobi Treaty.

Table 13.2 Evolution of the TOP program

Quadrennium	Games	Partners	NOCs	Revenue US\$
1985-1988	Calgary/ Seoul	9	159	96 million
1989 – 1992	Albertville / Barcelona	12	169	172 million
1993 – 1996	Lillehammer / Atlanta	10	197	279 million
1997 – 2000	Nagano / Sydney	11	199	579 million
2001 – 2004	Salt Lake / Athens	11	202	663 million
2005 – 2008	Torino / Beijing	12	205	866 million

The economic value of all or next to all sponsorship lies in the ensured right of visibility guarded by the exclusive right to broadcast the Olympic Games. National broadcasting companies have to buy at a price set by the seller, who enjoys an absolute monopoly. The content is also controlled exclusively by the IOC, and it is this part of the broadcasting monopoly that is most closely enabling the trademark monopoly.³⁸ Thus, the broadcasting monopoly inevitably benefits the trademark monopoly and vice versa.

The determination of whether the merchandising right in a trademark acquired through the Nairobi treaty, is justified, should not be possible without considering the underlying broadcasting monopoly. Likewise, the question of whether imminent market failure would ensue lest trademarks or broadcasting rights are protected cannot be determined in isolation.

The Olympics are unique, and the question of whether such strong protection is justified is not easily determined. Due to the event's symbolic value the protection is likely based upon moral values rather than economic ones. Accurately so, not everything has to be justified with economic values.³⁹ The Olympics seem to protect a public rather than a purely

³⁷ Olympic Marketing Fact File p. 11. See *supra* note 5.

³⁸ Kitch argues that intellectual property rights and especially trademark rights do not confer a monopoly on their holder. Nevertheless, he notes that there are circumstances under which intellectual property rights, namely patents, can confer a monopoly on their holder. For the purpose of determining whether a monopoly exists, it is relevant to consider the market share of the actor in question. Since the IOC, in our case, is the only actor on the market, and enjoys exclusive rights to broadcast and exclusive rights to trademark licensing, it is safe to assume that the IOC in fact enjoys an economic monopoly. Kitch, Edmund, 'Elementary and Persistent Errors in the Economic Analysis of Intellectual Property Rights', 53 Vand.L.Rev.1727 (2000) at 1729–1730 and 1734.

³⁹ Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 35. Opinion of Advocate General Tizzano in Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy*, 9.12.2004, at 64–72.

private interest, and in the late 1970s, the venture seemed to be losing money and on-site spectators, due to expensive tickets. Yet, the cost involved in arranging the Olympic Games were continually increasing with the requirement of state-of-the-art facilities for an increasing number of Olympic sports from an ever-greater number of nations. Thus, market failure was arguably foreseeable. Speculation on past events and the prevailing market situation at a historic point in time is, however, not fruitful. It suffices here to say that the argument for absolute control of the mark for commercial exploitation can be considered warranted morally, economically and legally.

The example of the Olympics can be particularly useful, when considering whether other sports events or activities should enjoy similar trademark protection. The Nairobi Treaty shows us, that despite its strength, the protection was tailored quite narrowly. It included only one trademark, the Olympic rings and only in their traditional interlaced formation. The protection given included colors or black and white.⁴⁰ The word marks Olympics, Olympic Games, Olympiad are outside the area of protection both as part of a figure mark and as word marks as such.⁴¹ The IOC has had to apply for, and enjoys traditional trademark protection for any other trademarks than the Olympic Rings. What might also be of relevance is the public nature of the international venture, as well as the representative nature of the IOC.

Thus, in considering whether trademark protection is justified, we need to consider whether;

- 1) protection is justified from a moral, legal or economic standpoint, that serves
 - a. public or
 - b. private interest, and
- 2) non-protection would lead to market failure
 - a. using a holistic approach⁴² not restricted to one field of IP
 - b. with a trademark-centric⁴³ view with emphasis on unfair competition.

⁴⁰ Nairobi Treaty, see *supra* note 33.

⁴¹ These word marks may enjoy protection similar to that conferred by the Nairobi Treaty under national law, see for example the Amateur Sports Act, 36 U.S.C. 380, as interpreted by the Supreme Court in *San Francisco Arts and Athletics Inc. v. US Olympic Committee*, 483 US 522 (1987).

⁴² Hilty, at 47 and 51, see *supra* note 1.

⁴³ It is true that the *trademark* takes a central position in trademark infringement analysis and consequently that the trademark owner's interests are protected. After all the civil law statutes confer negative rights to one party only; the trademark owner. In recent years, this statutory construction has been read by many courts to equal near absolute protection of the trademark *owner's interests*. I argue that this does not constitute the true premise of trademark law. The trademark owner's interests are protected only to the extent conferred by statute. We have learned from settled EU trademark case law that it is limited to instances when the trademarks ability to guarantee the origin of goods or services, that is the ability to distinguish the trademark owner's goods from the goods of another, is threatened. When there is no threat, there is no protection. Thus, while the trademark is at the heart of the analysis both trademark and unfair competition law interests and issues are raised. To avoid the misleading term proprietor, I would like to call the court's approach trademark centric. On the history of the competing interests in trademark law, see Kur, Annette, 'Well-Known Marks, Highly Renowned Marks and Marks Having a (High) Reputation: What's It All About?' IIC 1992, 218–231, at 218–219. Hereinafter Kur (1992).

What does ‘absolute’ protection entail? Is protection absolute in geographical scope, across all product categories, covering non-commercial uses or even as broad as an exclusive ‘right to authorize use’ translating into a *right to prevent all unauthorized marketing that interferes with the exclusive right of authorization*? We focus next on building a context in which such consideration may take place. We begin by reviewing the different forms of trademark protection and their evolution within contemporary EU trademark law. Next, the limits on the effect of the trademark in EU trademark law are discussed.

3. WELL-KNOWN MARKS, FAMOUS MARKS AND ORDINARY TRADEMARK INFRINGEMENT

This section focuses on what forms of protection are available to marks that may constitute a commodity in themselves. It is presumed that a merchandising right stems from one or several marks registered for the primary sports related activity that enjoy a certain amount of fame. Therefore, it is also presumed that they would qualify for extended protection under trademark or unfair competition laws and these rights would be exercised to the fullest. This presumption rests on the fact that the mark has to have value in order to successfully serve as a commodity. Value is based on consumer recognition, i.e. fame that makes the mark a desirable asset to other commercial actors than the trademark owner.⁴⁴

It is therefore necessary to define at least to some extent the different avenues for protection and their limits under current international and EU trademark law. The cases are approached from the point of view of a national judge, indicating the extent of protection and possible difficulties surrounding interpretation in practice.⁴⁵ The aim is not to criticize the cases, but to sketch a conceptual and normative framework in which the modes of protection and legal reasoning operate.⁴⁶

⁴⁴ Whether the trademark owner is the gate-keeper to a valuable forum, which attracts others for visibility of their own marks, is not important at this junction, where it is asked when and to what extent *trademark protection* is normatively justified. It becomes relevant, when asking when and to what extent *merchandising protection* is morally, economically or legally justified.

⁴⁵ It is presumed here that whether or not there is *inner logic* to EU trademark law that the interpretation of judicial decisions is far from straight-forward or clear. The thorough *contextual discussion* of EUCJ cases is therefore not trivial, but could serve a purpose for national judges that are not necessarily familiar with the intricacies of EU trademark law. Normative constraint is however exercised, which strictly limits the discussion to the attempts of the EUCJ to create a *new* normative framework for EU trademark law. It follows that this new framework is not interpreted in light of old national doctrines. Informed by traditional trademark law and its historical and contemporary development the contextual approach employed here, however, searches for similar limits in the new places that the EUCJ indicates that they exist. For a critique of the case-law of the EUCJ on limitations, see Tobias Cohen Jehoram, Constant van Nispen and Tony Huydecoper, *European Trademark Law Community Trademark Law and Harmonized National Trademark Law*, Wolters Kluwer (2010) p. 384-389.

⁴⁶ The cases are read as authoritative statements of the law that presumably follow certain *normative logic*. It is not the purpose of this article to test the justification of normative logic against e.g. national doctrines or general principles of trademark law. It is argued that the general principles of EU trademark law take form, when reading the cases together. While it is not a complete picture of how such principles operate in EU trademark law, it nevertheless constitutes a *legitimate basis* for which the EUCJ can build on. There are signs that the EUCJ views the concept of ‘honest practices in industrial and commercial matters’ as a broader concept that defines and restricts the concept of

3.1 Protection for Well-Known Marks

Paris Convention Article 6bis
Marks: *Well-Known Marks*

- (1) The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.

International protection for non-registered trademarks is conferred only on marks that can be considered internationally well-known. Although the trademark owner is not required to have registered or used⁴⁷ the mark on goods in the relevant country, protection can be granted based on the trademark being well-known in the country in question. Article 16 (2) of the TRIPS Agreement extended protection to services. Determination of whether a mark is well-known, should take into account the knowledge of the trademark in the relevant sector of the public, including knowledge that has been obtained as a result of promotion of the trademark.⁴⁸ The latter focus on advertising is of course essential, since the mark generally has not been used in the traditional trademark sense, in the country in question.

A joint recommendation concerning the provisions on the protection of well-known trademarks was adopted by the Assembly of the Paris Union and the General Assembly of the World Intellectual Property Organization (WIPO) in 1999.⁴⁹ A group of experts on international trademark law recommended a flexible approach according to which any circumstances indicating that a mark is well-known may be taken into account.⁵⁰ Factors that may be relevant are:

⁴⁷ the essential function of trademarks. Case C-17/06 *Céline SARL v Céline SA* [2007] ECR I-07041 and Case C-558/08 *Portakabin v. Primakabin* [2010] ECR I-0000.

⁴⁸ Kelbrick, Roshana, 'The Term Well-Known in South African Trade-mark Legislation: Some Comparative Interpretations', XXXVIII CILSA 2005 p. 435–52 (Kelbrick 2005), at 436.

⁴⁹ Article 16(2) of the Agreement on Trade-Related Aspects of Intellectual Property Rights (The TRIPS Agreement) is Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization, signed in Marrakesh, Morocco on 15 April 1994.

⁵⁰ Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks, adopted by the Assembly of the Paris Union and the General Assembly of the World Intellectual Property Organization at the Thirty-Fourth Series of Meetings of the Assemblies of the Member States of WIPO, September 20 to 29, 1999.

The Joint Recommendation is treated as a soft law document. Some commentators argue for attaching a legal obligation onto member states due to general adherence to the recommendation. See Study on the Overall Functioning of the European Trade Mark System presented by Max Planck Institute for Intellectual Property and Competition Law Munich on 15.2.1011 available at

http://ec.europa.eu/internal_market/indprop/tm/index_en.htm and Martin Sennfleben, The Trademark Tower of Babel, 40 IIC 1/2009 45-77 at 51-53.

- a) the degree of knowledge or recognition of the mark in the relevant sector of the public; b) the duration, extent and geographical area of any use of the mark; c) the duration, extent and geographical area of any promotion of the mark, including advertising or publicity and the presentation, at fairs or exhibitions, of the goods and services to which the mark applies; d) the duration and geographical area of any registrations, and/or any applications for registrations, of the mark, to the extent that they reflect use or recognition of the mark; e) the record of successful enforcement of rights in the mark, in particular, the extent to which the mark has been recognized as well known by competent authorities; and f) the value associated with the mark.⁵¹

A confusingly similar application for identical or similar goods or services is generally refused *ex officio*, but can also be triggered by an application by the trademark owner with reference to Article 6 *bis* of the Paris Convention. Most countries today have incorporated Article 6 *bis* into their national laws.⁵² The same is true for the EU Trademark Directive⁵³, which incorporates the provision in Article 4 (2) (d). Protection does not extend to dissimilar products, unless otherwise provided by national unfair competition law,⁵⁴ a field which, unlike trademark law, is not harmonized in the European Union.⁵⁵

⁵¹ Joint Recommendation, see *supra* note 49, at p. 6.

⁵² Kur (1992) at 219 see *supra* note 43.

⁵³ Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks OJ L 40, 11.2.1989, p. 1-7. Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks, OJ L 299/25, p. 25-33 (Trademark Directive).

⁵⁴ Article 16(3) of the TRIPS Agreement loosened the similarity requirement to allow for protection of well-known marks against use on dissimilar goods or services, when there is a connection between the uses and that connection damages the interests of the well-known marks holder. This provision should not be confused with protection for famous marks on the national level.

⁵⁵ Kur, Annette, 'Fundamental Concerns in the harmonization of (European) trademark law', at 169, in Dinwoodie, Graeme & Janis, Mark (Eds.), *Trademark Law and Theory A Handbook of Contemporary Research* Cheltenham, Edward Elgar Publishing, 2008, p. 151–176. Hereinafter Kur (2008).

Do defenses⁵⁶ apply, when well-known marks are in question? In South Africa two decisions have held in favor⁵⁷ of BMW against re-sale and repair services, where the court concluded that defenses do not apply against well-known marks protected under Article 6 *bis* of the Paris Convention. The marks E30, E36 and E46, were not registered, but widely used

⁵⁶ Defences are treated differently in civil and common law systems. First, a typical civil law trademark statute confers negative rights to the trademark owner, but hardly any to the defendant. Defendants rights are implicitly taken into account in statutory interpretation. Second, it is counterintuitive to make conclusions based on facts (inductive reasoning) in a system based on reasoning that deduces the law from general principles. Traditionally only common law systems explicitly and exhaustively include available defences in the statutory text. Legal concepts and tests thus naturally develop in common law to further refine the decision-making process and enable categorical statements about the law. With each brick that is laid there is no way back, without overruling prior precedent. The more refined the rules the more certainty exists in the legal system. In contrast, civil law systems usually list only causes of action and some limits on the acquired rights in the statutory text. The acquired right is subject to numerous implicit limitations, when tested against the general principles of law operating in the legal system as a whole. Unlike, the common law where a single decision may lay the groundwork for a categorical exclusion, the “stare decisis” of a civil law decision is which general principles interacted and how in the case at hand. Categorical conclusions may be drawn from a decision, but this is not always the case. A civil law court may affirm several valid interpretations of a general principle. Because of the authoritative influence of general principles of law within the civil law system, and the near impossibility of overruling such general statements, the court treads carefully in relatively new, *contested* areas of law. Once the debate has raged and a body of lower level decisions has developed the question of law is ripe for inclusion in the network of general principles. A systemic consequence of the civil law system is that an affirmative statement of validity carries no *e contrario*-value. The acceptance of an approach thus carries precedential value, while the rejection of another approach does not preclude the valid use of it in another setting. All decisions are presumptively consistent with the general principles of law and an interpretation to the contrary is invalid. Certainty within the system is maintained by way of repetition, thus, rather than overruling prior rulings, the EUCJ has a tendency to reaffirm parts of its rulings that support coherence and ignore or recast statements that have subsequently proven inconsistent with the general theoretical framework of law. Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 47 arguably recasting Case C-337/95 *Parfums Christian Dior* [1997] ECR I-6013, and Case C-63/97 *Bayerische Motorenwerke AG (BMW) and BMW Nederland BV v. Deenik* [1999] ECR I-905, in favor of a more flexible ruling despite explicit reference to the ‘consistent’ practice of the court in all three cases at 41. See also Guy Tritton, Richard Davies, Michael Edenborough, James Graham, Simon Malyniz and Ashley Roughton, *Intellectual Property in Europe*, (3rd Ed. 2008) hereinafter Tritton et al. on the EUCJ subsequent treatment of the ruling in the BABY-DRY-case (Case C-383/99P *Procter & Gamble v. OHIM* [2001] ECR I-6251) at 273.

⁵⁷ It is certainly possible that the court was influenced by *how* the marks were used indeed it seems the court determined that the marks were protectable trademarks based on how the defendant had used them. Since the *cases are used as an example* of how extended protection of *unregistered marks* is or can be interpreted in practice (not theory), it is of great interest that the court did not have to reach this conclusion based on the evidence before it see See Roshana Kelbrick, New Trademark Infringement Provisions: How Have the Courts Interpreted Them? (2007) 19 SA Merc LJ 86 (Kelbrick 2007) at 95. Indeed, the defendants were found to infringe the *registered* trademarks of BMW. Courts are often asked to rule on infringement, dilution and unfair competition based on the same conduct by the defendant. However, the case only turns on dilution (renowned registered marks) or unfair competition (here well-known unregistered marks), when confusion cannot be shown. These cases are rare and therefore thorough *assessment* of these claims is *not common*. It could be argued that some cases involving well-known or famous marks are so clearly unfair and therefore it may explain a seemingly odd (theoretically and doctrinally) outcome. The purpose here, to which the cases are used, is to *test the soundness of the outcomes in light of the provisions and their purpose*. The odder the outcome in light of theoretical and legislative background of the protection (yet viewed as routine) the more justified stricter scrutiny would seem, irrespective of whether protection extends to the factual setting or not. The practical example is used to depict the situation in which it is before the national judge and allow a discussion searching for practical tools that could aid in reaching an outcome consistent with the normative basis of the type of protection. The approach starts from the grass-root (case-specific setting on national level) instead of the top (legislative history on the international level).

by BMW in South Africa and abroad.⁵⁸ *Kelbrick* criticizes this interpretation, since well-known marks protection “was introduced to protect the interests of traders who had not yet expanded to a particular market, not to avoid the legitimate defenses available to persons who have used the trademarks of others”⁵⁹ BMW was present on the South African market and held several registrations. The E-codes, however, had not been registered. In most countries such a case would be decided under unfair competition law or even trademark law, where the burden is on the plaintiff to prove rights in the mark. If rights are established the plaintiff must prove that infringement has occurred. Use of a mark for descriptive purposes, i.e., to describe the goods or services or their qualities, characteristics or nature, is exempt from uses that the trademark owner can prevent. By claiming protection under Article 6 *bis*, BMW were only required to prove the marks well-known to enjoy absolute protection.

This interpretation of well-known marks protection is not in line with its purpose or common interpretation.⁶⁰ First, as most protection on the international level, Article 6 *bis* is focused on protection against uses in bad faith. A use for descriptive purposes is generally accepted, thus, such a use is one in good faith. Secondly, a typical scenario where Article 6 *bis* applies is when a mark of global fame has not been used in the country where protection is sought. The South-African case, where the fast-food restaurant McDonald’s successfully claimed Paris 6 *bis* protection against earlier fast food restaurants that had taken advantage of the international embargo, is a case on-point.⁶¹ Third, protection for non-registered mark is only exceptionally regulated by international law; in fact Article 6 *bis* is such an exception. To interpret it to cover all situations where unregistered marks are used and to allow one element for protection i.e. fame, to conquer all, would amount to creating an international unfair competition law out of an exception. Such an interpretation is not plausible.⁶²

The European Union Court of Justice (EUCJ) has not considered a case relating to well-known marks protection within the meaning of Article 6 *bis* of the Paris Convention, Article 16(2) of the TRIPS Agreement or Article 8 (2) (c) of the Community Trademark Regulation (CTMR).⁶³ The EU General Court (EUGC) has heard one case, where Article 8 (2)(c) CTMR was at issue. The court made reference to the Joint Recommendation

⁵⁸ Some countries require registration, some use, for conferring rights in a trademark. Others protect both non-registered, i.e. used, and registered marks. Yet, others confer only 6bis protection to unregistered marks. Regardless of initial requirements for protection most countries require at least some use of the mark in commerce for the maintenance of rights in a mark. Dinwoodie, Graeme & Janis, *Mark, Use, Intent to Use and Registration in the USA* (Dinwoodie & Janis 2005), at 313–314, and Klein, Sheldon H. & Norton, N Christopher, *The Role of Trade Mark Use in US Infringement, Unfair Competition and Dilution Proceedings* at 330, in Phillips, Jeremy & Simon, Ilanah (Eds.), *Trade Mark Use* (2005). Kur (1992), at 219 see *supra* note 43.

⁵⁹ *Kelbrick* 2005, *supra* note 47, at p. 95, see *supra* note 57.

⁶⁰ *Kelbrick* 2005, *supra* note 47, p. 95 criticizing the decisions and p. 86-87, discussing the different origins of the two types of protection.

⁶¹ *McDonald's Corporation v. Dax Prop CC & Another; McDonald's Corporation v. Joburgers Drive-Inn Restaurant (Pty) Ltd &Another; McDonald's Corporation v. Joburgers Drive-Inn Restaurant (Pty) Ltd &Another and Dax Prop CC & Another*, 1997 1 SA 1 (A). *Kelbrick* 2005 at p. 438–39, see *supra* note 47.

⁶² Note cases before the OHIM and the South African example, *infra*, were plaintiffs nonetheless assert protection for unregistered marks based on Article 6 bis PC, *infra* note 75.

⁶³ Council Regulation 207/09 of 26 February 2009 on the Community trade mark OJ L 78, 24.3.2009, p.1-42 codifying previous Council Regulation 40/94 of 20 December 1994 on the Community trade mark OJ L 11, 14.1.1994, p. 1. (hereinafter CTMR)

Concerning the Provisions on the Protection of Well-known Trademarks adopted by the Assembly of the Paris Union and the General Assembly of the WIPO and, in light of the recommended standards, found the evidence put for it insufficient.⁶⁴

According to the 70 reported decisions on CTMR 8 (2) (c) by the Board of Appeal at the Office of Harmonization in the Internal Market (OHIM), only one, succeeded on the basis of CTMR Article 8 (2) (c), that is, for being well-known within the meaning of Article 6 *bis* of the Paris Convention.⁶⁵ Some mark holders have satisfactorily proven well-known status before the Opposition Division.⁶⁶ The otherwise successful cases, but whose claim for well-known mark protection was rejected, show the wide-ranged confusion on the topic. Protection was claimed for registered marks,⁶⁷ for use on dissimilar goods,⁶⁸ and when the marks were neither famous nor similar.⁶⁹ The fame of one mark cannot be transferred to another in order to receive broader protection.⁷⁰ Conversely, well-known marks protection is unnecessary, when likelihood of confusion has been shown.⁷¹ This last holding seems to support the interpretation that Article 6 *bis* was intended to protect trademark owners whose marks did not already enjoy protection in the territory in question. However, as also noticed by the Board of Appeal, the question of renown of (all relevant) marks is a vital aspect of the assessment of likelihood of confusion and is thus a necessary part of the global assessment.⁷² Proving well-known status is beneficial for proving renown however, proving renown does not necessarily amount to protection of unregistered marks.⁷³

⁶⁴ Case T-420/03, *El Corte Ingles, SA v. Office for Harmonisation in the Internal Market*, [2010] ECR II-837 at para 80.

⁶⁵ *Old Blue S.p.A. v. S.A. Confiserie Leonidas*, Decision of the Fourth Board of Appeal 19.5.2009 at para 33. The owner of the well-known mark was successful in showing renown for goods, but not for services.

⁶⁶ Harri Salmi, Petteri Häkkänen, Rainer Oesch, Marja Tommila, *Tavaramerkki*, Helsinki, Talentum (2008) at 400.

⁶⁷ *TorreFaccio Camelo, LDA. v. Japan Tobacco Inc.*, Decision of the Second Board of Appeal 22.2.2006 at para 33; *Ragdoll Limited v. Triunfo Produtos Alimentares, S.A.*, Decision of the Second Board of Appeal 2.7.2004 at para 46–47.

⁶⁸ *Losberger GmbH v. Hanwha Polydreamer Co., Ltd.*, Decision of the Fourth Board of Appeal 18.5.2009 at para 29; *Isabella Productiones S.A. v. Factoria de Informacion, S.A.*, Decision of the Second Board of Appeal 11.3.2008 at para 39; *Elleni Holding B.V. v. SIGLA, S.A.*, Decision of the Fourth Board of Appeal 16.8.2007 at para 39–41; *Formula One Licensing B.V. v. Produits Petroliers Organisation S.A.*, Decision of the First Board of Appeal 17.12.2002 at para 38–39, 43.

⁶⁹ *Formula One Licensing B.V. v. Produits Petroliers Organisation S.A.*, Decision of the First Board of Appeal 17.12.2002 at para 38–39, 43.

⁷⁰ *Erika Schindler v. Georges RECH S.A.*, Decision of the Fourth Board of Appeal 26.9.2006 at para 37.

⁷¹ *Colgate-Palmolive Company v. Sangi Co., Ltd.*, Decision of the Third Board of Appeal 14.9.2001 at para 18–20; *Elleni Holding B.V. v. SIGLA, S.A.*, Decision of the Fourth Board of Appeal 16.8.2007 at para 39–41.

⁷² *Societe des Produits de Nestle S.A. v. Mars Incorporated*, Decision of the Third Board of Appeal 31.10.2001 at para 21–23, 25, 28–29.

⁷³ *Societe des Produits de Nestle S.A. v. Mars Incorporated*, Decision of the Third Board of Appeal 31.10.2001 at 21–23, 25, 28–29.

3.2 Protection for Reputed Marks

Introduction

Unlike protection for well-known marks, the protection for reputed marks focuses on national or regional protection for registered marks.⁷⁴ Although wording similar to reputed marks protection can be found in Article 16 (3) of the TRIPS Agreement, there is no international minimum standard that requires member states to provide for additional protection for reputed marks within their national laws.⁷⁵ The EU Trademark Directive first introduced additional protection for reputed marks on the international level by harmonizing the trademark laws of the EU member states. Protection was two-fold.⁷⁶ The concept of likelihood of confusion, which is required for a showing of traditional trademark infringement, was extended to include likelihood of association between the marks in Article 5.1 (b) of the Trademark Directive. Second, a new form of protection altogether was introduced in Article 5.2.⁷⁷ The case-law of the EUCJ has thus naturally considered the

⁷⁴ Kur (1992), at 223, see *supra* note 43.

⁷⁵ Article 16 (3) of the TRIPS Agreement reads: “Article 6bis of the Paris Convention (1967) shall apply, *mutatis mutandis*, to goods or services which are not similar to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademark and provided that the interests of the owner of the registered trademark are likely to be damaged by such use.” The wording extends the protection for well-known marks from identical or similar goods to goods that are not similar. Unlike protection for famous marks, Article 16 (3) of TRIPS requires likelihood of confusion on the part of the public to be shown. Such a showing is not necessary for the famous marks protection. Paris Convention for the Protection of Industrial Property of March 20, 1883, as revised at Brussels on December 14, 1900, at Washington on June 2, 1911, at The Hague on November 6, 1925, at London on June 2, 1934, at Lisbon on October 31, 1958, and at Stockholm on July 14, 1967, and as amended on September 28, 1979.

⁷⁶ As noted in the 10th recital of the preamble of the Trademark Directive the use of an identical mark for identical goods or services triggers a presumption of infringement. Protection under Article 5.1 (a) thus, allows for strengthened protection for both ordinary and famous marks in the case of double-identity. As we will see in this chapter, this protection is not absolute, but subject to the exceptions in Article 6 of the Trademark Directive.

⁷⁷ National unfair competition or trademark laws had long recognized the special nature of renowned marks and the need for their protection under different doctrines, such as Frank Schechter’s theory (Frank Schechter, ‘The Rational Basis for Trademark Protection’, 40 Harv. L. Rev. 813 (1927)) recognizing absolute protection against dilution by blurring, the Kodak-doctrine, the Rat Poison-doctrine, Abstandslehre (theory of distance) or the action for passing-off in the UK. The difference between these doctrines is whether harm to a renowned mark is a question of law or question of fact, and even if protection follows as a matter of law, what procedural, factual or evidentiary constraints there are on enforcing the right in practice. See William Cornish, Intellectual Property: Omnipresent, Distracting, Irrelevant?, Oxford University Press (2004) p. 87 hereinafter Cornish (2004) at 87 footnote 42: “In passing off and unfair competition, the comparison is between the actual trading practices of claimant and defendant at the date when action commences. At least comparison is not with the claimant’s mark as *registered*, which is the basic test in EU law.” (emphasis original). See Michael Lehmann, ‘Unfair Use of and Damage to the Reputation of Well-Known Marks, Names and Indications of Source in Germany. Some Aspects of Law and Economics’, IIC 1986, 17(6) 746-767 p. 766 “the principle of free competition and its corollary theory of freedom to imitate cannot generally provide justification for *the selection* of a trademark or company name as near as possible to famous marks or names, on the contrary, this establishes a well-founded presumption that *an attempt is being made to tap another’s marketing efforts* without authorization for the promotion of one’s own competition. After all, in the area of creating designations and their accompanying advertising, the observance of a creative distance is demanded...in the field of designations, there is namely enough latitude for individual creative efforts.” (Author’s emphasis) Thus, while national examples on protecting (or not) renowned marks are abundant they are by no means one and the same; nor

protection of famous marks under both the provision for “ordinary” trademark infringement, as well as, under the “famous marks” provision of Article 5.2.

Article 5 of the Trademark Directive, in relevant part, reads as follows:

- (1) The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:
 - a. any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered;
 - b. any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark.
- (2) Any Member State may also provide that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered, where the latter has a reputation in the Member State and where 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
- (3) The following, *inter alia*, may be prohibited under paragraphs 1 and 2:
 - a. affixing the sign to the goods or to 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.
- (5) Paragraphs 1 to 4 shall not affect provisions in any Member State relating to the protection against the use of a sign other than for the purposes of distinguishing goods or services, where 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.

Reputed marks may receive protection under Article 5.1 a), Article 5.1 b) and Article 5.2 of the EU Trademark Directive, although renown may, or not, influence the scope of protection. However, even when a presumption of infringement is triggered under Article 5.1 a) and the reputation of the mark is considered as an aggravated factor, the protection is not absolute, as the EUCJ stated in its Grand Chamber –ruling in *Céline SARL v. Céline SA*.⁷⁸

could these national doctrines be interpreted as *reached consensus* on protection for renowned marks as a rule rather than exception. Cornish 2004, at 87 discussing how the EUCJ forced change to the UK view “[b]ut rule it is, at least for the present.” See also Ilanah Simon Fhima, Dilution by Blurring: A Conceptual Roadmap, [2010] I.P.Q.: No. 1, 44-87 at 84 concluding thoughts on theoretical approaches to dilution by blurring.

The language of the Trademark Directive was ‘new’, since it is not clearly traceable to any of these doctrines. See J. Thomas McCarthy, ‘Dilution of a trademark: European and United States law compared’ p. 159-174 in David Vaver and Lionel Bently (Eds.) *Intellectual Property in the New Millennium Essays in Honour of William R. Cornish*, (Paperback Ed. 2010) (McCarthy 2010) p. 160. The EUCJ has since confirmed that the protection is ‘new’ in the sense that it is something different from previous national or international forms of protection.

⁷⁸ Case C-17/06 *Céline SARL v Céline SA*, [2007] ECR I-07041, at 32.

The use can still be permissible under Article 6 of the EU Trademark Directive. Prior to considering the limits on the trademark holder's right, it is necessary to review the prerequisites for protection, and most importantly how fame influences the assessment.

Consumer understanding

In *Adidas v. Fitnessworld* the EUCJ considered the effect of a finding of fact that the public views the defendant's sign not as a trademark, but as an embellishment, on the trademark proprietor's ability to invoke Article 5.2 of the Trademark Directive. Adidas sought to prevent the use by Fitnessworld of two stripes on athletic wear in the Netherlands, where it arguably was clear that the defendant's use was not likely to confuse the general public. The Hoge Raad referred the following question to the EUCJ:

If the sign alleged to be infringing is viewed purely as an embellishment by the relevant section of the public, what importance must be attached to that circumstance in connection with the question concerning the similarity between the mark and the sign?

Although the use was made on the same or similar products, and the wording of Article 5.2 only refers to use on dissimilar products, it is settled case law that a trademark holder, nonetheless, may rely on Article 5.2.⁷⁹ The EUCJ stated that the fact that a mark is generally viewed as an embellishment will not, of itself, prevent the later mark from being infringing.⁸⁰ However, if the national court makes the finding of fact that the relevant section of the public views the mark *purely* as an embellishment, the requisite link between the marks is absent, and therefore there can be no dilution of the earlier mark.⁸¹

In a later case based on similar facts it was asked, if it makes any difference whether the signs which are to be held available are seen by the relevant public as being signs used to distinguish goods or merely to embellish them?⁸² The EUCJ rejected the principle of a need to leave free, based on the German concept "Freihaltebedürfnis". It is settled case law that a general need to leave free is not an individual element that must be considered in the overall assessment of infringement, likelihood of confusion or detriment or harm under Article 5 of the EU Trademark Directive.⁸³ Unlike its previous ruling, the court held that the fact that the public views the mark purely as an embellishment cannot prevent a finding of infringement,

⁷⁹ Case C- 487/07, *L'oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v. Bellure NV, Malaika Investments Ltd and Starion International Ltd*, [2009] ECR I-5185, at 35 referring to Case C-292/00 *Davidoff* [2003] ECR I-389, para 30; *Adidas-Salomon and Adidas Benelux*, paras 18 to 22; and *adidas and adidas Benelux*, para 37.

⁸⁰ Case C-408/01 *Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd.*, [2003] ECR I-12537 at 39.

⁸¹ Case C-408/01 *Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd.*, [2003] ECR I-12537 at 40.

⁸² Case C-102/07 *Adidas AG, Adidas Benelux BV v. Marca Mode CV, C&A Nederland CV, H&M Hennes & Mauritz Netherlands BV and Vendex KBB Nederland BV*, [2008] ECR I-02439.

⁸³ The Advocate General discussed the incompatibility of this German concept with EU law at length in Opinion in Case C-102/07 *Adidas AG, Adidas Benelux BV v. Marca Mode CV, C&A Nederland CV, H&M Hennes & Mauritz Netherlands BV and Vendex KBB Nederland BV* delivered on January 16th, 2008, at 33–45.

when the “sign is so similar to the registered trade mark that the relevant public is likely to perceive that the goods come from the same undertaking or, as the case may be, from economically-linked undertakings”.⁸⁴ When considering whether the capacity of the trademark to indicate origin is endangered, the degree of similarity between the marks and the degree of fame of the earlier mark is relevant.

The more the mark is well known, the greater the number of operators who will want to use similar signs. The presence on the market of a large quantity of goods covered by similar signs might adversely affect the trade mark in so far as it could reduce the distinctive character of the mark and jeopardise its essential function, which is to ensure that consumers know where the goods concerned come from.⁸⁵

This conclusion is also apparent from the court’s ruling in *Budweiser*,⁸⁶ where the court, clarifying *Arsenal*,⁸⁷ discusses the type of uses that constitutes infringement:

[The required link is established], in particular, where the use of that sign allegedly made by the third party is such as to create the impression that there is a material link in trade between the third party’s goods and the undertaking from which the goods originate. It must be established whether the consumers targeted, including those who are confronted with the goods after they have left the third party’s point of sale, are likely to interpret the sign, as it is used by the third party, as designating or tending to designate the undertaking from which the third party’s goods originate.⁸⁸

The required link

A link in the mind of the public is necessary for a finding of infringement. However, such a link is not in and of itself, sufficient to establish harm.⁸⁹ Whether the requisite link exists, is to be determined by an overall assessment, taking account of all relevant factors in the case at hand.⁹⁰ The EUCJ has reiterated some factors that are relevant to the inquiry as well as how these factors operate, in relation to marks of different degree of distinctiveness and repute. First, the degree of similarity between the marks is relevant, and the more similar the marks,

⁸⁴ Case C-102/07 *Adidas AG, Adidas Benelux BV v. Marca Mode CV, C&A Nederland CV, H&M Hennes & Mauritz Netherlands BV and Vendex KBB Nederland BV*, [2008] ECR I-02439, at 34.

⁸⁵ Case C-102/07 *Adidas AG, Adidas Benelux BV v. Marca Mode CV, C&A Nederland CV, H&M Hennes & Mauritz Netherlands BV and Vendex KBB Nederalnd BV*, [2008] ECR I-02439, at 36.

⁸⁶ Case C-245/02 *Anheuser-Busch Inc. v Budějovický Budvar, národní podnik* [2004] ECR I-10989.

⁸⁷ Case C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273.

⁸⁸ Case C-245/02 *Anheuser-Busch Inc. v Budějovický Budvar, národní podnik* [2004] ECR I-10989 at 60.

⁸⁹ Case C-252/07, *Intel Corporation Inc. v. CPM United Kingdom Ltd.*, [2008] ECR I-08823, at 31–32 and Case C- 487/07, *L’oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v. Bellure NV, Malaika Investments Ltd and Starion International Ltd*, [2009] ECR I-5185, at 37.

⁹⁰ Case C-408/01 *Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd.*, [2003] ECR I-12537 at 30. Case C-102/07 *Adidas AG, Adidas Benelux BV v. Marca Mode CV, C&A Nederland CV, H&M Hennes & Mauritz Netherlands BV and Vendex KBB Nederalnd BV*, [2008] ECR I-02439, at 42. Case C-252/07, *Intel Corporation Inc. v. CPM United Kingdom Ltd.*, [2008] ECR I-08823, at 41.

the higher the likelihood that the later mark evokes an image of the famous mark. The mere similarity of the marks, however, is not sufficient to form the requisite link within the mind of the consumer.⁹¹

Second, the nature of the goods or services for which the conflicting marks were registered is clearly relevant, as similar marks are frequently registered in different categories. The degree of closeness or dissimilarity between those goods or services, as well as, whether the marks operate in the same or different sections of the public are relevant considerations. The courts notes that even a famous mark can be unknown to consumers in a different sector. Naturally, a famous mark can also be known outside the goods or services for which it has registered trademarks.⁹²

Third, the strength of the earlier mark's reputation may lead to protection in clearly different fields; and fourth, the degree of the earlier mark's distinctive character is a viable factor. The higher the natural or acquired distinctiveness of the mark, the higher the likelihood that it evokes the image of the famous mark. A famous mark that has been registered due to acquired distinctiveness enjoys protection under Article 5.2. The degree of distinctiveness is, however, proportionate to the uniqueness of the mark. Thus, it is relevant, whether the mark in question is unique or essentially unique.⁹³ Lastly, in the event that likelihood of confusion on the part of the public is shown the necessary link has been established. Protection, however, is not contingent on such a showing.⁹⁴

In conclusion, the fame or distinctiveness of the mark cannot in and of itself, establish the necessary link. However, the more immediately and strongly the famous mark is brought to mind by the later mark, the greater the likelihood that the current or future use of the later mark is taking unfair advantage of, or is detrimental to, the distinctive character or the repute of the earlier mark.⁹⁵ Similarly, the more distinctive and famous the mark, the easier it will be to accept that detriment has been caused to it.⁹⁶

Types of harm

What types of harm are relevant for the purposes of Article 5.2? There are three distinct types of harm, which on their own may constitute infringement.⁹⁷ First, detriment to the distinctive character of the mark is caused by a use that leads to "dispersion of the identity and hold upon the public mind of the earlier mark". Such is the case, when a mark that has once triggered an immediate association to the goods or services for which it is registered, and due

⁹¹ Case C-252/07, *Intel Corporation Inc. v. CPM United Kingdom Ltd.*, [2008] ECR I-08823, at 42 and 44–45.

⁹² Case C-252/07, *Intel Corporation Inc. v. CPM United Kingdom Ltd.*, [2008] ECR I-08823, at 46–50.

⁹³ Case C-252/07, *Intel Corporation Inc. v. CPM United Kingdom Ltd.*, [2008] ECR I-08823, at 51–56.

⁹⁴ Case C-252/07, *Intel Corporation Inc. v. CPM United Kingdom Ltd.*, [2008] ECR I-08823, at 57–58.

⁹⁵ Case C-252/07, *Intel Corporation Inc. v. CPM United Kingdom Ltd.*, [2008] ECR I-08823, at 64, 67, 69.

⁹⁶ Case C-375/97, *General Motors v Yplon*, [1999] ECR I-5421, at 30.

⁹⁷ Case C-252/07, *Intel Corporation Inc. v. CPM United Kingdom Ltd.* [2008] ECR I-08823, at 28 and Case C-487/07, *L'oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v. Bellure NV, Malaika Investments Ltd and Starion International Ltd* [2009] ECR I-5185, at 42.

to the use by a third party no longer does so.⁹⁸ Second, detriment to the repute of the mark is caused, when an identical or similar sign is used so that the trademark's power of attraction is reduced. This situation is more likely to arise, when the goods or services offered by the third party possesses a negative characteristic or quality.⁹⁹ Third, the concept of taking unfair advantage of the distinctive character or the repute of the trade mark, relates to the advantage taken by the third party as a result of the use of the identical or similar sign. In particular, it covers cases, where there is clear exploitation on the coat-tails of a mark with a reputation.¹⁰⁰ After outlining the different types of protection¹⁰¹ for reputed¹⁰² trademarks we turn to the limits on trademark protection.

4. LIMITS ON THE TRADEMARK RIGHT

Limits of EU trademark law are harder to pin-point, since the Trademark Directive is framed in the form of negative rights. Here we approach limits from the point of view that the EUCJ is developing 'new' principles of EU trademark law based on the provisions of the Trademark Directive and general principles of EU law.¹⁰³¹⁰⁴ Unlike questions regarding the level of protection or registrability, coherent limits are under-developed also because the EUCJ seems to be closing old channels for national limiting doctrines¹⁰⁵ without having the

⁹⁸ Case C-252/07, *Intel Corporation Inc. v. CPM United Kingdom Ltd.*, [2008] ECR I-08823, at 31-32 and C- 487/07, *L'oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v. Bellure NV, Malaika Investments Ltd and Starion International Ltd*, [2009] ECR I-5185, at 39. The use can also be referred to as "dilution", "whittling away" or "blurring".

⁹⁹ Case C- 487/07, *L'oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v. Bellure NV, Malaika Investments Ltd and Starion International Ltd*, [2009] ECR I-5185, at 40. The use can also be referred to as "tarnishment" or "degradation."

¹⁰⁰ Case C- 487/07, *L'oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v. Bellure NV, Malaika Investments Ltd and Starion International Ltd*, [2009] ECR I-5185, at 41 and 49. The use can also be referred to as "parasitism" or "free-riding."

¹⁰¹ The purpose of this section is not to define the outer limits of the different types of protection by generalizing the courts statements or drawing *e contrario*-conclusions. Instead, the limits are discussed from the point of view of the case law that addresses limits (not whether protection is extended).

¹⁰² Reputed marks enjoy protection as ordinary marks as well.

¹⁰³ See e.g. *Gillette* where the EUCJ has started breathing life into the concept of "honest practices in industrial and commercial matters", which can be found in Article 6 of the Trademark Directive. Although Article 6 reflects limitations that were established in some Member States pre-directive the wording used in Article 6 has not necessarily been understood the same way in national trademark doctrine. The EUCJ has only heard a handful of cases on Article 6 and has indicated that Article 6 should be interpreted independently from national doctrines, thus both confirming and departing from traditional views of limitations in trademark law.

¹⁰⁴ This conclusion is based on fact, i.e. that the EUCJ has answered questions differently than national or traditional traditions would expect. As a matter of law the EUCJ is bound to answer references for preliminary rulings. This argument should not be construed as advocating for such development. This chapter presumes that the EUCJ has constrained itself to the questions asked and that *e contrario* conclusions or generalizations are subject to review in light of not only these limited statements, but the general principles of EU law.

¹⁰⁵ Hans Ullrich, Harmony and Unity of European Intellectual Property Protection p. 44 in David Vaver and Lionel Bently (Eds.) *Intellectual Property in the New Millennium Essays in Honour of William Cornish* (2004) p.20-47 "Not only is there an obvious risk of friction with the surrounding system of national law of torts and procedure, as well as a problem of consistency resulting from the fact that national laws have only been harmonized in part."

opportunity to develop complete replacing doctrines; they are currently in the making.¹⁰⁶ Therefore, here we *approach the issue of limits on principle* looking for coherence and overarching concepts that can be viewed as positive statements of existing limitations on the trademark right.¹⁰⁷ Again the perspective is that of a national court looking for general guidelines to interpretation.

4.1 Trademark Use in Europe

During the past years a debate has raged over whether trademark law only applies to uses that can be considered “trademark use”. The debate originated in the United States, and thus asked the question whether “non-trademark uses” constituted an absolute defense to trademark infringement.¹⁰⁸ An inquiry framed as a defense would as a matter of law presume a lack of detriment to the mark in those certain types of cases, thus in effect turning the trademark use requirement into a question of fact. What is then the meaning and significance of trade mark use in European trade mark law?

Exactly what theoretical significance and weight should in infringement analysis be placed on whether or not the defendant is in fact engaging in trademark use or other use remains unclear. Is trademark use a *factual phenomenon*, i.e. a type of use, or a *legal concept*, i.e. a positive or negative delimiting tool of trademark law? I argue below that ‘trademark use’, as legal concept in EU trademark law, does not refer to ‘use in fact’ or uses that are outside trademark law in theory or in practice. Instead it is a tool of theoretical inclusion that does not address whether the right is legitimately exercised against practical uses or not.¹⁰⁹ This argument is based on an interpretation of EUCJ case law in tune with civil law interpretation and general principles of EU law.

The fact that the EUCJ views the question of trademark use so differently than the prevailing Anglo-American debate, alters the perspective employed in this section. First, the case law of the EUCJ is interpreted at face value in light of jurisdictional, procedural and factual constraints. Second, a search for a *functional equivalent* to a trademark use requirement in EU trademark law is conducted. It is argued that one can be found in the case law of the EUCJ interpreting Article 6. Third, it is argued that the duty to act fairly in light of the legitimate interests of trademark owners and the test for ‘honest practices in industrial and commercial matters’ may serve as a functional equivalent to the Anglo-American limiting doctrine and a defense in the non-procedural, but factual meaning of the word that takes the form of a balancing test between the legitimate interests of trademark owners

¹⁰⁶ The conclusion is drawn from the recurring references to honest practices in industrial and commercial matters in interpreting Articles 5, 6 and 7.2 of the Trademark Directive.

¹⁰⁷ By contrast, one could read EUCJ case law in search for how the court has explained new narrow limits and dealt with national doctrines and thereby drawing conclusions on the scope of the trademark owner’s right. This reading presupposes that the Trademark Directive constitutes a complete harmonization of EU trademark law. Since this article presumes that the trademark directive *does not constitute a complete harmonization of limits* to the trademark right it leaves this method for others to explore.

¹⁰⁸ See discussion *supra* note 56.

¹⁰⁹ This point is abstract and its mirror-image may result in inclusion or exclusion of certain types of uses. The theoretical difference in approach is essential in understanding why categorical inclusion or exclusion of uses based on type, are frowned upon by the EUCJ.

against the legitimate interests of third parties.¹¹⁰ A balancing test may sit easier with a civil law court than a categorical exclusion that would upset the presumption underlying EU trademark law; that the trademark owner can rely on the exclusive right.¹¹¹

The legal concept “trademark use” can be understood in several ways and in all its meanings has both positive and negative dimensions.¹¹² In fact, in contemporary trademark law, trademark use is not one concept, but many and to a large extent undefined, if not indefinable.¹¹³ Nonetheless, for the purpose of framing the discussion we will pursue this topic based on two general understandings of trademark use.¹¹⁴

¹¹⁰ One could approach the nominative fair use or trademark use debate and seek interpret EUCJ case law in light of how they are understood in the Anglo-American world. One could focus on how the EUCJ has interpreted concepts such as ‘use as a trademark’, ‘use for goods or services’, ‘use in the course of trade’. This article follows a different approach, because, it is argued, that the cases decided by the EUCJ give an incomplete picture of the law and principles cannot be deduced based on *e contrario* conclusions or attempts to distinguish the cases based on facts. The approach chosen in this article is based on civil law interpretation and *e contrario*-conclusions from the court’s statements are therefore avoided. It is not here argued that the EUCJ has not talked about ‘trademark use’ (quite the opposite, it has been repeatedly asked and has therefore answered), the argument is broader; the Court’s statements are reviewed for inner normative logic that is not necessarily premised on how a legal or factual concept is viewed in a foreign legal system. The discussion focuses on placing the statements of the court in a general legal context, not on distilling the law by distinguishing the statements in the cases from each other. The court is not necessarily consistent in that regard, instead the EUCJ may alter meanings of statements and dislocate them from the factual context as they have done in e.g. BMW-Gillette, Arsenal-Adam Opel (see Norman at 31 arguing that the EUCJ went too far in Arsenal), and Adam Opel-BMW.

¹¹¹ The concept of honest practices in civil and commercial matters has been recognized in Art. 7 case law (considering the trademark owner’s legitimate interests) of the EUCJ and in the interpretation of the Directive on comparative advertising and is thus not a concept defined to the limited circumstances on Art. 6. In fact it is argued that it could be viewed as a general test for fairness and freedom of competition.

¹¹² See Bojan Pretnar, ‘Use and Non-Use in Trade Mark Law’ 15–20 and 21–23, in *Trade Mark Use*, Eds. Jeremy Phillips and Ilanah Simon, Oxford, Oxford University Press, 2005. See also Dinwoodie & Janis 2005, *supra* note 58, at 314 and 326–7, and Stacey Dogan and Mark Lemley in *Grounding Trademark Law through Trademark Use* (<http://ssrn.com/abstract=961470> February 2007) (Dogan & Lemley 2007) at 6.

¹¹³ Pretnar, at 27, see *supra* note 112.

¹¹⁴ Each contributor to the discussion seems to have a slightly different take on trade mark use as a theoretical phenomenon. Many look at trademark use in relation to a specific legal question; what is required to acquire a distinctive character (Arnaud Folliard-Monguiral, ‘Distinctive Character Acquired through Use: The Law and the Case Law’ and Anna Carboni, ‘Distinctive Character Acquired through Use: Establishing the Facts’ in *Trade Mark Use*, Eds. Jeremy Phillips and Ilanah Simon, Oxford University Press, 2005.); drawing the line to functional use; (Thomas Hays, ‘Distinguishing Use versus Functional Use: Three dimensional Marks’ in *Trade Mark Use*, Eds. Jeremy Phillips and Ilanah Simon, Oxford University Press, 2005.); drawing the line to denominative use (Neil J Wilkof, ‘Third Party Use of Trade Marks’ and Massimo Sterpi, ‘Trade Mark Use and Denominative Trade Marks’ in *Trade Mark Use*, Eds. Jeremy Phillips and Ilanah Simon, Oxford University Press, 2005.); or looking at trade mark use on the Internet (Spyros Maniatis, ‘Trade Mark Use on the Internet’ in *Trade Mark Use*, Eds. Jeremy Phillips and Ilanah Simon, Oxford University Press, 2005. (Maniatis 2005)). While chosen scope, labels, juxtapositions and categorizations differ, the substantive law recognized as relevant for the discussion on trade mark use covers the two general categories outlined below. Attempts to theorize on the problems surrounding trade mark use have been made by tying the concept to the user (Pretnar discussing the trademark owner’s use, and from the perspective of third parties, Jennifer Davies, ‘The Need to Leave Free for Others to Use and the Trade Mark Common’ in *Trade Mark Use*, Eds. Jeremy Phillips and Ilanah Simon, Oxford, Oxford University Press, 2005.); or to the context of acquisition and enforcement of rights as opposed to infringement analysis (Pretnar). Dogan & Lemley 2007, *supra* note 112, looks at the historical emphasis on the concept of trademark use in infringement analysis through the lens of the distinction between indirect and direct infringement. Dinwoodie & Janis 2005, *supra* note 58, discuss the significance of the temporal dimension

First, one could view trademark use as a requirement for obtaining and maintaining the trademark right. The *trademark owner* is required to use the mark as a trademark.¹¹⁵ The negative¹¹⁶ dimension of this understanding of trademark use is that non-use or failure to use the trademark as a trademark will result in the revocation or unenforceability of the rights in the mark.¹¹⁷ Second, one could view trademark *use by another* as a type of infringement. A third party may not affix another's trademark to his goods, or market his products with the aid of another's mark.¹¹⁸ The negative dimension of this type of trademark use asks if other uses, than trademark uses are infringing. Put the other way; are uses that do not fall within the statutory or common law definition of trademark use, automatically outside the purview of the trademark owner's right and thus inherently lawful?

Although a trademark-use requirement might initially seem desirable to combat overprotection of trademark owners, the introduction of an all-encompassing concept carries with it several difficulties.¹¹⁹ Most notable are the difficulties in defining the elusive concept of trademark use.¹²⁰ Another obstacle to introducing a trademark use requirement into trademark law is its capability of serving as a limiting tool in practice. To this day, even proponents of the trademark use doctrine have encountered severe obstacles in devising a theory of trademark use that could easily remove non-trademark uses from infringement analysis.¹²¹ For example, the solution put forth by the Third Circuit Court of Appeals in the United States in *Lendingtree*, has been criticized for requiring a more intrusive inquiry than likelihood of confusion – analysis, and most importantly, for shifting the burden of proof to the defendant.¹²²

It is necessary therefore, to distinguish the discussions about the importance of trademark use in trademark law, from discussions advocating the introduction of a threshold requirement of trademark use to trademark law. The latter discussion merges with the former, when discussing the historical and current importance of the requirement of trademark use for maintenance of rights. A contested addition to contemporary trademark law is, however, at issue when advocating for a *trademark use requirement in infringement analysis*.

to the concept of trademark use in US trademark law. Most authors recognize the other dimensions of the concept, but choose to focus on a certain aspect of it.

¹¹⁵ Article 10 of the Trademark Directive.

¹¹⁶ Note how the terms positive and negative may quickly become confusing, since trademark statutes are framed to confer negative rights. The starting point is that this negative right is the basis for the articulation of the positive dimension, and its opposite, limitations on the right, the negative dimension of the concept of trademark use.

¹¹⁷ Article 11 and 12 of the Trademark Directive.

¹¹⁸ Article 5 (3) of the Trademark Directive.

¹¹⁹ Dogan & Lemley 2007, *supra* note 112 at 5–6. Graeme Dinwoodie and Mark Janis ‘Confusion over Use: Contextualism in Trademark Law’ (August 31, 2006) U Iowa Legal Studies Research Paper No. 06-06 Available at SSRN: <http://ssrn.com/abstract=927996>.

¹²⁰ Graeme Dinwoodie and Mark Janis, ‘Lessons from the Trademark Use Debate’, 92 Iowa L. R. 1703, 1713 (2007). (Dinwoodie & Janis 2007)

¹²¹ Dogan & Lemley 2007, *supra* note 112.

¹²² *Century 21 Real Estate Corporation v. Lendingtree Inc.*, 425 F.3d 211, 76 U.S.P.Q.2d 1769, 217 (2005). For a more general discussion and critique of the nominative fair use defence, see McCarthy 2011, *supra* note 18 at § 24:124.

All the same, there is both a practical and theoretical aspect to this debate. It has been argued that certain uses inherently trigger different questions of trademark law, and should be removed from traditional infringement analysis.¹²³ The EUCJ has refused to make trademark use a threshold question in infringement analysis in practice.¹²⁴ The federal courts in the United States are divided on the issue whether such a categorical exclusion is possible outside the statutory fair use defense.¹²⁵ Others see the limits of a trademark use requirement in practice, and would like to emphasize its doctrinal significance in certain circumstances, and thus place conceptual safeguards in trademark law to allow the type of use in question to presumptively weigh heavier in infringement analysis in certain categories of use.¹²⁶ It seems that there is consensus among courts and commentators that some weight must be given to the type of use in question.¹²⁷

The next section proceeds with the following questions in mind: How are the issues raised in the trademark-use debate considered in sports merchandising? Should we subject the merchandising right to questions of fair dealing and fair use? And should we do so *ex ante* in tailoring the right or *ex post* in devising defenses or implicit limitations to the exclusive right?

4.2 Defenses under Article 6 of the Directive

Arsenal v. Reed

The exclusive right conferred under Article 5 of the Trademark Directive is limited – or its effects are limited – by Article 6 of the Trademark Directive that reads as follows:

¹²³ *Century 21 Real Estate Corporation v. Lendingtree Inc.*, 425 F.3d 211, 76 U.S.P.Q.2d 1769, 217 (2005), Case C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273.

¹²⁴ Case C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273; Case C-408/01 *Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd.*, [2003] ECR I-12537; Case C-C-48/05 *Adam Opel AG v Autec AG* [2007] ECR I-01017.

¹²⁵ *Century 21 Real Estate Corporation v. Lendingtree Inc.*, 425 F.3d 211, 76 U.S.P.Q.2d 1769, 217 (2005) (The 3rd Circuit recognizing a nominative fair use defence); and *New Kids on the Block v. News America Publishing, Inc.*, 971 F.2d 302, 23 U.S.P.Q.2d 1534 (1992); *Playboy Enterprises, Inc. v. Welles* 279 F.3d 796, 61 U.S.P.Q.2d 1508 (2002) and *Cairns v. Franklin Mint Company*, 292 F.3d 1139, 63 U.S.P.Q.2d 1279 (2002), (The 9th Circuit recognizing nominative use as a protectable type of fair use), and *Chambers v. Time Warner, Inc.*, 282 F.3d 147, 61 U.S.P.Q.2d 1761 (2002) (The 2nd Circuit holding that likelihood of confusion analysis is the relevant test) and *Pebble Beach Company v. Tour 18 I Limited*, 155 F.3d 526, 48 U.S.P.Q.2d 1065 (1998) (The 5th Circuit holding that likelihood of confusion analysis is the relevant test); and *Interactive Products Corporation v. A2Z Mobile Office Solutions* 326 F.3d 687, 66 U.S.P.Q.2d 1321 (2003); *PACCAR Inc. v. Telescan Technologies*, 319 F.3d 243, 65 U.S.P.Q.2d 1761 (2003) (the 6th Circuit holding that likelihood of confusion analysis is the relevant test).

¹²⁶ Dogan & Lemley 2007, supra note 112, at 5–6 and 38.

¹²⁷ Case C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273; Case C-408/01 *Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd.* [2003] ECR I-12537; Case C-48/05 *Adam Opel AG v Autec AG* [2007] ECR I-01017. Dogan & Lemley 2007, supra note 112, at 5–6 and 38; and Graeme Dinwoodie and Mark Janis ‘Confusion over Use: Contextualism in Trademark Law’ (August 31, 2006) U Iowa Legal Studies Research Paper No. 06-06 Available at SSRN: <http://ssrn.com/abstract=927996> (Dinwoodie & Janis 2006) at 10, see also 5–7.

Article 6

Limitation of the effects of a trade mark

1. The trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade,
 - (a) his own name or address;
 - (b) 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;
 - (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

The EUCJ has specifically refused to adopt a trade mark use requirement into infringement analysis, as the concept is defined and understood in the United Kingdom, into Community trademark law.¹²⁸ First, the court rejected such a requirement in *Arsenal v. Reed*, where a question was referred by an English court on the interpretation of Art. 5 (1) (a), that is, an identical mark was used on identical goods.¹²⁹ Mr. Reed sold scarves bearing the Arsenal word mark and logo at a stall outside the team's stadium. His stall visibly displayed a sign stating that the goods were not official Arsenal merchandise, thus removing any possibility of confusion on the part of the public.¹³⁰ The High Court referred the following question to the EUCJ:

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 which the trade mark is registered; and
- (b) the third party has no defense to infringement by virtue of Article 6(1) of the Directive does the third party have a defense to infringement on the ground that the use complained of does not indicate trade origin (that is, a connection in the course of trade between the goods and the trademark proprietor)?¹³¹

¹²⁸ Case C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 at 62; Case C-408/01 *Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd.*, [2003] ECR I-12537 at 39-40. See Ilanah Simon, *Embellishment: Trade Mark Use Triumph or Decorative Disaster*, E.I.P.R. 2006 28(6), 321-328 at 321.

¹²⁹ Case C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 at 62.

¹³⁰ The claims of initial interest confusion or post-sale confusion are side-stepped here, since they are attempts at extending the underlying argument of absolute property that is discussed below. These doctrines originate in the United States and are for reasons explained above, ill-suiting in the context of understanding the approach of the EUCJ. For a thorough account on United States' case law on initial interest and post-sale confusion and its critique see Lemley & McKenna, *supra* note 29.

¹³¹ Case C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 at 27.

In its answer the court adopted a trademark-centric approach, relying on protecting the essential function of the trademarks to guarantee to consumers the origin of the goods.¹³² The court places great weight on the fact that the case is one of double identity, and notes the 10th recital of the preamble of the Trademark Directive, which offers near absolute protection at the core of trademark protection.¹³³ In this regard, the court notes that only uses for purely descriptive purposes are permissible and other uses fall within the scope of trademark protection that the trademark owner consequently is entitled to prevent.¹³⁴

First, the court focuses on the essential function of the trademark reiterating the basis for trademark protection:

Trade mark rights constitute an *essential element in the system of undistorted competition* which the Treaty is intended to establish and maintain. In such a system, 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 [¹³⁵]

In that context, the essential function of a trade mark is to *guarantee* the identity of *origin* of the marked goods or services to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the goods or services from others which have another origin. For the trade mark to be able to *fulfill its essential role* in the system of undistorted competition which the Treaty seeks to establish and maintain, it must offer a *guarantee* that all the goods or services bearing it have been *manufactured or supplied under the control of a single undertaking* which is *responsible for their quality*"[¹³⁶]

Second, the court emphasizes that the case involves the truest form of trademark infringement, use of an identical mark on identical goods. International treaties starting with the Paris Convention have traditionally considered a use of an identical mark on identical goods as one at the heart of trademark protection. The TRIPS Agreement as well as the Trademark Directive also reflects the same "hierarchy" of protection, evolving from a presumption of infringement, through a presumption of a right to exclude to a more balanced assessment of detriment or harm. Substituting the trademark centric approach with a trademark use analysis would arguably amount to changing the traditional premise of

¹³² Case C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 at 47-48. The concept of "essential function" was introduced and developed in the free movement of goods case law of the court. On the one hand, "companies must be able to attract and retain customers by the quality of their goods and services" (Case C-10/89 *HAG AF* [1990] ECR I-3711, para 13). On the other hand, trademark protection is limited to guaranteeing "the identity of origin of the marked goods or services to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the goods or services from others which have another origin" (Case 102/77 *Hoffman la Roche* [1978] ECR 1139, para 7).

¹³³ Case C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 at 51.

¹³⁴ Case C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 at 54.

¹³⁵ See, *inter alia*, Case C-10/89 *HAG GF* [1990] ECR I-3711, paragraph 13, and Case C-517/99 *Merz & Krell* [2001] ECR I-6959, paragraph 21. Cited by the court in C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 at 46. Author's emphasis.

¹³⁶ See, *inter alia*, Case 102/77 *Hoffman-La Roche* [1978] ECR 1139, paragraph 7, and Case C-299/99 *Philips* [2002] ECR I-5475, paragraph 30. Cited by the court in C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 at 47. Author's emphasis.

trademark law. The presumption of trademark protection in these circumstances would unavoidably be watered down by such an open-ended exception.¹³⁷

Third, the court noted that certain permissible uses, namely use for descriptive purposes were already exempted in Article 6 of the Trademark Directive.¹³⁸ The EUCJ, perhaps constrained by the conceptual framework of the case and conceptual unfamiliarity with the question posed, seemed somewhat sidetracked on this point.¹³⁹ It would seem that the court ruled that protection of trademarks in cases of double identity is absolute unless the use is for purely descriptive purposes.¹⁴⁰ However, such a strict reading of the case would render the concept of the essential function both meaningless and unnecessary. It would also imply that all uses of identical marks on identical goods, including non-commercial uses would constitute trademark infringement and that all available defenses are exhaustively listed in the Trademark Directive.¹⁴¹ As the court has noted in subsequent case law the wording of the Trademark Directive allows for member states to introduce exceptions to trademark rights.¹⁴²

Lastly, it should be noted that the court did not say that the type of use is irrelevant for the purposes of determining infringement; it is merely not decisive of whether the provisions of trademark law apply.¹⁴³ The court views the concept of use from the perspective of the type

¹³⁷ Note how the EUCJ rather shifts the inquiry from Article 5 analysis to the interpretation of Article 6, where an open-ended, presumptively neutral test would serve the same purpose. Reviving a dormant clause with a flexible test creates a counterweight in practice, but does not affect the viability of the right in traditional cases. See discussion in section 5 infra.

¹³⁸ Case C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 at 54.

¹³⁹ At this juncture the court's approach to trademark law was truly proprietor-centric: assessing the impact of the use on the interests of the trademark owner without regard to the merits of any countervailing interest on the part of the defendant.

¹⁴⁰ Case C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 at 55–61.

¹⁴¹ Exceptions and limitations could be understood in a strict or broad sense. In the strict sense, the Trademark Directive clearly caps the possibility of exceptions to registrability (e.g. refusing registration of certain types of trademarks) and level of protection (e.g. what meaning is to be given to the wording of Article 5.1 and 5.2), or allowing for national or global exhaustion contrary to Article 7, derogations that would in effect frustrate the harmonization of the elements vital for achieving free movement of goods and services in the EU. Exceptions and limitations in the broad sense, i.e. limiting the effect of trademark rights outside the competitive relationship or against uses for purposes other than for distinguishing products or services, are not, it is argued, exhaustively considered in the Trademark Directive. This raises issues both of normative harmonization and competence. See to this effect Ullrich, *supra* note 105, at 42 arguing that even far-reaching harmonization does not provide for general competence of the EU to legislate *autonomously*. Nevertheless, the Trademark Directive may set requirements for such exceptions, i.e. that they take account of the legitimate interests of trademark owners. See also Article 17 TRIPS Agreement.

¹⁴² Article 15(2) of the Directive and Article 17 of the TRIPS Agreement, Agreement on Trade-Related Aspects of Intellectual Property Rights, Annex 1 C of the Agreement Establishing the World Trade Organization, signed in Marrakesh April 15, 1994, entered into force January 1, 1995. See also Joined Cases C-108/97 and C-109/97, *Windsurfing Chiemsee Produktions- und Vertriebs GmbH (WSC) and Boots- und Segelzubehör v. Walter Huber, Franz Attenberger* [1999] ECR I-02779 at 27, C-23/01 *Robelco v. Robeco Groep* [2002] ECR I-10913 at 31 and 34. C-245/02 *Anheuser-Busch Inc. v Budějovický Budvar, národní podnik* [2004] ECR I-10989 at 64 and 76.

¹⁴³ One could argue the opposite, since the court states in C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 at 61 “Once it has been found that, in the present case, the use of the sign in question by the third party is liable to affect the guarantee of origin and that the trademark owner 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

of uses a trademark owner is entitled to prohibit.¹⁴⁴ The court moves on to focus on whether the use is one 1) “in the course of trade”, 2) of an identical mark, 3) on identical goods and services and 4) whether it is liable to harm the essential function of the trademark by creating a link between the defendant and the trademark owner in the mind of the consumer.¹⁴⁵

Adam Opel v. Autec

In *Adam Opel v. Autec*, the EUCJ once again refused to follow the suggestion of the Advocate General to introduce a trademark use -requirement into European Union trademark law.¹⁴⁶ Instead, the EUCJ reiterated the trademark centric approach, when answering the following question put to it by a German State District court:

Does the use of a trademark registered for ‘toys’ constitute use as a trademark for the purposes of Article 5 (1) (a), if the manufacturer of a toy model car copies a real car in scale, including the corresponding trademark, and markets it?

Article 5(1) (a), as was the case in *Arsenal*, concerns uses of an identical mark on identical goods. Autec manufactured remote-controlled cars and had affixed the Opel trademark on the front grill of its Opel Astra V8 Coupe replica.¹⁴⁷ It was clear that the defendant had clearly marked both the packaging and transmitter with its own trademark “cartronic®” and trade name “AUTEC®”.¹⁴⁸

The court first concluded that the use was clearly one “in the course of trade” and that an identical mark was affixed on identical goods, since Opel had registered its trademark for toys.¹⁴⁹ In those circumstances the use must be one that the trademark owner is entitled to prohibit under Article 5 (1) (a).¹⁵⁰ This time the court however explained its approach further:

affiliation to the proprietor of the mark.” In the context of the opinion, I would place the emphasis on the first part of the sentence. The test announced by the court is the relevant one, not the one presented to it by the UK court. Similarly, to rejecting trademark use as a threshold requirement to a finding of infringement, the European Court of Justice closes the back door. Non-trademark uses cannot be categorically excluded at any stage of infringement analysis. An *e contrario*-conclusion, that the use of a mark as a badge of loyalty is never relevant in infringement analysis, is not consistent with civil law interpretation. To this effect see also Case C-245/02 *Anheuser-Busch Inc. v Budějovický Budvar, národní podnik* [2004] ECR I-10989 at 61 stating that the national court must assess whether a link is present “in light of the specific circumstances of the use of the sign allegedly made by the third party.”

¹⁴⁴ Case C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 at 38. ”Article 5 (3) gives a non-exhaustive list of the kinds of use which the proprietor may prohibit under Article 5(1). Other provisions of the Directive, such as Article 6, define certain limitations on the effects of the trademark.”

¹⁴⁵ Case C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 at 40 and 56

¹⁴⁶ Opinion of the Advocate General in Case C-48/05 *Adam Opel AG v Autec AG* dated 7.3.2006.

¹⁴⁷ Case C-48/05 *Adam Opel AG v Autec AG* [2007] ECR I- 01017, at 5-6.

¹⁴⁸ Case C-48/05 *Adam Opel AG v Autec AG* [2007] ECR I- 01017, at 7.

¹⁴⁹ Case C-48/05 *Adam Opel AG v Autec AG* [2007] ECR I- 01017, at 18-20.

¹⁵⁰ Case C-48/05 *Adam Opel AG v Autec AG* [2007] ECR I- 01017, at 20.

It should, however, be remembered that, in accordance with case-law of the Court of Justice the exclusive right under Article 5 (1) of the directive 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 fulfill its functions and that, *therefore, the exercise of that right must 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 goods.*

Therefore, the affixing by a third party of a sign identical to a trademark registered for toys to scale models of vehicles cannot be prohibited under Article 5(1) (a) of the directive unless it affects or is liable to affect the functions of that trade mark.¹⁵¹

The factual situation was similar to the case in *Adidas v. Fitnessworld*, where the referring court indicated that the relevant public in Germany *does not* view Autec's products as originating with Opel.¹⁵² The EUCJ once again held that such a finding of fact would mandate the conclusion that the use at issue does not affect the essential function of the Opel logo as a trademark registered for toys.¹⁵³

On its own motion the EUCJ also assessed the situation in relation to Art. 5(2) of the Directive and concluded that the use in question constitutes a use that the trademark owner is entitled to prohibit, if, the national court finds that the use without due cause takes unfair advantage of, or is detrimental to, the distinctive character or repute of the mark.¹⁵⁴

The second question at issue in *Adam Opel v. Autec* was whether the use in question could be considered an indication of the intended purpose of the toys, which would constitute a permissible use under Article 6 (1) (b) of the Directive, or a use of the trademark designed to indicate the intended purpose of the toys, which would constitute a permissible use under Article 6 (1) (c). The EUCJ clearly rejected a broad reading of Article 6 (1) (c) and held that the affixing of a trademark to scale models is not necessary to indicate the intended purpose of the toy itself.¹⁵⁵ The EUCJ reached the same conclusion regarding the use in question, in relation to Article 6 (1) (b); the use of a trademark registered for (*note!*) motor vehicles, on scale models, in order to faithfully replicate the original, is not intended to provide an indication as to a characteristic of the replica within the meaning of Article 6 (1) (b).¹⁵⁶

The EUCJ was, however, more open to a broad reading of Article 6 (1) (b) and with reference to its prior ruling in *Windsurfing Chiemsee*¹⁵⁷ concluded that although "the provision is primarily designed to prevent the proprietor of a trade mark from prohibiting competitors from using one or more descriptive terms forming part of his trade mark in order

¹⁵¹ Case C-48/05 *Adam Opel AG v Autec AG* [2007] ECR I- 01017, at 21-22. Author's emphasis.

¹⁵² On remand the national court did hold the use fair. See press release of the German Federal Supreme Court Nr. 9/2010 on January 15, 2010 available at <http://juris.bundesgerichtshof.de/cgi-bin/rechtsprechung/document.py?Gericht=bgh&Art=pm&Datum=2010&Sort=3&nr=50551&pos=1&anz=10>

¹⁵³ Case C-48/05 *Adam Opel AG v Autec AG* [2007] ECR I- 01017, at 24.

¹⁵⁴ Case C-48/05 *Adam Opel AG v Autec AG* [2007] ECR I- 01017, at 31-37.

¹⁵⁵ Case C-48/05 *Adam Opel AG v Autec AG* [2007] ECR I- 01017, at 39.

¹⁵⁶ Case C-48/05 *Adam Opel AG v Autec AG* [2007] ECR I- 01017, at 44.

¹⁵⁷ Joined Cases C-108/97 and C-109/97, *Windsurfing Chiemsee Produktions- und Vertriebs GmbH (WSC) and Boots- und Segelzubehör v. Walter Huber, Franz Attenberger* [1999] ECR I-02779 at 28.

to indicate certain characteristics of their products..., its wording is in no way specific to such a situation.”¹⁵⁸ Uses for other than purely descriptive purposes can therefore not be categorically excluded.¹⁵⁹ The relevant test for other uses is whether the use is made in accordance with honest practices in industrial and commercial matters.¹⁶⁰

Gillette v. Parason Flexor

The EUCJ has repeatedly held that “the condition requiring use of the trade mark to be made in accordance with honest practices... must be regarded as constituting in substance the expression of a duty to act fairly in relation to the legitimate interests of the trade mark owner.”¹⁶¹ In *Gillette, v. Parason Flexor* where the defendant used red stickers on the packaging of razor blades stating that the razor blades are compatible with all handles produced by Parason Flexor (the defendant) and Gillette (the plaintiff), the court indicated that the use would be fair.¹⁶² See Figure 13.2.



Figure 13.2 Packaging used by the defendant in *Gillette v. Parason Flexor*

Note: Above is the packaging used by the defendant, which triggered the law suit by Gillette. The sticker directly translated reads: “This blade FITS all Parason FLEXOR* and all Gillette SENSOR* HANDLES. *registered trademarks”¹⁶³

¹⁵⁸ Case C-48/05 *Adam Opel AG v Autec AG* [2007] ECR I- 01017, at 42.

¹⁵⁹ Case C-48/05 *Adam Opel AG v Autec AG* [2007] ECR I- 01017, at 43.

¹⁶⁰ Case C-48/05 *Adam Opel AG v Autec AG* [2007] ECR I- 01017, at 43.

¹⁶¹ Case C-63/97 *Bayerische Motorenwerke AG (BMW) and BMW Nederland BV v. Deenik* [1999] ECR I- 905 at para 61, See also Case C- 100/02 *Gerolsteiner Brunnen GmbH & Co. v Putsch GmbH.* [2004] ECR I-691 at 24 and Opinion of the Advocate General in Case C-48/05 *Adam Opel AG v Autec AG* 7.3.2006 at 55.

¹⁶² Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 14, 33–36 and 38. The national court subsequently held the use fair. KKO 2006:17.

¹⁶³ Korkein käräjäoikeus [Supreme Court], KKO 2006:17, *Gillette Company and Gillette Group of Finland v. LA Laboratories*, Feb. 22, 2006, paragraph 2. Author’s translation.

The EUCJ first tackled a question relating to the peculiar wording of Article 6 (1) (c) and the meaning of the fragment “in particular as accessories or spare parts” to the overall interpretation of the provision.¹⁶⁴ The court rejected a reading of the provision that would assess the permissibility of references regarding accessories or spare parts differently than other permissible uses, and instead interpreted the provision as only citing an example of a permissible use.¹⁶⁵ The focus of the provision lies on the necessity of the use of another’s trade mark and whether or not the mark “is being used by a third party in order to provide the public with comprehensible and complete information as to the intended purpose of the product”.¹⁶⁶

Only uses in accordance with honest practices in industrial and commercial matters can be necessary and permissible under Article 6 (1) (b). As guidelines to the national court the EUCJ produced four categories of uses that *do not* constitute use in accordance with honest practices under the Directive:

- 1) the use of a trademark is done in a manner that it may give an impression that there is a commercial connection between the parties;¹⁶⁷
- 2) the use of a trademark affects the value of the trademark by taking unfair advantage of its distinctive character or repute;¹⁶⁸
- 3) the use of a trademark discredits or denigrates the trademark or;¹⁶⁹
- 4) the third party presents its product as an imitation or replica of the product bearing the trademark of which it is not the owner.¹⁷⁰

Based on the facts before it, the national court determines whether the use should be considered honest. At this juncture, it should be borne in mind that the mere fact that the third party uses the trademark to convey its message does not “mean that it is presenting that product as being of the same quality as, or having equivalent properties to, those of the

¹⁶⁴ The wording stems from a legislative compromise. Some member states have traditionally included a special exception for spare parts in their trademark laws with the underlying presumption that the trademark owner can prevent most uses.

¹⁶⁵ Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 23 (1) and (2) and 32

¹⁶⁶ Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 31 and 33-34.

¹⁶⁷ Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 42 citing Case C-63/97 *Bayerische Motorenwerke AG (BMW) and BMW Nederland BV v. Deenik* [1999] ECR I-905 at 51.

¹⁶⁸ Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 43 citing Case C-63/97 *Bayerische Motorenwerke AG (BMW) and BMW Nederland BV v. Deenik* [1999] ECR I-905 at 52.

¹⁶⁹ Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 44.

¹⁷⁰ Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 45.

product bearing the trademark.”¹⁷¹ Such a conclusion would in practice nullify the wording of Article 6. Instead, the national court *should assess* the use by assessing the overall presentation of the product marketed, in particular:

- 1) the circumstances in which the trade mark is displayed;
- 2) the circumstances in which distinction is made between the trade mark and the defendant’s mark and;
- 3) the effort made by the defendant to ensure that consumers can distinguish its products from the trade mark owner’s products.¹⁷²

In assessing and determining honesty, the national court *must* take into account, any evidence or lack thereof, of an attempt to represent the products as being of the same quality or having equivalent properties to the trademark owner’s product.¹⁷³ The over all conclusions and the court’s choice of terminology show that the balancing test should weigh in favor of the plaintiff in case of clear evidence of passing off, while it should equally clearly weigh in favor of the defendant, when such evidence is absent.¹⁷⁴ The type of use is only indirectly relevant in that some uses are less likely than others to cause consumers to make a connection between the origins of the products. A typical non-trademark use thus inherently weighs less on the balancing scale than a trademark use, which if entailing use of an identical mark on identical goods, mandates a finding of infringement. In contrast, under Article 5.2 the court is obliged to consider whether the defendant has used the mark without due cause. The type of use employed is clearly relevant in this inquiry.

Practical implications

It has been argued that the approach of the EUCJ in the *Gillette* case creates an unreasonable margin of uncertainty, a grey area, which is inconsistent with the basic presumption of trademark law that the trademark owner can rely on his right.¹⁷⁵ The EUCJ rejected this argument by asserting that the maintenance of the delicate balance between equally weighty societal interests required *in casu* balancing in Article 6 cases.¹⁷⁶ The Court referred to Advocate General *Tizzano*’s opinion, where the inadvisability of extending the presumption

¹⁷¹ Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 47.

¹⁷² Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 46.

¹⁷³ Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 48.

¹⁷⁴ Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 29, 48-49.

¹⁷⁵ Gillette in Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337.

¹⁷⁶ Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 29, 35 and 39.

of validity of the trademark owner's right to cases brought under Article 6 of the Directive was discussed in more detail.¹⁷⁷

When discussing the requirement of "necessity" and the standard to which the third-party use should be held, the Advocate General noted that his proposed solution does produce a large grey area in the law. He, like the court, defined necessity as "the sole means of providing full information to consumers about the characteristics of ones product" and rejected Gillette's literal reading of Article 6 1(c) indicating a requirement of showing economic necessity to access the market. The Advocate General further opined that the fact that the Trademark Directive concerns only trademark owner's rights cannot result in all other interests being excluded from the interpretation of its provisions; Article 6 in particular *implicitly* refers to those competing interests.¹⁷⁸ Together these interests serve to protect a functioning marketplace in which consumers are not confused and are able to benefit from the full extent of competition on the market.¹⁷⁹

Therefore, the focus of Article 6 1 (c) analysis should not be on the necessity of the use, instead the evaluation of third-party conduct should focus on whether it is in accordance with honest practices in commercial matters. Thus, the court's ruling should not be construed as in practice creating a safe harbor for third party uses either. The use should be evaluated in relation to the circumstances and manner of use and the factual question of whether the use constitutes the sole means available to inform consumers, is but an element of the overall analysis seeking to determine whether the use is honest.¹⁸⁰ Consequently, by focusing on the practical necessity of the use, the test of Article 6 adequately protects the legitimate interests of the trademark owner.¹⁸¹ Meanwhile, the harmful chilling effect of an abstract necessity standard is avoided.¹⁸²

In its Grand Chamber-ruling in the *Céline* case the EUCJ finally clearly opined on the relationship between the rights conferred by Article 5 and Article 6.¹⁸³ The case involved the use of an identical mark on identical goods and the trademark owner thus asserted its right under Article 5 (1) (a) of the Directive. First, the court dealt with the issue of when the use of

¹⁷⁷ Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 35 Opinion of the Advocate General in Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy*, 9.12.2004, at 64–72.

¹⁷⁸ Opinion of the Advocate General in Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy*, 9.12.2004, at 54–5.

¹⁷⁹ Opinion of the Advocate General in Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy*, 9.12.2004, at 56.

¹⁸⁰ Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 35 and Opinion of the Advocate General in Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy*, 9.12.2004, at 70.

¹⁸¹ Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 35 and Opinion of the Advocate General in Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy*, 9.12.2004, at 68.

¹⁸² Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 35 and Opinion of the Advocate General in Case C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy*, 9.12.2004, at 69.

¹⁸³ Case C-17/06 *Céline SARL v Céline SA* , [2007] ECR I-07041.

a trade name constitutes a use that the trademark owner is entitled to prohibit, but the second issue is central for our purposes.¹⁸⁴

If the use of a trade name is deemed one that falls under Article 5 (1) (a), and a presumption of infringement thus is triggered, how is a national court to deal with the inherent conflict with Article 6 (1) (a), which entitles a trader to use its name while trading honestly? The court concluded that Article 6 (1) (a) can operate as a bar to a use, which falls under Article 5 (1) (a), when the third party uses its name according to honest business practices.¹⁸⁵ Consequently, a finding of infringement is not automatic, but instead the national court must assess the use according to the test put forth in the *Budweiser*-case.

...in assessing whether the condition of honest practice is satisfied, account must be taken first of the extent to which the third party's name is understood by the relevant public, or at least a significant section of the public, as indicating a link between the third party's goods or services and the trade-mark proprietor or a person authorised to use the trade mark, and secondly of the extent to which the third party ought to have been aware of that. Another factor to be taken into account when making the assessment is whether the trade mark concerned enjoys a certain reputation in the Member State in which it is registered and its protection is sought, from which the third party might profit in marketing his goods or services.”¹⁸⁶

Introducing a new consumer-centered test to replace a clear presumption certainly seems to open up a can of worms for trademark owners. Can trademark owners still rely on their exclusive right in trademark law or has it lost its value? Has the case law of the EUCJ introduced a test that is too uncertain and unpredictable and requires costly and burdensome litigation in national courts? On the other hand, a general test that decides when trademark rights are implicitly restricted by other market considerations might provide for the flexible tool needed to weed out uses that do not impact the trademark owner's legitimate interests.

Although, the outcome of the test arguably is uncertain, its existence creates certainty since it signals to trademark owners and third parties alike that the test does not favor or disfavor either party, but is tied to a presumptively neutral standard of *honest practices in industrial and commercial matters*. Ideally the test curbs attempts to maximize the benefits of exclusion by asserting trademark rights in instances where harm to the essential function of the trademark is unlikely. The scope of trademark law thus presumptively remains tied to

¹⁸⁴ Case C-17/06 *Céline SARL v Céline SA*, [2007] ECR I-07041, at 13–28. The court concluded that the purpose of trade names is to identify a company, and when a trade name is used in this manner, it cannot be considered as being used “in relation to goods or services” within the meaning of Article 5 (1). However, when a trade name is used in such a way that a link is established between the sign which constitutes the trade name and the goods marketed by *it*, the use may be prohibited by the trademark owner. Such a use is presumptively liable to harm the essential function of the trade mark to indicate the origin of goods.

¹⁸⁵ Case C-17/06 *Céline SARL v Céline SA*, [2007] ECR I-07041, at 36.

¹⁸⁶ Case C-17/06 *Céline SARL v Céline SA*, [2007] ECR I-07041, at 34 and Case C-245/02 *Anheuser-Busch Inc. v Budějovicky Budvar, národní podnik* [2004] ECR I-10989 at 60 and 83.

preventing free-riding in competitive business relationships and only applies to uses traditionally considered non-competitive, in exceptional circumstances.

5. CONCLUSION

The above analysis shows that the EUCJ has resisted the temptation to grant an absolute right *to use* the trademark to the trademark owner. The traditional emphasis remains; the trademark owner has the right to prevent only certain uses. Even in instances, like *Arsenal*, where the economic, practical and perhaps even moral¹⁸⁷ arguments might have supported such a finding, the court displayed *theoretical unease* with granting an absolute sports merchandising right. Accurately, so. Even the most protected events' trademark, the Olympic Symbol, is subject to many implicit fair uses.¹⁸⁸ The Olympic symbol is widely used in all media- and news-reporting or for descriptive reference to the Olympic Games.¹⁸⁹ Media- and news-reporting is not exempted in Article 6 of the Trademark Directive, nor are descriptive uses for all purposes. The broadest categorical exclusion of uses from application of the Trademark Directive, lies in the statement of the EUCJ, which limits the trademark owner's right to prevent uses that affect the functions and most importantly the essential function of the trademark to indicate origin.

It should, however, be remembered that, in accordance with the case-law of the Court of Justice, the exclusive right under Article 5(1) of the directive 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 and that, therefore, the exercise of that right must 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."^[190]

Another traditional interpretation of Article 5 has been to limit uses that the trademark owner may prevent, to "uses as a trademark".¹⁹¹ This restriction, implicitly referring to various uses traditionally considered outside the purview of trademark protection is, however important, constantly under pressure.¹⁹² Unlike uses that fall under Article 6 of the Trademark Directive, and thus are tested for honest practices in commercial matters,

¹⁸⁷ By moral here, I refer to the concept of fairness in commerce. It is usually seen as morally wrong to trade on the reputation of another. This concept of moral unfairness is broader than legal concepts such as "unfair practices in industrial and commercial matters", "free-riding" or "unfair competition".

¹⁸⁸ Hilty, at 33, see *supra* note 1. See also Kur (1992), at 229, see *supra* note 43, on the criteria for such protection.

¹⁸⁹ Max Schoenthal, Major Events and Reporting Rights in Ian Blackshaw, Steve Cornelius, Robert Siekmann (Eds.) TV Rights and Sport Legal Aspects, T.M.C. Asser Press 2009 at 65-69 discussing the competing interests in public access to sports events and exclusive broadcasting rights

¹⁹⁰ Case C-206/01 *Arsenal Football Club* [2002] ECR I-10273, para 51; Case C-245/02 *Anheuser-Busch* [2004] ECR I-10989, para 59) as cited by the court in Case C-48/05 *Adam Opel v. Autec*, [2007] ECR I- 01017, at 21

¹⁹¹ Kur (2008), at 165–70 see *supra* note 55. See also *supra* 4.1. on the concept of trademark use.

¹⁹² Kur (2008), at 172, and 176, referring explicitly to the dangers that expanding EU trademark law poses to commercial speech. See *supra* note 55.

there is no test for weeding out honest or fair uses. Instead, the built-in presumptions favor the trademark owner, especially where the alleged infringer is a business and there is use in the course of trade.

Before considering an extension of protection of rights in sports merchandising, one should consider the extent to which the trademark owners in question already enjoy protection under the well-known marks and famous marks doctrines. As the *Arsenal* case shows, protection can be quite extensive. Similarly, a sport franchise also enjoys protection via contractual arrangements, thus achieving a stronger market position than the regular trademark owner that is otherwise constrained by competition law. In reference to the example of the Olympic symbol, it is necessary to consider *the scope* of protection when protection – under the two-tier test put forth above – is considered justified. The Arsenal franchise argued rights not only in their Gunners-logo, or combination mark, but in the word mark ARSENAL as well. Not even the word mark OLYMPICS receives absolute protection.¹⁹³ Nevertheless, the venture seems successful. However, the societal cost of overprotection in scope of an (already) absolute right is naturally great, since implicitly and traditionally fair uses, which naturally challenge any absolute right, may in practice fall peril to extra-judicial enforcement efforts.

It is thus, evident that few sports franchises would pass the *justification-test*, and enjoy absolute rights to all uses of all their marks, and join the *sui generis* regime where the Olympics reign alone. They nevertheless, continue to enjoy strong trademark protection in addition to protection under other laws. A more nuanced approach to assessing whether sports merchandising rights are justified from a market (legal and economic) perspective may allow us to consider rights positions created by multiple IP rights.

In each case, at the outskirts of trademark law we should, I argue, apply the *justification-test*. The concept of *use as a trademark* or *trademark use* could serve as an indicator of when the use should be presumed infringing or fair. This would give a voice to uses that have traditionally, albeit implicitly, been considered outside trademark law. Thus, in considering whether trademark protection is justified, we need to consider whether;

- 1) protection is justified from a moral, legal or economic standpoint, that serves
 - a. public or
 - b. private interest, and
- 2) non-protection would lead to market failure
 - c. using a holistic approach¹⁹⁴ not restricted to one field of IP
 - d. with a trademark-centric¹⁹⁵ view with emphasis on unfair competition.

Our holistic approach to the protection of the Olympic Symbol shows that the practice of sports merchandising can legally be defined and consequently, new forms of

¹⁹³ The Nairobi Treaty, see *supra* note 33 and 41. Note that national laws may confer a wider monopoly to the use of trademarks that refer to the Olympics.

¹⁹⁴ Hilty, at 47 and 51, see *supra* note 1.

¹⁹⁵ See *supra* note 43.

protection can be tested for legitimacy. We can benefit from a more nuanced approach to IP rights in sports. For example when considering combined trademark protection and 1) protecting publicity rights as applied to sports video games; 2) database protection protecting sports results and statistics in fantasy sports; 3) unfair competition and copyright protection for fan fiction; 4) protection for privacy and against defamation in fan sleuth fiction or games; 5) criminal law applied to so called ambush marketing or 6) contract law protecting exclusive visibility deals. Similarly, courts may benefit from subjecting claims for extended protection to the neutral test, asking whether the defendant uses the trademark in accordance with honest practices in industrial and commercial matters.

In addition, there are several actors in the on-line world that would benefit from legal rules that are based on a holistic perspective rather than one based on each field of IP separately. Using the justification test, while understanding protection to mean, not affording IP rights, but protection against market failure, may allow us to create *sui generis* regimes on-line that are designed to foster competition, and weed out unfair competition and dishonest commercial practices.

ABSTRACT

Liability for Trademark Infringement for Internet Service Providers
Katja Weckström*

At the wake of the millennium and the rise of the internet, legislative action was taken to shelter internet service providers (ISPs) from various forms of legal action. In the turmoil of chartering new and unregulated territory, such a safe harbor was deemed necessary to protect up-starting businesses. Today, these internet actors e.g. Google, Amazon and eBay have grown strong and powerful. Thus, intellectual property holders have started to challenge this privilege in court. Increasingly, owners of famous marks seek liability and damages for direct and indirect trademark infringement in courts around the globe. I focus on liability for ISPs, when a third party sells counterfeit merchandise on the service provider's site.

Courts have reacted differently. Three general theoretical approaches have emerged. One, e.g. some courts in France, imposes full liability for willful trademark infringement, if the *sale* of counterfeit goods is shown. Another, e.g. the German Federal Supreme Court, approaches the question as one of interference with property rights. If ISPs *knowingly* allow continued sale of counterfeit merchandise they can be found liable for damages. Yet another, e.g. in the United States, approaches the question from the perspective of what the ISP can *reasonably* be required to do in order to prevent the sale of counterfeit goods on their site.

This article compares the approaches above and considers what possible other considerations are relevant in determining ISP liability. It argues that trademark law today, is ill-equipped to handle questions of secondary liability or contributory infringement and concludes that the safe harbor for ISPs, as tailored in the European E-Commerce Directive, should be given a broad reading and the prohibition against imposing a general duty to monitor or actively seek facts in Article 15 remain absolute until the defects are remedied. In response to trademark owners' legitimate concerns, it further argues that trademark owners should pool their resources, akin to that of Copyright Collective Societies, and form an agency, which, by cooperating with –instead of forcing – ISPs, could more efficiently and legitimately weed out infringing uses on the internet.

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1 INTRODUCTION

The rise of the internet made two things apparent; 1) borderless, wireless and class-less communication challenges traditional societal and legislative structures and 2) the positive benefits of the internet also benefit criminal actors and organized crime, and disproportionately so, when legislation lags behind.¹ It is commonly known that organized

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¹ European Commission: DG Taxation and Customs Union: A serious problem for everyone on the role of international criminal organizations in piracy and counterfeiting of intellectual property protected goods at http://ec.europa.eu/taxation_customs/customs/customs_controls/counterfeit_piracy/combatting/index_en.htm Commission Press Release IP/09/1106, Customs: Commission publishes 2008 statistics of Customs actions to enforce intellectual property rights at the EU's external border, July 9, 2009 and Statistics recorded at the external borders of the EU 2000-2008. http://ec.europa.eu/taxation_customs/customs/customs_controls/counterfeit_piracy/statistics/index_en.htm OECD-

crime uses both technological high-jacking of personal computers as well as ISPs to further their own goals. ISPs may serve as mere [technological] conduits of data, and nonetheless, allow illegal activity. ISPs may also serve as hosts of illegal material or allow illegal transactions on their sites. Unlike in the case of copyright piracy there are not sites/ISPs that trade exclusively in counterfeit goods instead fake goods are mixed with legitimate trade in the primary or secondary market.

Illegitimate trade, in which trademarks are exploited are commonly referred to as *trademark piracy* and *trademark counterfeiting*. The World Intellectual Property Organization, WIPO, defines trademark piracy as “the registration or use of a generally well-known foreign trademark that is not registered in the country or is invalid as a result of non-use”.² Trademark piracy, targets the trademark itself and high-jacks its value to sell the pirate’s own products.³ Article 6 *bis* of the Paris Convention offers a remedy for holders of globally well-known marks that are victims of trademark piracy and allows them to prevent registration and use of identical or similar marks for identical or similar products, although the mark has not been used or registered in the country in question.⁴

Counterfeiting, on the other hand, can be defined as “the unlawful forgery, copying, or imitation of an item, or the unauthorized possession of such an item, with the intent to deceive or defraud by claiming or passing the item as genuine.”⁵ While trademark counterfeiting often includes copying of the trademark itself, its primary object of copying is the product that is sold under that brand. An element of deceit is present in

Report on the Economic Impact of Counterfeiting from 1998 available at <http://www.oecd.org/dataoecd/11/11/2090589.pdf>

² WIPO Intellectual Property Handbook: Policy, Law and Use (WIPO Handbook) WIPO Publication No. 489 available at <http://www.wipo.int/about-ip/en/iprm/> at 2.493 and 2.232. For the sake of comparison, copyright piracy is “the unauthorized copying of copyright materials for commercial purposes and the unauthorized commercial dealing in copied materials”. Copyright, which is based on the exclusive right of authorization, is thus completely high-jacked.

³ It could be argued that key word-advertising fits the theoretical definition of trademark piracy, since the trademark in one sense is high-jacked. Trademark piracy is however, narrowly tailored and understood as an exception that is closely tied to the specific remedy in Article 6*bis* in the Paris Convention. Treaty provisions cannot be interpreted expansively under customary norms of international law. Article 31 in the Vienna Convention on the Law of Treaties done at Vienna on 23 May 1969. Entered into force on 27 January 1980. U.N.T.S., vol. 1155, p. 331 [hereinafter Vienna Convention].

⁴ Paris Convention on the Protection of Industrial Property of March 20, 1883, as revised at Brussels on December 14, 1900, at Washington on June 2, 1911, at The Hague on November 6, 1925, at London on June 2, 1934, at Lisbon on October 31, 1958, and at Stockholm on July 14, 1967, and as amended on September 28, 1979. Last revision entered into force on 15 December 1972. U.N.T.S., vol. 1161, p. 3 [hereinafter Paris Convention]. See also Kelbrick, Roshana, ‘The Term Well-Known in South African Trade-mark Legislation: Some Comparative Interpretations’ (2005) XXXVIII CILSA 2005 435-452, at 436. Trademark piracy should not be confused with the extended protection granted to owners of famous marks against trademark dilution or tarnishment. While the former applies to trademarks that are not used in the territory in question, the latter requires registration or use in the country in which protection is sought.

⁵ Black’s Law Dictionary, abridged 8th edition.

that the goal of the counterfeiter is to tap into the market of the brand and to some extent pass off the fakes as the real merchandise.⁶ Unlike traditional trademark infringement and trademark dilution that are sanctioned by civil remedies, trademark counterfeiting and piracy are universally criminally sanctioned.⁷ For the purposes of the discussion in this article reference to illegitimate trade refers solely to instances of trademark counterfeiting.

Illegal trade such as e.g. child pornography, where both the buying, selling, soliciting or trading in material depicting child pornography is illegal, is relatively easy to deal with in legislative terms, although enforcement in practice remains difficult. Infringement of trademark rights presents a more difficult legal conundrum, since the sale of counterfeit goods is criminalized, while buying sometimes and in some forms is not. Furthermore, when we approach the question from the perspective of trademark law, the object of protection is not the good itself, but the label it is sold under.⁸ This is also true in cases of trademark counterfeiting, since trademark law does not protect the good itself. Therefore, legitimate trade under the same trademark is technically speaking identical to illegitimate trade, i.e. it stems from protection of a typed word-mark. Although modern trademark law recognizes several types of marks, in the context of the internet, our focus is directed at *word marks* and the scope of exclusivity.

In the world of 1s and 0s, established legal concepts⁹ have a whole new meaning – that is, in practice they mean nothing at all or at least not what the concepts do in the real market.¹⁰ While somewhat useful in distinguishing other than protected uses from

⁶ WIPO Handbook at 2.496.

⁷ Section III on Enforcement of Intellectual Property Rights of the Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, THE LEGAL TEXTS: THE RESULTS OF THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS 320 (1999), 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994) [hereinafter TRIPS Agreement].

⁸ Incentive theory underlying French trademark law would argue that the branding of luxury goods is a protected creative effort, much like that underlying copyrighted works. Elsewhere, trademark law is generally not considered as strongly grounded in incentive theory as patents and copyrights. See William Landes & Richard Posner, *The Economic Structure of Intellectual Property Law* (Harvard University Press, Cambridge, 2003) 11. Annette Kur, 'Fundamental Concerns in the Harmonization of (European) Trademark Law' in Graeme Dinwoodie & Mark Janis (Eds.) *Trademark Law and Theory A Handbook of Contemporary Research* (Edward Elgar, Cheltenham, 2008) at 151. On incentives and the fashion industry in Italy v. France, see Reichman, J.H., 'Preface to Intellectual Property and Competition Law' at xv, and Gustavo Ghidini at 1, 4 and 10, in Gustavo Ghidini (Ed.), *Innovation, Competition and IP Law* (Edward Elgar, Cheltenham, 2010).

⁹ Such as trademark use, nominative use, confusing similarity and even willful trademark infringement.

¹⁰ Efforts have been made to categorize uses on the internet according to these theoretical concepts. When applied to the acts of intermediaries, courts on both sides of the Atlantic, however, seem unwilling to adopt these concepts into

real market commerce, these artificial constructs become increasingly burdensome in the virtual context, at least, when attempting to force new uses into set molds.¹¹ Thus, we run the risk of addressing the issue of third party liability, squarely as a question of direct infringement without considering the secondary nature of the tort.¹² In a time, when the text of a directive from the year 2000 is outdated, efforts still seem focused on defining in technological detail what constitutes and what does not constitute infringement. At the same time, we know that organized crime adapts faster than restrictive measures are imposed. Still, questions of liability are decided in this framework using definitional bridges such as ‘neutrality’, ‘actual knowledge’ and technical capacity.¹³

The Anti-Counterfeiting Trade Agreement (ACTA)¹⁴ extends the discussion on legislative safe harbors and liability of internet intermediaries also to infringements of trademark law. However, much of the discussion still seems to center on copyright infringement while issues peculiar to trademark law seem to be given less, if any, in depth scrutiny. Thus, if the activities of ISPs are opened to scrutiny under the respective trademark laws in place the balancing outcomes from the copyright setting should not be applied without scrutiny to ISP liability, but first be recalibrated to trademark law.¹⁵ This

trademark law. *Tiffany Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 – 2010. (US Court of Appeals for the Second Circuit) at 102-103 and 113. Joined cases C-236/08 to 238/08. *Google France SARL, Google Inc. v. Louis Vuitton Malletier SA* (C-236/08), *Viatricum SA, Lucefier SARL* (C- 237/08) and *Centre national de recherché en relations humaines (CNRRH) SARL* (C-238/08), (EUCJ March 23, 2010). (Grand Chamber). [hereinafter Google Adwords-case]

¹¹ On the difference between real market uses of trademarks and uses on the internet see Stacey L. Dogan & Mark Lemley, ‘Grounding Trademark Law Through Trademark Use’, 92 Iowa L. Rev. 1669 (2007) at 1672 [hereinafter Dogan & Lemley 2007]. The EUCJ and some American courts show their unease with the theoretical concepts of nominative or trademark use by simply refusing to adopt them as such. However, lacking better alternatives trademark practitioners and academics routinely refer to these constructs as tools in delimiting trademark law, as evidenced for example by the questions presented to the EUCJ for a preliminary ruling. *Whether used by courts, practitioners or academics there seem to be not one understanding of a concept in trademark law, but several narrow case-specific understandings depending on the jurisdiction, position and background of the speaker. Generalization is thus difficult and even when there seems to be common understanding on outcome or effect, the concept remains tied to its national context and theoretical framework. Even with the best of efforts there exists true uncertainty on how trademark law theory should deal with uses of trademarks on the internet.* At present, there is a sizable gap between trademark law on the books and trademark law in practice, and the two seem to be speaking different languages. If the law as set forth by the EUCJ is not understandable to national judges, since it refuses to adopt or reject concepts, how are they to interpret EU trademark law, balance competing interests and decide cases brought before them? See Kur, at 155.

¹² Dogan & Lemley (2007), at 1670.

¹³ See infra Chapter 4 and the discussion of the Google Adwords-case in 3.1.2.

¹⁴ Anti-Counterfeiting Trade Agreement, 3 December 2010, available at <http://ec.europa.eu/trade/creating-opportunities/trade-topics/intellectual-property/anti-counterfeiting/> last visited March 5, 2011.

¹⁵ While the EU officially states that its position when negotiating ACTA is that there will be no substantive change in EU intellectual property laws, the Commission admits that it bases its position on that of the Enforcement Directive. The protection available under the Enforcement Directive constitutes a higher level of protection than Member States have clearly adopted and thus presupposes a certain level of protection under substantive law. The Enforcement Directive clearly states that it should not apply to the question of ISP liability, since the provisions of the E-Commerce Directive should prevail there. See also European Commission Trade Press Release: Anti-Counterfeiting Trade Agreement: European Commission Welcomes Release of Negotiation Instruments, Brussels, April 21, 2010 available

is especially important since trademark laws tend not to distinguish between direct and indirect infringers, nor cap the use of a multitude of available remedies.¹⁶

Another recent attempt at navigating this unmapped legal landscape was made by the EUCJ, as well as Advocate General (AG) *Poiares-Maduro* in three joined cases concerning Google's Adwords-service and keyword advertising in general.¹⁷ The ruling answered broad questions such as whether trademark law can apply at all to the activities of ISPs. It opened the possibility of a broad reading of outdated¹⁸ technological language in the E-Commerce Directive¹⁹ to include also Google's activities. However, it could be interpreted to open the safe harbor in practice, since the ruling hinges on the concept of 'actual knowledge', which is not defined in either the directive or in practice.

In practice, Article 15 of the E-Commerce directive, which includes a prohibition against imposing a general duty on ISPs to monitor infringing activity on their sites, had been interpreted to require *bona fide* cooperation, e.g. with a notice-and-take down procedure, but nothing more.²⁰ While actual knowledge remains undefined in practical terms and this discrepancy remains, ISPs will face right holder pressure in court. This is because contemporary allegedly infringing ISP activity fits less and less neatly with the technological definitions underlying the legal provisions in place.²¹

at <http://trade.ec.europa.eu/doclib/press/index.cfm?id=552&serie=337&langId=en> last visited 13.11.2010. Nevertheless, the negotiating text of ACTA includes a section regulating safe harbors for ISPs. Consolidated text prepared for Public Release, Anti-Counterfeiting Trade Agreement, PUBLIC Predecisional/Deliberative Draft: April 2010 at <http://ec.europa.eu/trade/creating-opportunities/trade-topics/intellectual-property/anti-counterfeiting/> last visited 13.11.2010. See also European Commission Trade Press Release: Anti-Counterfeiting Trade Agreement: European Commission Welcomes Release of Negotiation Instruments, Brussels, April 21, 2010 available at <http://trade.ec.europa.eu/doclib/press/index.cfm?id=552&serie=337&langId=en> last visited 13.11.2010.

¹⁶ First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks OJ L 40, 11.2.1989, p. 1-7. (Trademark Directive)

¹⁷ The Google Adwords-case.

¹⁸ The definitions adopted in the E-Commerce Directive are based on directives for technical standards e.g. Article 2 (a) defines internet service provider according to Article 1(2) of Directive 98/34/EC as amended by Directive 98/48/EC. These definitions do not necessarily apply well in the context IPSSs operate in the 2010s.

¹⁹ Directive 2000/31/EEC of the European Parliament and of the Council on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market OJ L 178, 17.7.2000, p.1-16. (E-Commerce Directive).

²⁰ Opinion of the Advocate General 22.9.2009 in Joined cases C-236/08 to 238/08, Google France SARL, Google Inc. v. Louis Vuitton Malletiere SA (C-236/08), Viaticum SA, Lucetiel SARL (C- 237/08) and Centre national de recherché en relations humaines (CNRRH) SARL (C-238/08), (EUCJ March 23, 2010) at 47-51.

²¹ See supra note 18. Likewise the narrowly defined safe harbors for mere conduit, caching or hosting could not have foreseen the uses of trademarks courts are challenged with today. The EUCJ, however, broadened the understanding of 'hosting' against such a narrow interpretation in the Google Adwords- case. Joined cases C-236/08 to 238/08, Google France SARL, Google Inc. v. Louis Vuitton Malletiere SA (C-236/08), Viaticum SA, Lucetiel SARL (C- 237/08) and Centre national de recherché en relations humaines (CNRRH) SARL (C-238/08), (EUCJ March 23, 2010)

Legislation tailored to solve a general problem is now marginalized in favor of specific legislation tailored to right holder interests, or no legislation, with accompanying battles in court. The likely societal consequences can be measured by the remedies available to right holders, which include criminal sanctions or automatic damages for willful trademark infringement.²² The effect is enhanced, since trademark law today, in most countries, does not distinguish between indirect and direct trademark infringement. Courts are left to balance established interests vested in trademark law against the vague and disproportionate interests of a disorganized group of ISPs.²³ The latter interests are also constantly changing, since technological and other innovation spurs new business ideas and models on the internet, and make others obsolete. The question becomes one of priority. Legislation that allows innovation that spurs ISPs to supply where there is demand, or legislation that allows right holders *en groupe*²⁴ to curtail innovation by a multitude of disproportionate threats of damages. This article suggests that we put the carriage back behind the horse and allow the horse to pull the carriage into the unknown.

More specifically, this article makes three suggestions. First, it is vital to prioritize in light not of current economic value and actors, but in light of preserving and stimulating continued economic growth, recognizing that growth may take place in new fields, and thus shift economic power in society. Without diminishing the importance of the legitimate interests of holders of intellectual property rights in, for example, combating counterfeiting and piracy, the recent technological breakthroughs should be allowed to reach their potential, and the overall social benefit of the activity of an internet

²² Corrigendum to Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (OJ L 157, 30.4.2004) OJ L 195, 2.6.2004 p. 16 – 25. (Enforcement Directive)

²³ One could argue that ISPs like Google, eBay and Yahoo are powerful actors today and vigorously fight right holder interests (and to some extent also organize others to fight). Multinational corporations do not necessarily reflect the needs of national enterprises, upstart businesses and SMEs that cannot afford to establish tools like eBay's fraud engine or openly defy copyright laws in place like the Google Books Project. If requisite knowledge for failure to act is tailored with the technological capability or resources of these operators in mind, the standards are well out of reach of most ISPs in the world. For example, the national equivalent to eBay in Finland is app. 8 years behind eBay in addressing concerns relating to combating sales of counterfeit goods on line. Note that eBay *does not operate in markets* with less than 8 million people, e.g Denmark, Finland, Greece, Norway, Portugal and Eastern Europe (with the exception of Poland) see <http://www.ebayinc.com/who>. Solving a practical problem that arises due to the fast-paced development of multinationals on the international level does not necessarily provide for any scrutiny of competing interests on a more level national playing field.

²⁴ Right holders act individually to optimize their own gain, but target the same ISP, thus having an aggregated and real effect on the ISP and influencing its future behavior.

service provider should weigh heavily against curtailment. *Ex post* legislation should therefore be preferred over *ex ante* legislation. This means that ISPs should presumptively enjoy protection against individual law suits that suggest liability because harmful conduct occurs on the internet, not because the ISP itself has acted inappropriately.

Second, substantive trademark law should develop new tools to define trademark infringement on the internet. There are two sides to this argument. First, the virtual market differs from the real world market, and trademarks are utilized differently blurring the line between commercial and noncommercial use. What in the trademark is at the heart of protection; its distinguishing capacity in relation to competing goods or services, or its ability to invoke consumer recollection and consequently, its asset value? Consequently, when is, the technologically speaking identical act of reproducing the trademark allowed, and when is it not. Second, absolute protection of ISPs is equally harmful to society as is too strong a protection of trademark owners' interests. Thus, allowing recourse against ISPs that predominantly trade in illegal goods, profit from infringement or openly defy current intellectual property laws is vital. Although, clear cases of abuse are being redressed successfully in court today, the gray area is growing. It should be noted that the clearly abusive cases concern copyright piracy.²⁵

Due to the weighty and far-reaching interests at stake, courts, at least in Europe, are unsuitable to decide these cases, without specific legislative guidelines²⁶ that balance the societal interests at stake.²⁷ To narrow the area of uncertainty, the determining of infringement both in terms of direct and indirect infringement is necessary. Only after recognizing indirect infringement as a separate offence with appropriately tailored remedies, can the question of third party liability be resolved. Substantive trademark law, thus, needs new parameters to define infringing use on the internet, and new tools to

²⁵ *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (Ninth Circuit, 2001), *MGM Studios, Inc. v. Grokster, Ltd.* 545 U.S. 913 (2005). Stockholm District Court, department 5, 17.4.2009, the so called *Pirate Bay-case*.

²⁶ It is argued here that adequate guidelines answer the question how interests should be balanced in a new setting. A statement that the court should balance competing interests taking into account the fundamental interests at stake is not here, for reasons discussed in detail, considered "legislative guidelines". It is also argued that a statement by the EUCJ that national courts should consider fundamental interests and perform balancing of legitimate interests cannot be interpreted to mean that they should presume that legislation in place (e.g. national trademark laws or the Trademark directive) already reflects such an appropriate balance (e.g. Gillette or Google Adwords).

²⁷ Mauro Cappelletti, *The Judicial Process in Comparative Perspective*, (Clarendon Press, Oxford, 1981) at xviii.

distinguish between direct and indirect infringers. In the meanwhile, society should err on the side of over-protection of ISPs.²⁸

Third, instead of allowing direct legal redress, the right holders should be encouraged to pool their resources in fighting trademark counterfeiting and infringement on the internet. Nothing under current law prevents right holders from more efficiently policing their rights. As the well known jeweler Tiffany has proven, it is technologically possible to reach a state of enforcement that is higher than the one reached today, irrespective of the actions of the ISP.²⁹ Optimal efficiency in utilizing notice-and-take down –procedures can be reached without imposing liability on third parties. Overall efficiency is best reached, when the interested parties pool their resources to combat a common threat.³⁰ Cooperation with ISPs is already deeply rooted, and will likely prove even more fruitful, when self-protective measures can be removed. Most importantly, the bulk of the costs of combating trademark-pirate ingenuity and organized crime, and consequently, the ultimate risk of non-enforcement fall on the right holders, who are thus incentivized to put a larger amount of resources towards this cause, if they deem it necessary. The resources allocated to the endeavor are likely to be more proportionate to the overall harm of illegal trade in counterfeit goods, than if a third predominantly disinterested party, is forced to act under threat of liability.³¹

The contemporary activities of some ISPs are described in Chapter 2 and present and future trademark law trigger-points are highlighted. Contemporary legislation that applies to the question of whether ISPs may be held liable for trademark infringement under EU law is presented in Chapter 3. Chapter 4 describes the approach of three

²⁸ See Calabresi & Melamed, Whenever a state is presented with the conflicting interests of two or more people, it must decide which side to favor. Absent such a decision, access to goods, services, and life itself will be decided on the basis of “might makes right” — whoever is stronger or shrewder will win.” at 1090.

²⁹ *Tiffany (NJ) Inc. and Tiffany and Company v. eBay Inc.*, 576 F. Supp.2d.463 (S.D.N.Y. 2008) at 484-485.

³⁰ Guido Calabresi and A Douglas Melamed: ‘Property Rules, Liability Rules, and Inalienability: One View of the Cathedral’, 85 Harvard Law Review, p. 1089-1128 (1972) (Calabresi & Melamed) at 1094.

³¹ It could be argued that not all trademark owners can afford to put more resources toward combating infringement. Counterfeiting affects mostly globally or regionally well-known brands, i.e. multinational corporations, which makes an argument for *absolute and limitless* protected status unpersuasive. These companies already benefit from notice-and-take down procedures and comprehensive schemes to combat the sale of counterfeit products on the internet at the expense of ISPs. Limiting liability of ISPs to what can reasonably be expected from them in terms of monetary, human and technological resources allocated to the endeavor should sufficiently address right holder’s *legitimate interests*. For the sake of comparison of the gravity of social interests concerned, ISP liability or duty to act is also not absolute, when it comes to removing material relating to criminal offences e.g child pornography, in fighting terrorism or protecting national security. Article 3.4 of the E-Commerce Directive.

national courts and sets the approaches in a theoretical context, when tackling the issue whether and to what extent the on-line auction site eBay is liable for the sale of counterfeit merchandise on its site. Chapter 5 analyses the approaches of the national courts and presents proposals for future action.

2 ISPs IN ACTION

2.1 ISPs in the market context

The purpose of this section is to depict the general activities of ISPs that may give raise to concerns under trademark law and more specifically trigger a law suit from a trademark holder for infringement, dilution or failure to act.³² The aim is to place the internet service provider's *legitimate activity in a societal perspective* before addressing trademark concerns. While this article focuses on a line of cases involving trademark counterfeiting on eBay, this section is intended to bring forth other trademark law issues that are routinely (if not yet addressed in court) triggered in contemporary practice, and thus, will inevitably be addressed in law in the future. This article argues that the answer to the question of liability of ISPs should necessarily be informed by contemporary business practices.

This is important for three reasons. First, the E-Commerce directive, unlike its US counterpart, left the issue of establishing e.g. notice-and-take down procedures to self-regulation, i.e. allowing the market to develop procedures and change them to adapt with development. However, in Article 21.2 of the E-Commerce Directive it was noted that there may be a "need for additional conditions for the exemption from liability... in the light of technical development", which precludes the interpretation that the directive was intended to leave the issue completely unregulated.³³ Second, courts are unduly restricted in striking a fair balance between the fundamental interests at stake, if ISP activities are only viewed restrictively from the point of view of trademark infringement. Indeed, the E-Commerce directive recognizes that such case-specific fact-based inquiry may not

³² The services are depicted based on information provided by the company in question, such as a description of services provided the technology used, and trademark policies and complaint procedures. Press releases or reported news on the size of the business, transactions and market volume are also cited.

³³ See also First Commission Report at 65, 71 and 75.

address ISP activities and social benefit adequately and would easily amount to disproportionate burdens on ISPs that consequently thwart technological development of legitimate services and activity.³⁴ Third, even if the inquiry was restricted to the activities alleged to constitute trademark infringement, contemporary market and business practices should have bearing on what “a normally informed and reasonably attentive consumer” may assume from the use of the trademark in the internet context.³⁵

2.2 Online Auction Sites: eBay

eBay operates an online auction site at www.ebay.com, which allows anyone to register in order to buy and sell goods to one another. Products are sold at auction, or through fixed price or “buy it now” listings.³⁶ The site contains 100 million listings at any given time, with a daily contribution of six million listings more.³⁷ eBay earns an “insertion fee” for each listing and a “final value fee” based on the final sale price for any sold item. While eBay does not sell items itself (nor has the physical good in its possession at any time) it connects buyers and sellers, and enables secure transactions between them.³⁸ eBay also owns and operates PayPal.³⁹ eBay advertises its services, including availability of specific listed goods on its site, both on its own site and externally, for example, through Google’s Adwords program.

Unlike a real world auction house, the entirety of eBay’s service is technically generated. The listings database is necessarily accompanied by a search engine. In addition, eBay actively develops technical tools to allow for specific sellers and buyers to more efficiently find each other on the site. It provides seminars and workshops for sellers to help them increase their sales on eBay.⁴⁰ ‘Powersellers’ receive even more assistance and guidance.⁴¹

³⁴ First Commission Report at 72 and 73.

³⁵ Opinion of AG in case Case C-324/09, L’Oréal SA, Lancôme parfums et beauté & Cie, Laboratoire Garnier & Cie L’Oréal (UK) Limited v. eBay International AG, eBay Europe SARL, eBay (UK) Limited delivered on 9.12.2010, at 108.

³⁶ *Tiffany (NJ) Inc. and Tiffany and Company v. eBay Inc.*, 576 F. Supp.2d.463 (S.D.N.Y. 2008) at 474.

³⁷ As provided by the defendant in *Tiffany (NJ) Inc. and Tiffany and Company v. eBay Inc.*, 576 F. Supp.2d.463 (S.D.N.Y. 2008) at 474-475.

³⁸ *Tiffany (NJ) Inc. and Tiffany and Company v. eBay Inc.*, 576 F. Supp.2d.463 (S.D.N.Y. 2008) at 474 and 476.

³⁹ PayPal offers secure payment services, and charges a fee for each transaction.

⁴⁰ *Tiffany (NJ) Inc. and Tiffany and Company v. eBay Inc.*, 576 F. Supp.2d.463 (S.D.N.Y. 2008) at 475-476.

⁴¹ *Tiffany (NJ) Inc. and Tiffany and Company v. eBay Inc.*, 576 F. Supp.2d.463 (S.D.N.Y. 2008) at 476.

Technically speaking eBay's advertising is highly automated. For example, when a potential buyer enters a search term in eBay's internal search engine, it may trigger an automated advertisement "Find [brand keyword] items at low prices". Likewise, eBay runs general ads like "great brands, great prices" or "Fall Fashion Brand Blowout", which links the clicking buyer to listings entailing a reference to branded products. eBay also guides its buyers to the cheapest deals for any given product and advises them to take advantage of the high demand of branded merchandise.⁴² While eBay does not advertise particular listings, their advertisements tend to in effect promote the sale of counterfeit products, in their more general effort to improve the volume of legitimate sales in general, or in a niche market.

According to court record, eBay invests 20 million USD annually in tools to promote trust and safety on its website, including tools to combat anti-counterfeiting and facilitate removal of such listings. Roughly 4,000 of eBay's total work force of 16, 000 people is devoted to trust and safety. Of a total of 2000 customer service representatives more than 10% are devoted exclusively to infringement issues. In addition, 70 people are employed to cooperate with law enforcement, which includes providing information necessary to arrest counterfeiters.⁴³

On the technological side, firstly, eBay operates several programs, commonly termed "eBay's fraud engine", in search for fraudulent listings, and spends in excess of 5 million USD annually, to maintain and enhance these technological tools that automatically search for listings by employing more than 13,000 search rules and complex models. eBay developed this technology in 2002, based on the results of two years of performing manual searches. Together, these programs flag thousands of listings daily, which customer service representatives review and remove according to internal guidelines designed to target violations of eBay's policies.⁴⁴

Secondly, eBay maintains a procedure commonly referred to as the Verified Rights Owner Program (VeRO), which in effect is a notice-and-takedown system, serving approximately 14,000 right holders. By filing a Notice of Claimed Infringement

⁴² *Tiffany (NJ) Inc. and Tiffany and Company v. eBay Inc.*, 576 F. Supp.2d.463 (S.D.N.Y. 2008) at 479-481.

⁴³ *Tiffany (NJ) Inc. and Tiffany and Company v. eBay Inc.*, 576 F. Supp.2d.463 (S.D.N.Y. 2008) at 477. These numbers refer to the operation of the eBay.com site.

⁴⁴ *Tiffany (NJ) Inc. and Tiffany and Company v. eBay Inc.*, 576 F. Supp.2d.463 (S.D.N.Y. 2008) at 477.

(NOCI) via fax, email or the online VeRO Reporting Tool, a right holder can report an infringing listing. The program also provides tools to assist right owners in searching for infringing listings, including an automated search tool called “My Favorite Searches” that can repeat favorite searches daily and email the search results to the right holder.

Among thousands of listings reported weekly, each was, according to eBay’s policy, to be reviewed and removed within 24 hours, and in practice 70-80% of the listings are removed within 12 hours. Bidding on items in infringing listings is suspended and transactions retroactively cancelled. eBay also refunds all fees, and in some cases reimburses the buyer through its “Buyer Protection Program”.⁴⁵ Lastly, eBay provides an opportunity for right holders to create an “About Me” -page on the eBay web-site designed to inform eBay’s customers about their products, intellectual property rights and legal positions.⁴⁶

Questions of trademark law that are triggered by eBay’s activity are, e.g.: 1) is eBay liable for direct trademark infringement for advertising for, promoting the use of brands in consumer searches and seller advertising, and failing to prevent listings for the sale of counterfeit goods; 2) is eBay liable for indirect trademark infringement for facilitating and inducing the sale of counterfeit goods; or 3) is eBay liable for dilution of a famous mark, when allowing and promoting searches using brands.

2.3 *Search Engines: Google*

Google is the world’s largest search engine and the flagship of Google Inc., operating with a mission “to organize the world’s information and make it universally accessible and useful.”⁴⁷ The Google search engines operate at www.google.com and 150 other domains in different countries and languages. In addition, Google offers many other services⁴⁸, applications⁴⁹, software and search features⁵⁰. Google services are mostly free for both private and business users, and Google finances its services through selling

⁴⁵ *Tiffany (NJ) Inc. and Tiffany and Company v. eBay Inc.*, 576 F. Supp.2d.463 (S.D.N.Y. 2008) at 479.

⁴⁶ *Tiffany (NJ) Inc. and Tiffany and Company v. eBay Inc.*, 576 F. Supp.2d.463 (S.D.N.Y. 2008) at 479.

⁴⁷ Company overview at <http://www.google.fi/intl/en/corporate/> last visited 13.11.2010.

⁴⁸ Google Maps, Google Books, Google News Archive.

⁴⁹ Gmail, Google Calendar and Google Docs.

⁵⁰ Google Toolbar, Google Chrome, Personalized Search.

advertising space on its sites.⁵¹ For this purpose, Google operates Google Adwords, Google AdSense and supporting tools such as Google Analytics, Website Optimizer, Insights for Search and AdPlanner.⁵² The services that trigger questions of trademark law are described by AG *Poiares-Maduro* as follows:

“On entering keywords into [the] search engine, internet users are presented with a list of natural results. These natural results are selected and ranked according to their relevance to the keywords. This is done through the automatic algorithms underlying the search engine program, which apply purely objective criteria.

Google also operates an advertisement system called ‘AdWords’, which enables ads to be displayed, alongside natural results, in response to keywords. Ads typically consist of a short commercial message and a link to the advertiser’s site; they are differentiated from natural results by being presented, under the heading [‘Sponsored links’], either at the top of the page, against a yellow background, or on the right-hand side. Google’s main competitors (Microsoft and Yahoo!) operate similar advertising systems.

Through AdWords, Google allows advertisers to select keywords so that their ads are displayed to internet users in response to the entry of those keywords in Google’s search engine. Every time an internet user subsequently clicks on the ad’s link, Google is remunerated in accordance with a price agreed beforehand (‘price per click’). There is no limit to the number of advertisers that can select a keyword, and if all the ads relating to that keyword cannot be displayed at the same time they will be ranked according to the price per click and by the number of times that internet users have previously clicked on the ad’s link.

Google has set up an automated process for the selection of keywords and the creation of ads: advertisers type in the keywords, draft the commercial message, and input the link to their site. As part of this automated process, Google provides optional information on the number of searches on its search engine featuring the selected keywords, as well as related keywords, and the corresponding number of advertisers. Advertisers can then narrow down their selection of keywords in order to maximise the exposure of their ads.”⁵³

Although Google provides a ‘Trademark Complaint Procedure’, under which they investigate trademark complaints regarding the sponsored links, Google does not offer services akin to eBay’s Notice-and-Take down regime. Instead, Google encourages trademark owners to contact the individual advertiser that according to Google’s AdWords and AdSense Trademark Policy is responsible for the keywords selected.

⁵¹ Opinion of the AG in Joined cases C- 236/08-238/08, *Google v. Vuitton et. al.*, 22.9.2009, at 13.

⁵² Company overview at <http://www.google.fi/intl/en/corporate/> last visited 13.11.2010.

⁵³ Opinion of the AG in Joined cases C- 236/08-238/08, *Google v. Vuitton et. al.*, 22.9.2009, at 9-12. Footnote and paragraph numbering has been removed. However, due to litigation Google has changed its policy for some countries. http://www.google.com/intl/en/tm_complaint_adwords/complaint.html last visited 13.11.2010.

Google does not have a complaint procedure for trademark complaints regarding natural results.⁵⁴

3 Legislative Basis

3.1 The E-Commerce Directive

The European Union adopted a horizontal approach and regulated the issue of liability of ISPs from the perspective of e-commerce as opposed to that of infringement of a specific right.⁵⁵ As a consequence the E-Commerce Directive applies to all types of illegal activity. The directive provides safe harbors for mere conduit, caching and hosting under the following circumstances:

Article 12: "Mere conduit"

1. Where an information society service is provided that consists of the transmission in a communication network of information provided by a recipient of the service, or the provision of access to a communication network, Member States shall ensure that the service provider is not liable for the information transmitted, on condition that the provider:

- (a) *does not initiate the transmission;*
- (b) *does not select the receiver of the transmission; and*
- (c) *does not select or modify the information contained in the transmission.*

2. The acts of transmission and of provision of access referred to in paragraph 1 include the automatic, intermediate and transient storage of the information transmitted in so far as this *takes place for the sole purpose of carrying out the transmission* in the communication network, and provided that the information is not stored for any period longer than is reasonably necessary for the transmission.

...⁵⁶

Article 13: "Caching"

1. Where an information society service is provided that consists of the transmission in a communication network of information provided by a recipient of the service, Member States shall ensure that the service provider is not liable for the automatic, intermediate and temporary storage of that information, performed for the sole purpose of making more efficient the information's onward transmission to other recipients of the service upon their request, on condition that:

- (a) the provider does not modify the information;
- (b) the provider complies with conditions on access to the information;
- (c) the provider complies with rules regarding the updating of the information, specified in a manner widely recognised and used by industry;

⁵⁴ <http://adwords.google.com/support/aw/bin/answer.py?hl=en&answer=6118> last visited 13.11.2010.

⁵⁵ The text is, nevertheless, strongly influenced by copyright concerns that were at the forefront at the time of adoption of the E-commerce Directive.

⁵⁶ Article 12.3 E-commerce Directive: This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States' legal systems, of requiring the service provider to terminate or prevent an infringement.

(d) the provider does not interfere with the lawful use of technology, widely recognised and used by industry, to obtain data on the use of the information; and
 (e) *the provider acts expeditiously to remove or to disable access to the information it has stored upon obtaining actual knowledge of the fact that the information at the initial source of the transmission has been removed from the network, or access to it has been disabled, or that a court or an administrative authority has ordered such removal or disablement.*

...⁵⁷

Article 14: "Hosting"

1. Where an information society service is provided that consists of the storage of information provided by a recipient of the service, Member States shall ensure that the service provider is not liable for the information stored at the request of a recipient of the service, on condition that:

(a) the provider does not have actual knowledge of illegal activity or information and, as regards claims for damages, is not aware of facts or circumstances from which the illegal activity or information is apparent; or

(b) the provider, upon obtaining such knowledge or awareness, acts expeditiously to remove or to disable access to the information.

2. Paragraph 1 shall not apply when the recipient of the service is acting under the authority or the control of the provider.

...⁵⁸

Member States were not required to institute or require of intermediaries to put in place notice-and take-down procedures. Instead, self-regulation by interested parties was expressly encouraged.⁵⁹

Article 15

No general obligation to monitor

1. Member States shall *not impose a general obligation on providers*, when providing the services covered by Articles 12, 13 and 14, *to monitor* the information which they transmit or store, *nor a general obligation actively to seek facts or circumstances indicating illegal activity*.

2. Member States may establish obligations for information society service providers promptly to inform the competent public authorities of alleged illegal activities undertaken or information provided by recipients of their service or obligations to

⁵⁷ Article 13.2 E-commerce Directive: This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States' legal systems, of requiring the service provider to terminate or prevent an infringement.

⁵⁸ Article 14.3 E-commerce Directive: This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States' legal systems, of requiring the service provider to terminate or prevent an infringement, nor does it affect the possibility for Member States of establishing procedures governing the removal or disabling of access to information.

⁵⁹ E-Commerce Directive Article 16 and recital 40. See also First Report on the application of Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (Directive on electronic commerce); Brussels, 21.11.2003; COM(2003) 702 final (First Commission Report) at 74-75. At the publication of the report only Finland had set out a copyright specific notice and take down procedure in legislation. All other Member States had left the issue to self regulation.

communicate to the competent authorities, at their request, information enabling the identification of recipients of their service with whom they have storage agreements.

Most Member States transposed Articles 12-14 literally into their national laws. In addition, some Member States provided limitations on liability for providers of hyperlinks and search engines.⁶⁰ The First Commission Report accepts this development as being in line with the E-Commerce Directive, and encourages Member States to develop legal security for intermediaries on the internet.⁶¹ The report recognizes, albeit in reference to activity in Article 12-14 only, that the general monitoring of millions of sites and web pages would, in practical terms, be impossible and would result in disproportionate burdens on intermediaries and higher costs of access to basic services for users. There is not yet any technology, which could not be circumvented and that provides full effectiveness in blocking or filtering illegal and harmful information that at the same time avoids blocking entirely legal information. Over-protection by blocking entirely legal information inevitably results in violations of the freedom of expression of other users.⁶²

The European Union Court of Justice (EUCJ) gave its Grand Chamber ruling on March 23, 2010 on the question, whether search engines and hyperlinks are covered by Article 14 of the E-Commerce Directive and whether Google's AdWords service constitutes *hosting* within the meaning of Article 14.⁶³ Despite unofficial legislative history to the contrary⁶⁴, both the EUCJ and Advocate General Poiares-Maduro concluded that Google's AdWords program may be an "*information society service*" within the meaning of the E-Commerce Directive, since its service is provided at a distance, by means of electronic equipment for the processing and storage of data, at the

⁶⁰ Spain and Portugal considered hyperlinks and search engines to fall under Article 14, while Austria and Liechtenstein placed search engines under Article 12, while hyperlinks were regulated by Article 14. In addition, Hungary and Poland have extended the protection granted to hosts in Article 14 to location tool providers, according to Dr. Stephen Ott on Links & Law update 44: November 1, 2006 available at <http://www.linksandlaw.com/news-update44.htm>, last visited 13.11.2010.

⁶¹ First Commission Report at 67 and 72.

⁶² First Commission Report at 73.

⁶³ Joined cases C-236/08 to 238/08, *Google France SARL, Google Inc. v. Louis Vuitton Malletiere SA* (C-236/08), *Viaticum SA, Lucetiel SARL* (C- 237/08) and *Centre national de recherché en relations humaines (CNRRH) SARL* (C-238/08), March 23, 2010 (Grand Chamber).

⁶⁴ Opinion of the AG in Joined cases C- 236/08-238/08, *Google v. Vuitton et. al.*, 22.9.2009, at 131-135. The AG noted that the Commission itself had changed its opinion on whether search engines and hyperlinks were covered by the E-Commerce Directive, since the First Commission Report.

individual request of a recipient of services, and normally in return for remuneration.⁶⁵ However, the requirement of remuneration in a strict sense is not typically satisfied by ISPs, since these services are generally provided free of charge. In the instant case, AG Poiares-Maduro solved this conundrum by stating that “the search engine is provided free of charge in the expectation of remuneration under AdWords”.⁶⁶ Although not articulated in the present case, but instead passed in favor of a flexible interpretation, the definition of an ‘information society service’ fits poorly to the business models employed by ISPs. Also the requirement of the service being ‘provided at individual request’ seems strained in the increasingly automated setting that consumers and service providers alike, operate in.⁶⁷ Thus, this definition that stems from the directive on providing information in the field of technical standards, is arguably ill-fitting for ISPs.⁶⁸

The court, however, was not satisfied with Google’s service falling within the definition of “information society service”. Indeed, to avail itself of the safe harbor in Article 14, the service provider’s conduct must be limited to that of an information society service, that is, the activity is of a *mere technical, automatic and passive nature*, which implies both lack of knowledge and control over the information transmitted or stored.⁶⁹ The role played by the service provider must be neutral.⁷⁰ Neutrality is not impaired by the mere fact that the referencing service is subject to payment, nor that the service providers sets the payment terms or provides general information to its clients.⁷¹

⁶⁵ Joined cases C- 236/08-238/08, *Google v. Vuitton et. al.*, at 110. The Court based its determination on the description of Google’s AdWords service at 23 of the judgment: “In addition, Google offers a paid referencing service called ‘AdWords’. That service enables any economic operator, by means of the reservation of one or more keywords, to obtain the placing, in the event of a correspondence between one or more of those words and that/those entered as a request in the search engine by an internet user, of an advertising link to its site. That advertising link appears under the heading ‘sponsored links’, which is displayed either on the right-hand side of the screen, to the right of the natural results, or on the upper part of the screen, above the natural results.”

⁶⁶ Opinion of the AG in Joined cases C- 236/08-238/08, *Google v. Vuitton et. al.*, 22.9.2009, at 131.

⁶⁷ Edwards, Lilian & Waelde, Charlotte, ‘Online Intermediaries and Liability for Copyright Infringement’ WIPO-Workshop Keynote Paper, April 2005 available at <http://www.era.lib.ed.ac.uk/bitstream/1842/2305/1/wipo-onlineintermediaries.pdf> and http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1159640 at 6-7. See also Lilian Edwards, ‘The Fall and Rise of Intermediary Liability Online’ in Lilian Edwards & Charlotte Waelde, *Law and the Internet* (Third Edition, Hart Publishing, Oxford, 2009) at 62-63.

⁶⁸ Parliament and Council Directive 98/48/EC of 20 July 1998 amending Directive 98/34/EC Article 1(2) laying down a procedure for the provision of information in the field of technical standards and regulations. In order to qualify as an ‘information society service’ the service must be provided at a distance, by means of electronic equipment for the processing and storage of data, at the individual request of a recipient of services, and normally in return for remuneration. See Opinion of the AG in Case C-324/09, *L’Oreal v eBay*, 9.12.2010 at 46-53 discussing the complex policy issues at hand.

⁶⁹ Joined cases C- 236/08-238/08, *Google v. Vuitton et. al.*, at 112-113 citing recital 42.

⁷⁰ Joined cases C- 236/08-238/08, *Google v. Vuitton et. al.*, at 114.

⁷¹ Joined cases C- 236/08-238/08, *Google v. Vuitton et. al.*, at 116.

Likewise, the identity of the keyword and the search term selected by consumers does not in itself mean that the service provider has knowledge of, or control over, the data entered into its system and stored in the memory of its server.⁷² Instead, the role played by the service provider in drafting the commercial message, or in the selection of the key word, is relevant, when determining neutrality.⁷³ Based on these considerations the national court must determine, whether the terms of service do in fact reflect a *neutral information society service*.

While the court did consider Google's activity to be within the realm of hosting, the AG did not. AG Poiares-Maduro reached this conclusion after comparing Google's Adwords program to its [presumptively neutral] search engine. In determining whether the service was neutral, AG Poiares-Maduro relied not solely on the technical neutrality of the service, but the *neutrality of Google's interests* affecting the provision of the service. While Google has no interest in displaying a specific natural result, Google has an interest in displaying specific results that optimize the number of clicks on sponsored links. Since the display of ads stems from Google's relationship with advertisers AdWords is no longer a neutral information vehicle. AG Poiares-Maduro did not consider the technical features of the AdWords program in determining neutrality.⁷⁴ Nevertheless, AG Poiares-Maduro reached the conclusion that Google in allowing advertisers to select specific keywords did not infringe trademark rights, since there were many legitimate reasons for selecting a registered trademark as a key word.⁷⁵

The AG in his opinion in the *L'Oréal v. eBay*-case⁷⁶ criticized the EUCJ's reading of Article 14 of the E-Commerce Directive to require that "in order to establish whether the liability of a paid internet referencing service provider may be limited...it is necessary to examine whether the role played by that service provider is neutral in the sense that its conduct is merely technical, automatic and passive, pointing to a lack of knowledge or control of the data it stores."⁷⁷ First it should be mentioned that the AG does not view Articles 12-14 of the E-Commerce directive as exceptions to liability for internet service providers that should be interpreted narrowly merely as restatements of existing law without any such intended effect.⁷⁸ The AG criticizes importing any neutrality

⁷² Joined cases C- 236/08-238/08, *Google v. Vuitton et. al.*, at 117.

⁷³ Joined cases C- 236/08-238/08, *Google v. Vuitton et. al.*, at 118.

⁷⁴ Opinion of the AG in Joined cases C- 236/08-238/08, *Google v. Vuitton et. al.*, 22.9.2009, at 141-145.

⁷⁵ Opinion of the AG in Joined cases C- 236/08-238/08, *Google v. Vuitton et. al.*, 22.9.2009, at 152.

⁷⁶ Opinion of the AG in Case C-324/09, *L'Oréal v eBay*, 9.12.2010 at 139-151.

⁷⁷ Joined cases C- 236/08-238/08, *Google v. Vuitton et. al.*, at 113 and 114

⁷⁸ Opinion of the AG in Case C-324/09, *L'Oréal v eBay*, 9.12.2010 at 136. Instead he views them as restatements or clarifications of existing law.

requirement into Article 14 based on recital 42 that discusses such a requirement in relation to Articles 12 and 13, i.e. mere conduit and cashing.⁷⁹ Instead, the duty to expeditiously remove or disable access to the information concerned is triggered “upon obtaining actual knowledge or awareness of illegal activities”⁸⁰

Furthermore, the established duty to act is limited by the freedom of expression of others.⁸¹ While both commercial communications and proprietary interests of trademark holders are protected by the Charter of Fundamental Rights a balance between them must be struck. Indeed, *the proprietary right is limited* “in the context of electronic commerce, [since it] may not take forms that would infringe the rights of innocent users of an electronic marketplace or leave the alleged infringer without due possibilities of opposition and defence”. *The proprietary right is protected* by specific means such as e.g. a notice-and-take down procedure, which the ISP is required to cooperate with in order to enjoy freedom from liability.⁸²

Thus, *actual knowledge* or awareness arises when served with a specific court order or notice that cannot be based on mere suspicion or assumption regarding illegality.⁸³ Similarly, it would not seem possible under the general prohibition in Article 15 of the E-commerce Directive, to accept construed knowledge, i.e. that the ISP ‘should have known’ or had ‘good reasons to suspect’ illegality.⁸⁴ The AG noted that ‘actual knowledge’ of future infringements could arise, when the same user was allowed to continue infringing the same mark, however, he noted that a more general knowledge of any future infringements of the same mark would not amount to the requisite ‘actual knowledge’.⁸⁵

⁷⁹ Opinion of the AG in Case C-324/09, *L'Oréal v eBay*, 9.12.2010 at 140-142 and 146.

⁸⁰ Recital 46 of the E-Commerce Directive. Opinion of the AG in C-324/09, *L'Oréal v eBay*, 9.12.2010 at 142.

⁸¹ Recital 46 of the E-Commerce Directive

⁸² Opinion of the AG in Case C-324/09, *L'Oréal v eBay*, 9.12.2010 at 157-158.

⁸³ Opinion of the AG in Case C-324/09, *L'Oréal v eBay*, 9.12.2010 at 160 and 162.

⁸⁴ Opinion of the AG in Case C-324/09, *L'Oréal v eBay*, 9.12.2010 at 163.

⁸⁵ Opinion of the AG in C-324/09, *L'Oréal v eBay*, 9.12.2010 at 162, 167 and 168.

3.2 European Trademark Law

3.2.1 Harmonization in Practice – Trademark-Specific Legislation

Trademark law, although not completely harmonized in the European Union, is increasingly influenced by centralized decision-making both by law and in practice. New and contested issues tend to proceed from the OHIM by way of appeal to the General Court and the EUCJ, the rulings of which are considered authoritative statements on the interpretation of the identical provisions in the Trademark Directive (which are binding on national registration authorities) as well.⁸⁶ The Trademark Directive⁸⁷ is modeled on the traditional premise that affords an exclusive right to trademarks for the purpose of distinguishing goods or services in the course of trade. Protection is three-fold. Article 5.1(a) affords protection against the use of identical mark in relation to identical goods or services. The 10th recital of the Trademark Directive states that this protection is absolute, however, the EUCJ has in some landmark cases interpreted this provision to set forth a rebuttable presumption of infringement.⁸⁸ These cases lie at the outskirts of traditional trademark law, where absolute rules may lead to results inconsistent with the traditional premise of trademark and EU law.⁸⁹ However, in most cases at the core of trademark law, e.g. in cases of counterfeiting or using a competitor's trademark with only slight alterations, the protection is in fact absolute.

Article 5.1(b) affords protection for identical or similar marks for use on identical or similar goods or services, when there exists a likelihood of confusion on the part of the

⁸⁶ Guy Tritton- Richard Davis, Michael Edenborough, James Graham, Simon Malynicz, Ashley Roughton, *Intellectual Property in Europe* (3rd Edition, Sweet & Maxwell, 2008) at viii "In the field of trade mark, the ECJ and the CFI have been busy in handing down a cornucopia of decisions. This has led to considerable clarification of provisions of the Trade Mark Directive and Regulation. Indeed, it can be said that there is now a "bedrock" of case law relating to these provisions which is unlikely to be questioned or overruled. For institutions who have no *stare decisis*, this is to be welcomed. The inconsistency of approach that in the past, characterized the Community court's decisions has largely gone."

⁸⁷ The trademark directive that includes provisions of substantive trademark law entered into force in 1989 and has since been implemented by old and new member states. Council Regulation on the Community Trademark 207/2009 codified version (originally EC 40/94) OJ L 78 p. 1 (CTMR) introduced a community-wide trademark right (CTM) in 1994 administered by the Office for Harmonization in the Internal Market (OHIM) in Alicante, Spain. The CTM that spans the entire European Union co-exists with national rights available in most Member States. Community-wide protection is only available to registered marks, thus, unregistered marks are protected under national laws of trademark or unfair competition. In substance, the Trademark Directive and the CTMR set forth the same provisions. In addition, the CTMR sets forth numerous procedural rules. Although, not directly and entirely intended for harmonization of national registration procedures the CTMR has in fact had a strong harmonizing effect on national registration practice.

⁸⁸ Case C-17/06 *Céline SARL v Céline SA*, [2007] ECR I-07041, at 32.

⁸⁹ Case C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 at 51. Case C-245/02 *Anheuser-Busch Inc. v Budějovický Budvar, národní podnik* [2004] ECR I-10989 at 59 and Case C-48/05 *Adam Opel AG v Autec AG* [2007] ECR I- 01017 at 21.

relevant public. The Trademark Directive broadened the traditional concept of likelihood of confusion, to include a likelihood of association. Thus, a trademark owner could receive protection although the consumers were not confused *per se*, but may be confused in believing that the second user is connected by sponsorship or affiliation to the trademark owner. A likelihood of association as such is not however enough for a finding of infringement under Article 5.1 (b).⁹⁰

Article 5.2 provides that Member States may afford additional protection for marks with a reputation, when an identical or similar mark is used for dissimilar products provided that such use without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark. The EUCJ has since confirmed that protection under Article 5.2 is available to marks with a reputation against uses on identical or similar goods or services as well.⁹¹ Therefore, an owner of a reputed mark may thus enjoy almost absolute protection under Article 5.1 (a) and 5.2, which raises the question of *what uses* a trademark owner is entitled to prohibit. Although, discussed at length in legal doctrine the EUCJ has not accepted a ‘trademark use’ concept⁹² into

⁹⁰ Case C-408/01 *Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd.*, [2003] ECR I-12537..

⁹¹ Case C- 487/07, *L'oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v. Bellure NV, Malaika Investments Ltd and Starion International Ltd.*, [2009] ECR I-05185, at 35 referring to Case C-292/00 *Davidoff* [2003] ECR I-389, at 30; Case C-408/01 *Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd.*, [2003] ECR I-12537, at 18 to 22; and Case C-102/07 *adidas AG and adidas Benelux BV v. Marca Mode CV and Others* ECR I-2439, at 37.

⁹² Each contributor to the discussion seems to have a slightly different take on trade mark use as a theoretical phenomenon. Many look at trademark use in relation to a specific legal question; what is required to acquire a distinctive character (Arnaud Folliard-Monguiral, ‘Distinctive Character Acquired through Use: The Law and the Case Law’ and Anna Carboni, ‘Distinctive Character Acquired through Use: Establishing the Facts’ in *Trade Mark Use*, Eds. Jeremy Phillips and Ilanah Simon, Oxford University Press, 2005.); drawing the line to functional use; (Hays, Thomas, ‘Distinguishing Use versus Functional Use: Three dimensional Marks’ in *Trade Mark Use*, Jeremy Phillips and Ilanah Simon Eds. (Oxford University Press, 2005).; drawing the line to denominative use (Wilko, Neil J, ‘Third Party Use of Trade Marks’ and Massimo Sterpi, ‘Trade Mark Use and Denominative Trade Marks’ in *Trade Mark Use*, Jeremy Phillips and Ilanah Simon Eds. (Oxford University Press, 2005); or looking at trade mark use on the Internet (Maniatis, Spyros ‘Trade Mark Use on the Internet’ in Jeremy Phillips and Ilanah Simon Eds., *Trade Mark Use*, (Oxford University Press, 2005). While chosen scope, labels, juxtapositions and categorizations differ, the substantive law recognized as relevant for the discussion on trade mark use covers the two general categories outlined below. Attempts to theorize on the problems surrounding trade mark use have been made by tying the concept to the user (Pretnar, Bojan ‘Use and Non-Use in Trade Mark Law’ and from the perspective of third parties, Jennifer Davies, Jennifer ‘The Need to Leave Free for Others to Use and the Trade Mark Common’ in Jeremy Phillips and Ilanah Simon Eds., *Trade Mark Use*, (Oxford University Press, 2005).; or to the context of acquisition and enforcement of rights as opposed to infringement analysis (Bojan Pretnar, *Use and Non-Use in Trade Mark Law*). Dogan & Lemley 2007 look at the historical emphasis on the concept of trademark use in infringement analysis through the lens of the distinction between indirect and direct infringement. Graeme B Dinwoodie and Mark D Janis in *Use, Intent to Use and Registration in the United States in Trade Mark Use*, Eds. Jeremy Phillips and Ilanah Simon, Oxford University Press, 2005, discuss the significance of the temporal dimension to the concept of trademark use in US trademark law. Most authors recognize the other dimensions of the concept, but choose to focus on a certain aspect of it.

European trademark law.⁹³ Instead, it refers to the protected functions of a trademark, namely, to indicate the [albeit anonymous] origin of goods or services. Recently, in *L'Oréal v. Bellure* the court recognized the investment and advertising function as protected under the Trademark Directive, which in effect waters down any filtering effect built into limiting the trademark right by functions.⁹⁴

EU trademark law is tailored to real market commerce, and struggles with addressing new uses of trademarks as well as uses of trademarks on the internet. For example, Article 5.3 of the Trademark Directive expressly includes the following acts as acts that the trademark owner is entitled to prohibit:

offering the goods, or putting them on the market or stocking them for these purposes under th[e protected] sign, or offering or supplying services thereunder; importing or exporting goods under th[e protected] sign and using the sign on business papers and in advertising.

Although, clearly within the realm of the trademark owner's right in territorially defined real market commerce, these traditionally commercial acts are mixed with other acts on the internet.⁹⁵ The traditional one-on-one infringement setting in real market trademark law is increasingly challenged on the internet, where there may be one or millions of traditional infringers, but also intermediaries, who regardless of intent, in fact facilitate direct infringement of trademark rights. European trademark law entails no distinction between direct or indirect infringement, nor a safe harbor for intermediaries. The internet also blurs the territoriality embedded in trademark law: whose rights apply to acts on the internet and what acts can an intermediary be held accountable for? If all trademark owners in the world can bring suit in national court against acts occurring on the internet, is it not the worst case scenario recognized by the Commission fulfilled "that the general monitoring of millions of sites and web pages would, in practical terms, be impossible and would result in disproportionate burdens on intermediaries and higher costs of access to basic services for users?"⁹⁶

⁹³ Case C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273; Case C-408/01 *Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd.*, [2003] ECR I-12537; Case C-48/05 *Adam Opel AG v Autec AG* [2007] ECR I- 01017.

⁹⁴ Case C- 487/07, *L'oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v. Bellure NV, Malaika Investments Ltd and Starion International Ltd*, [2009] ECR I-05185, at 49-50.

⁹⁵ Goldman, Eric 'Online Word of Mouth and Its Implications for Trademark Law' in Graeme Dinwoodie & Mark Janis *Trademark Law and Theory A Handbook of Contemporary Research* (Edward Elgar, Cheltenham, 2008) at 404-405.

⁹⁶ First Commission Report at 73.

3.2.2 Harmonization in Practice- General Rules That Apply to Trademarks

Lastly, the Directive on the Enforcement of intellectual property rights (Enforcement Directive) applies to trademarks.⁹⁷ Under Article 2, it does not affect Articles 12 to 15 of the E-Commerce Directive, and thus, does not affect the liability of information society services. Nevertheless, the 23rd recital of the Enforcement Directive states that “right holders should have the possibility of applying for an injunction against an intermediary whose services are being used by a third party to infringe the rightholder’s industrial property right”.

It is left to national law to determine the conditions and procedures relating to such injunctions.⁹⁸ The Enforcement Directive, while not limited in application, targets counterfeiting and piracy and in substance provides for effective enforcement measures, such as measures for preserving evidence, the right to information (including names and addresses of infringers and distributors), provisional, precautionary and corrective measures as well as injunctions.⁹⁹

The EUCJ has, albeit in a copyright setting¹⁰⁰, ruled on how the seemingly conflicting provisions of different directives should be interpreted and what obligations and rights are set forth. After all, the directives in the end leave to the national laws of the Member States to strike a fair balance between the fundamental interests at stake.

In the *Promusicae* –case the court held that Article 8 of the Enforcement Directive does not lay down an obligation to communicate personal data in order to ensure effective protection of copyright in the context of civil proceedings.¹⁰¹ However, the court also held that the same provision does not preclude Member States from imposing an obligation to disclose to private third parties personal data relating to Internet traffic in order to enable them to bring

⁹⁷ Corrigendum to Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (OJ L 157, 30.4.2004) Official Journal L 195, 02/06/2004 P. 0016 – 0025. See also Statement by the Commission concerning Article 2 of Directive 2004/48/EC of the European Parliament and of the Council on the enforcement of intellectual property rights (2005/295/EC).

⁹⁸ Recital 23 to the Enforcement Directive 2004/48/EC.

⁹⁹ Articles 3-11 of the Enforcement Directive 2004/48/EC. Member States were required to implement the provisions of the Enforcement Directive by 29th of April, 2006.

¹⁰⁰ EU copyright law places Internet service providers under stricter scrutiny than does the E-Commerce Directive standing alone. Thus, if this duty is limited in copyright law it would logically follow that internet service providers are not under a stricter duty under trademark law, which is regulated only on a general level.

¹⁰¹ Case C-275/06, *Productores de Musica de Espana (Promusicae) v. Telefonica de Espana SAU* [2008] ECR I-271 at 55.

civil proceedings for copyright infringement.¹⁰² It is for the national court, when presented with a *justified and proportionate request*, to determine whether a right of information is appropriate.¹⁰³ In this determination the national courts (and national regulators when transposing the directives) are required to balance the fundamental rights at stake and choose the interpretation of EU legislation that strikes a fair balance between competing interests.¹⁰⁴

Not only are national courts left with determining when a request for information is justified, but also when requiring it, is proportionate to the wrong at hand. Indeed, the EUCJ explained:

“As to these directives, their provisions are relatively general, since they have to be applied to a large number of different situations which may arise in any of the Member States. They therefore logically include rules which leave the Member States with the necessary discretion to define transposition measures which may be adapted to the various situations possible...That being so, the Member States *must...take care to rely on an interpretation* of the directives which allows a fair balance to be struck between the various fundamental rights protected by the Community legal order. Further...the authorities and the courts *must not only interpret* national law in a manner consistent with those directives but also *make sure that they do not rely on an interpretation* of them which would be in conflict with those fundamental rights or with other general principles of Community law, such as the principle of proportionality.”¹⁰⁵

Therefore, the required balancing exercise is to be completed via fundamental rights balancing, an act which most judges in the civil law tradition arguably are ill-equipped to perform absent fairly specific guidelines from the legislator.¹⁰⁶ In this setting, where a general duty is pitted against a specific provision, the risk for over-protection of right holders is apparent. Here, the requirement of the request being justified and proportionate may easily be reduced to scrutiny not of the basis of the request, but the content of the request. In my view, the EUCJ in *Promusicae* requires scrutiny of both whether the request is justified and proportionate, and whether the extent of the request is justified and proportionate.

¹⁰² Case C-275/06, *Productores de Musica de Espana (Promusicae) v. Telefonica de Espana SAU* 2008 ECR I-271 at 54. The ruling was confirmed by order in Case C-557/07, *LSG-Gesellschaft zur Wahrnehmung von Leistungsschutzrechten*, [2009] ECR I-1227.

¹⁰³ Case C-275/06, *Productores de Musica de Espana (Promusicae) v. Telefonica de Espana SAU* [2008] ECR I-271 at 58.

¹⁰⁴ Case C-275/06, *Productores de Musica de Espana (Promusicae) v. Telefonica de Espana SAU* [2008] ECR I-271 at 68-69.

¹⁰⁵ Author's emphasis. Internal references omitted. Case C-275/06, *Productores de Musica de Espana (Promusicae) v. Telefonica de Espana SAU* [2008] ECR I-271 at 67-68.

¹⁰⁶ See also Kur, at 170 arguing that legislative reform is required to find solutions to balancing of fundamental interests within trademark law proper and thus, avoid having to refer to external grounds.

3.3 Summary

While the EU has reached an exceptionally high level of harmonization of laws in the field of trademark law, protection of non-registered marks, trade names and good will remain in the legislative domain of the Member States. Principles of unfair competition and questions of civil liability are regulated by national law and left outside the purview of the Trademark Directive.¹⁰⁷ Nevertheless, the protection afforded under Article 5.1 against uses of an identical mark on identical products, or an identical or similar mark on identical or similar products, is completely harmonized from which the Member States may not derogate.¹⁰⁸ Similarly, Member States that have implemented Article 5.2 of the Trademark Directive affording extended protection to marks having a reputation may not derogate from the interpretation of that provision given by the EUCJ. All Member States have implemented Article 5.2. Thus, Member States may not afford protection based solely on a likelihood of association, nor require a likelihood of confusion under Article 5.2.¹⁰⁹ However, under Article 5.5 of the Trademark Directive Member States are free to grant additional protection for reputed marks for example under the rules of unfair competition.¹¹⁰

The Trademark Directive does not include provisions on secondary liability or contributory infringement. In the Google Adwords –case Advocate General *Poiares-Maduro* discussed this issue and found that the concept of contributory infringement is foreign to European trademark law, where these concerns are traditionally regulated under the rules on civil liability.¹¹¹ Article 12-15 in the E-Commerce Directive addresses the issue of liability for internet service providers, and exempts certain uses; mere

¹⁰⁷ The 6th recital of the Trademark Directive 89/104: "...this directive does not exclude the application to trademarks 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."

¹⁰⁸ Case C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 T 43 citing Joined cases C-414/99-416/99 *Zino Davidoff SA v A & G Imports Ltd and Levi Strauss & Co. and Others v Tesco Stores Ltd and Others* [2001] ECR I-08691 at 32.

¹⁰⁹ Case C-408/01 *Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd.*, [2003] ECR I-12537 at 30. Case C-102/07 *Adidas AG, Adidas Benelux BV v. Marca Mode CV, C&A Nederland CV, H&M Hennes & Mauritz Netherlands BV and Vendex KBB Nederland BV*, [2008] ECR I-02439, at 42. Case C-252/07, *Intel Corporation Inc. v. CPM United Kingdom Ltd.*, [2008] ECR I-08823, at 41.

¹¹⁰ See also Annette Kur, *Fundamental Concerns in the Harmonization of (European) Trademark Law* 151-176 in Graeme Dinwoodie & Mark Janis Trademark Law and Theory, 2008 at 169.

¹¹¹ Opinion of the Advocate General in Joined cases C- 236/08-238/08, *Google v. Vuitton et. al.*, 22.9.2009, at 47-50 and 114- 119.

conduit, caching and hosting, from liability, where the internet service provider is passive, lacks actual knowledge and is neutral. While the EUCJ did read Article 14 broadly and included Google's Adwords service as potentially falling under its exemption for hosting, it was left to national courts to decide, whether Google's activities did indeed constitute those of a neutral information society service. It was for the national court to balance the competing interests at stake and ultimately to strike a fair balance, if in fact it was presented with a "justified and proportionate" request. The issue of whether the request is justified and proportionate is inevitably influenced by the provisions of the Enforcement Directive, which although not meant to apply to these provisions of the E-Commerce Directive, nevertheless, allows a trademark owner to demand and courts to issue an injunction against intermediaries.

4 The Conflict in Practice –Three Approaches

4.1 *Property Rules and Contributory Infringement*

On June 4, 2008¹¹² a French court found eBay directly responsible for allowing the sale of counterfeit Hermes bags on www.ebay.fr. In a joint action against eBay and the seller of two counterfeit bags, the court held that both eBay and the seller 'committed acts of counterfeiting and imitation of French brand names to the detriment of Hermes International'... 'by selling Hermes bags, and by failing to act within their powers to prevent reprehensible use of the site'.¹¹³

The court dismissed eBay's claim that it was only hosting information. Instead, it viewed eBay both as a host and a website editor that controls the page layout and makes profits from the exploitation of ads hosted. The fact that eBay offers the technical means for classifying content and makes profit, is, however, not enough, when the content is provided by users, not by eBay. Insofar, as eBay makes available tools to vendors to develop sales, present objects and establishes rules of operation and architecture of the

¹¹² Since then, other French courts have rendered similar decisions on the same grounds. eBay has yet to succeed on any of its appeals. *Dior, Kenzo, Givenchy, Guerlain, LMVH v. eBay*, Tribunal de commerce de Paris, 30 juin 2008. *Dior, Kenzo, Givenchy, Guerlain, LMVH v. eBay* Cour d'appel de Paris, 11 juillet 2008. *Louis Vuitton Malletier v. eBay*, Tribunal de grande instance de Paris 3ème chambre, 4ème section, 11 février 2010. Louis Vuitton and Dior respectively seek 20 million and 17 million euros in damages.

¹¹³ *Hermes International/eBay et autres*, Tribunal de grande instance de Troyes Chambre civile Jugement du 4 juin 2008. Translation by AFP: French Court fines eBay over counterfeit goods, June 4, 2008 available at <http://afp.google.com/article/ALeqM5ieVhlM9xNEzcmDtrdw6ToFLtkRAg> last visited June 12, 2010.

auction service, it should be regarded as a publisher of an online communications service (website editor) that is subject to brokerage. Unlike on other such publishers, the court did not impose strict liability on eBay. It did however remove the exemption from liability, when the website is used for illegal purposes, i.e. the sale of counterfeit goods.¹¹⁴ The Court ordered eBay to pay damages 1,500 euro per instance of infringement and to publish the decision on its homepage for three months on pain of a daily penalty of 1500 Euros and in four journals and magazines of the plaintiff's choice.

The French courts approach the question as one of direct infringement, including contributory infringement. This means that where an underlying act of direct infringement is established, it determines the scope and intensity of the wrong.¹¹⁵ The acts of the infringer and contributor are equally reprehensible, and therefore, equally punished. All measures available to the right owner against a direct infringer are available against a contributor. While some limitations are found in what acts constitute contributing to direct infringement, these considerations do not affect available measures once it is deemed that they do in fact contribute to the infringement. The fact that counterfeit goods are sold on the auction site, therefore determine whether and what liability arises. Consequently, the trademark owner must prove sale of counterfeit goods and acts that contribute to the sale of counterfeit goods.

In determining what acts constitute unlawful direct contributory infringement the French courts use the safe harbors for internet intermediaries in French and European law as guidance.

It assessed whether the claimed infringing acts constitute hosting or whether a general duty to monitor is imposed. It also noted that uses for illegal purposes are generally exempted from the prohibition against placing hosts under a general duty to monitor or actively seek facts. While generally restricted to crimes against humanity, inciting racial hatred, child pornography, incitement to violence and injury to the dignity of the human person, the French court applies this obligation to put in place targeted surveillance measures to cases of trademark counterfeiting. Thus, French law places a duty to actively monitor and seek facts of illegal trademark counterfeiting upon hosts and other internet intermediaries.¹¹⁶

¹¹⁴ The court recognized that a reliable technological tool for finding infringing content in listings is not available today. Nonetheless, it imposed on eBay the duty to seek by all means sellers that use the trademark in combination with the product number, serial number, model number or a certificate of authenticity to identify the object sold. eBay also must take all measures to notify the buyer and seller that they accept the terms of service including the civil and penal consequences for acts of counterfeiting, potential authenticity checks by right holders and possible transmission of personal data to them. Even though, the seller had assured authenticity of the goods sold to eBay, it had for failing to assure compliance by other means, not fulfilled its duty to ensure the absence of improper use of the site.

¹¹⁵ On the origins of contributory infringement in US Patent Law see, Lemley, Mark 'Inducing Patent Infringement', 39 U.C.Davies 225 (2005) at 227.

¹¹⁶ *Hermes International/eBay et autres*, Tribunal de grande instance de Troyes Chambre civil Jugement du 4 juin 2008.

While this duty may be fulfilled by imposing technical surveillance measures, this is not always the case. The ultimate liability of the intermediary or host is determined by whether the actual sale of counterfeit products persists. The standard is one of zero tolerance, that is, no acts attributable to the intermediary may contribute to the sale of counterfeit goods.¹¹⁷

4.2 Liability Rules: Duty to Act

The German Federal Supreme Court (Bundesgerichtshof, BGH) has on several occasions held internet auction sites potentially liable for allowing vending of counterfeit goods on their site.¹¹⁸

The owner of the trademark ROLEX brought suit against the German online auctioneer Ricardo and the globally and nationally active eBay (www.ebay.de) for failing to preemptively block listings offering counterfeit ROLEX merchandise. In its 2004 ruling, the BGH considered whether the German Tele Services Act¹¹⁹, which implemented the E-Commerce Directive, prevented suit against an internet auctioneer for allowing vending in counterfeit products. The court recognized that the hosting safe harbor applies, when an intermediary does not have influence over the text of the infringing listing. However, the court held that the E-Commerce Directive does not prevent Member States from imposing further obligations on intermediaries for dereliction of duty, as long as they do not amount to a general duty to monitor or actively seek facts indicating infringement. Likewise, the safe harbor under the interpretation of the BGH only prevents injunctive relief, not a claim for damages.¹²⁰

Thus, the safe harbor does not apply to a claim for damages against intermediaries that fail to act, when it is reasonably within their control to prevent infringement.¹²¹ However, the Enforcement Directive, according to the BGH, not only allows, but specifically calls for this type of remedy for trademark owners.¹²²

For the court the threshold seems reached when the intermediary has actual knowledge of past infringements and it is technically possible and reasonable to require

¹¹⁷ *Hermes International/eBay et autres*, Tribunal de grande instance de Troyes Chambre civile Jugement du 4 juin 2008. See the distinction the court makes in determining whether eBay is a host, where they view eBay a neutral host regarding acts attributable to users (content of listings), while services rendered to sellers for payment are attributable to eBay, and thus can result in liability.

¹¹⁸ BGH, Urt. v. 11.3.2004 – I ZR 304/01 (Rolex v. Ricardo); BGH, Urt. v. 19.4.2007 - I ZR 35/04 (Rolex v. eBay); and BGH, Urt. v. 30.4.2008, Az. I ZR 73/05 (Rolex v. eBay).

¹¹⁹ The Teledienstgesetz (BGBI. I.S. 1870, 22.7.1997) was replaced by the Telemediagesetz (BGBI.I.S. 179, 251 26.2.2007) in 2007, without addressing this issue. Krieg, Henning, Online intermediaries may have an obligation to monitor content posted by users, 4.6.2007 available at http://www.twobirds.com/English/News/Articles/Pages/Online_intermediaries_obligation_monitor_user-posted_content.aspx last visited 25.8.2011.

¹²⁰ BGH, Urt. v. 19.4.2007 - I ZR 35/04 (Rolex v. eBay) at 14.

¹²¹ BGH, Urt. v. 11.3.2004 – I ZR 304/01 (Rolex v. Ricardo) at 27-36. It should be noted that this form of liability is not a form of indirect trademark infringement, since no proof of trademark infringement is required. Instead the tort is based on a dereliction of duty. In the view of the BGH, the CTMR allows the German premise for liability, since it remains silent on the issue of indirect or vicarious liability (at 35).

¹²² BGH, Urt. v. 19.4.2007 - I ZR 35/04 (Rolex v. eBay) at 36 and 38.

them prevent future infringements.¹²³ More specifically, the court targeted filtering out uses of words like “replica” or “copy” in combination with a well-known trademark. The burden of showing that reasonable steps have been taken is on the defendant, that is, the internet intermediary.¹²⁴

The BGH emphasized that the intermediary cannot be under a duty to act that includes performing acts that are technically impossible or acts that would endanger its business model. Fault¹²⁵ on the part of the intermediary must be present before a claim for damages can succeed.¹²⁶ The BGH indicated that the use of filtering software and performing manual checks of the results are reasonable to ask from the intermediary. The absence of reliable filtering software does not however excuse the failure of the intermediary to act.¹²⁷ The court dismissed the claim that it was unreasonable that the software would flag legitimate claims for removal, since a claim for damages would only succeed in respect of failure to remove infringing content.¹²⁸ On remand, eBay avoided liability by introducing filtering software that automatically removes listings that use the most common expressions used in counterfeit listings.¹²⁹

The court based its decision on the *Störerhaftung*-doctrine.¹³⁰ The term *Störerhaftung* implies indirect acts, that is, omissions and does not cover direct acts of interference or violation of property rights. A willful omission that contributes to – according to set rules on causality (adequat kausal) – the violation of a property right triggers potential liability. A duty to act, in the case of internet intermediaries can be triggered by a specific notification. The trademark owner can claim *Störerhaftung* without proving **specific** direct infringement or a causal connection to direct infringement, i.e. indirect infringement. Instead, the trademark owner must prove that the intermediary has actual

¹²³ BGH, Urt. v. 11.3.2004 – I ZR 304/01 (Rolex v. Ricardo) at 19-20.

¹²⁴ BGH, Urt. v. 30.4.2008, Az. I ZR 73/05 (Rolex v. eBay) at 46.

¹²⁵ The degree of required negligence remains unclear. However, the standard is not gross negligence. BGH, Urt. v. 19.4.2007 - I ZR 35/04 (Rolex v. eBay) at 47.

¹²⁶ BGH, Urt. v. 19.4.2007 - I ZR 35/04 (Rolex v. eBay) at 47.

¹²⁷ BGH, Urt. v. 19.4.2007 - I ZR 35/04 (Rolex v. eBay) at 46.

¹²⁸ BGH, Urt. v. 19.4.2007 - I ZR 35/04 (Rolex v. eBay) at 46. The trademark owners claim that listings with an offered price lower than 800 EUR would also be automatically filtered was deemed reasonable and the court dismissed objections of over-protection of legitimate content on the ground that no damages would issue when no violation was present.

¹²⁹ 26.2.2009 – OLG Düsseldorf, Az: I-20 U 204/02 (Rolex v. eBay).

¹³⁰ In German law liability for nuisance covers responsibility for interference by act, by state or by fellowship. The nuisance liability is regulated by general rules in the field of property law (§ 1004 BGB) and by administrative law. Without being an infringer or participant, anyone, who in any way by dereliction of duty deliberately contributes to (according to rules of causality) the violation of a protected good, may be enjoined as an interferer with a property right. Author's translation based on the following German definition: “Als Störerhaftung bezeichnet man im deutschen Recht die Verantwortlichkeit eines Störers als Handlungsstörer, Zustandsstörer oder Mitstörer. Die Störerhaftung ist durch allgemeine Vorschriften im Bereich des Sachenrechts (§ 1004 BGB) sowie des Verwaltungsrechts geregelt. Nach der Störerhaftung kann derjenige, der – ohne Täter oder Teilnehmer zu sein – in irgendeiner Weise willentlich und adäquat kausal zur Verletzung eines geschützten Gutes beiträgt, als Störer für eine Schutzrechtsverletzung auf Unterlassung in Anspruch genommen werden.” available at <http://de.wikipedia.org/wiki/St%C3%BCrerhaftung>. Reference is made to the following provision (not translated) BGB § 1004 Beseitigungs- und Unterlassungsanspruch (1) Wird das Eigentum in anderer Weise als durch Entziehung oder Vorenthalten des Besitzes beeinträchtigt, so kann der Eigentümer von dem Störer die Beseitigung der Beeinträchtigung verlangen. Sind weitere Beeinträchtigungen zu besorgen, so kann der Eigentümer auf Unterlassung klagen. (2) Der Anspruch ist ausgeschlossen, wenn der Eigentümer zur Duldung verpflichtet ist.

knowledge of **past** infringements. While not held liable, the intermediary is placed under a duty to act, and thus held potentially liable for similar future infringements.

After the duty has been triggered and the intermediary thus has actual knowledge, it is no longer sufficient to remove the specific infringing listing notified, but this in fact results in a duty to monitor the site for trademark-specific infringements under a threat of damages.¹³¹ Although, the duty itself is general, it is limited by a rule of reason, which is applied on a case-by-case basis. If the property owner is obligated to tolerate the omission by law, the *Störerhaftung* claim is preempted.¹³² This explains why the BGH carefully explained its interpretation of the E-Commerce Directive and other applicable rules of EU law.

4.3 Liability Rules and Safe Harbors

In *Tiffany (NJ) Inc. and Tiffany and Company v. eBay, Inc.*, where the plaintiff had brought suit for direct and indirect trademark infringement and dilution, unfair competition and false advertising on the grounds that eBay facilitated and allowed the sale of counterfeit products on its site www.ebay.com, the plaintiff argued that although eBay was not responsible for the listing and selling of counterfeit items they were on notice, which obligated them to investigate and control the illegal activities of these sellers, by 1) refusing to post any listing offering five or more Tiffany items; and 2) immediately suspending sellers upon notified by Tiffany of potentially infringing behavior. The case ultimately boiled down to the question of who bears the burden of policing the mark that is, monitoring eBay's site for infringing listings. The District Court held that this burden rests on the trademark owner. On Appeal the Second Circuit agreed, although the claim for false advertising was remanded for a new trial.¹³³

There is no federal legislation imposing liability for contributory or vicarious trademark infringement and neither is there legislation removing liability of ISPs for trademark infringement. The United States Supreme Court has, however, recognized a cause of action against intermediaries that induce others to infringe or where they

¹³¹ BGH Urteil vom 30.4.2008 –Az. I ZR 73/05 at 51.

¹³² BGB § 1004 (2), supra note 130.

¹³³ *Tiffany v. eBay*, 08-3947-cv, decided April 1, 2010 by U.S. Court of Appeals for the Second Circuit.

continue to supply when aware of specific instances of infringement.¹³⁴ The trademark owner must prove specific instances of infringement and that the intermediary continues to supply despite actual knowledge. The requirement of proving actual knowledge and specific instances of infringement establishes a standard of reasonableness for intermediaries. Thus, proof of infringing acts, and that these acts contribute to further infringement does not suffice. Secondary liability is determined on a different premise, and the societal interest to preventing trademark infringement is balanced against other societal interests, namely access to and availability of internet services to consumers, in the overall analysis.

In determining what acts are unlawfully contributing to the phenomenon of trademark counterfeiting recognized defenses in trademark law apply. Likewise, it is of importance, whether trademarks are used truthfully or falsely to indicate the availability of authentic goods. Most importantly, however, the legality of the acts of intermediaries is determined by what could reasonably be required of them in practice in light of known technological tools. It is at this point of the assessment that a balance between the competing interests is struck, and consumer interests weigh against finding the intermediary liable.

5 Analysis and Proposals

5.1 Liability for ISPs

5.1.1 Intellectual property rights and trademark protection

According to the Commission report on the application of the Enforcement Directive

“[i]njunctions against intermediaries are not intended as a penalty against them, but are simply based on the fact that such intermediaries (e.g. Internet service providers) are in certain cases in the best position to stop or to prevent infringement. ...As far as third parties are concerned, these are only addressed indirectly in [Information Society Directive and Enforcement Directive] where Member States are required to ensure that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party infringe a copyright or related right. The aim of the respective provisions of each of those Directives is that injunctive relief can be granted against the intermediary irrespective whether there has been a determination of liability of the intermediary

¹³⁴ *Inwood Laboratories v. Ives Laboratories*, 456 U.S. 844 (1982).

or the third party. Other than these provisions, third party liability has been left to the legal system of each Member State.”¹³⁵

The Commission makes clear that interlocutory injunctions must be available against “intermediaries” irrespective of fault when their services are used to distribute “counterfeit goods” and that they cannot rely on “absolute immunity” when “intellectual property rights” are infringed.¹³⁶

Intellectual property rights could be understood to refer to all forms of intellectual property, i.e. patents, trademarks, designs, copyrights and related rights etc. Another possible interpretation based on a historical division between types of intellectual property, namely in the European tradition, is that ‘intellectual’ refers to copyright and related rights as opposed to ‘industrial’ property rights, i.e. patents, trademarks and the like.¹³⁷ The Commission’s continued reference to ‘intellectual property rights’ interchangeably with ‘copyright and related rights’ in discussing injunctions against intermediaries seems to indicate that it focuses on the narrower definition of intellectual property rights. On the other hand,

“[I]n the area of the sale of counterfeit goods over the Internet, feedback received from the stakeholders indicates that intermediaries (for example online market places such as online shopping sites) have realized that the presence and the sale of counterfeit goods via their sites undermines their effort to be regarded as a safe place to buy and sell products...therefore [they] have adopted comprehensive policies on the protection of intellectual property rights...These policies include sanctions for users which breach the rules, in particular repeat infringers, comprehensive notice-and-take down processes and other tools that allow timely elimination of illegal offers, the sharing of information with rightholders and

¹³⁵ Analysis of application of the enforcement directive, at 16. Article 11 of the Enforcement Directive Injunctions: Member States shall ensure that, where a judicial decision is taken finding an infringement of an intellectual property right, the judicial authorities may issue against the infringer an injunction aimed at prohibiting the continuation of the infringement. Where provided for by national law, non-compliance with an injunction shall, where appropriate, be subject to a recurring penalty payment, with a view to ensuring compliance. Member States shall also ensure that right holders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe an intellectual property right, without prejudice to Article 8(3) of Directive 2001/29/EC.

¹³⁶ Analysis of application of the enforcement directive, at 15.

¹³⁷ Paris Convention for the Protection of Industrial Property of March 20, 1883, as revised at Brussels on December 14, 1900, at Washington on June 2, 1911, at The Hague on November 6, 1925, at London on June 2, 1934, at Lisbon on October 31, 1958, and at Stockholm on July 14, 1967, and as amended on September 28, 1979 and Berne Convention for the Protection of Literary and Artistic Works of September 9, 1886, completed at Paris on May 4, 1896, revised at Berlin on November 13, 1908, completed at Berne on March 20, 1914, revised at Rome on June 2, 1928, at Brussels on June 26, 1948, at Stockholm on July 14, 1967, and at Paris on July 24, 1971, and amended on September 28, 1979.

reimbursement schemes for consumers who unintentionally bought counterfeit goods on their site.

All these measures have been applied without affecting the liability status of the intermediaries and have significantly contributed towards the elimination of counterfeiting on the Internet; however, problems remain.”

The reference to counterfeit goods and online shopping sites could be read to include also trademark counterfeiting. This reading seems natural, since copyright piracy and trademark counterfeiting are considered equally reprehensible. Willful trademark counterfeiting and copyright piracy on a commercial scale are both criminally sanctioned in most countries.¹³⁸ However, separate laws govern copyright (and related rights) and trademark infringement. Copyright piracy is “the unauthorized copying of copyright materials for commercial purposes and the unauthorized commercial dealing in copied materials”. Copyright, which is based on the *exclusive right of authorization*, is thus completely high-jacked. Trademark counterfeiting primarily copies the underlying product and attempts to pass the counterfeit good off as the genuine item by using the trademark. Trademark protection, which is based on the *exclusive right to prevent uses of a mark on identical or similar goods or services*, is inherently limited to only certain uses of marks. While the pirate causes harm it *does not* as straightforwardly *high-jack the right* or even *the market* for legitimate sales. Trademark law also applies in a context of legitimate concurrent use (including advertising) by licensees, retailers, second hand marketers, repair service providers, parallel importers and competitors out of which illegitimate references to trademarks must be technically distinguishable. Unlike in copyright law, *the market for legitimate use*¹³⁹ of trademarks is thus to a large part **not**

¹³⁸ TRIPS Art. 61 Members shall provide for criminal procedures and penalties to be applied at least in cases of *willful trademark counterfeiting or copyright piracy on a commercial scale*. Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity. In appropriate cases, remedies available shall also include the seizure, forfeiture and destruction of the infringing goods and of any materials and implements the predominant use of which has been in the commission of the offence. Members may provide for criminal procedures and penalties to be applied in other cases of infringement of intellectual property rights, in particular where they are committed willfully and on a commercial scale. Author's emphasis.

¹³⁹ Although the searchers employed by Tiffany found 19000 listings/year that were in fact selling counterfeit items, their searches also found app. 5000 legitimate listings. Unlike operators of counterfeit listings, legitimate businesses have no need for opening new accounts. Instead they may operate their entire business under one account. Thus, the number of listings including the term 'tiffany' do not necessarily correlate with actual sales of 'TIFFANY' products, nor is indicative of effect on the market. The fact that TIFFANY does not operate on the internet, and therefore finds ALL sales of TIFFANY items harmful does not translate into what could be considered 'harmful' within the meaning of infringing conduct. On the contrary, the harm of over-protection of trademark owners to legitimate businesses from closing their listings may be gravely disproportionate and harmful not only to their sales of trademarked items, but their entire online presence and sales of other items. cite case

controlled by the trademark owner under trademark law. In this light the statements of the Commission, or general intellectual property legislation, should not unequivocally be read to apply as such to trademark law.

Indeed, are intermediaries potentially subject to injunctions or liability, because they are ‘in the middle’ or because they ‘contribute to or facilitate infringement’? It would seem that in the copyright setting at least in the view of the Commission “an intermediary who carries a third party’s infringement of a protected work or other subject-matter in a network”¹⁴⁰, is potentially liable *per se* irrespective of its actions. The intermediary can be ordered to prevent repeated infringement, regardless of previous acts to reduce infringement or its own direct or contributory infringement. Liability or a duty to act is based on who is *in the best position to prevent* the harm in question.¹⁴¹

Translated into legal and economic terms, it is not a question of entitlements, merely one of cost allocation.¹⁴² Indeed, *Coase* argues, because all situations that give rise to harm are reciprocal, maximizing society’s wealth really boils down to avoiding the more serious harm.¹⁴³ Whenever, making someone liable promotes an efficient over-all allocation, the defendant’s conduct will be deemed *the cause* of an injury. Liability is placed on whoever is the cheapest cost avoider that means that *when not placing liability* on the defendant *would not promote efficiency*, placing liability on him promotes efficiency, because no liability (i.e. no action or compensation) would make society worse off.¹⁴⁴ When taking Coase’s theory of cost allocation to its extreme it is argued that

¹⁴⁰ Citing and interpreting recital 59 of the Information Society Directive “In the digital environment, in particular, the services of intermediaries may increasingly be used by third parties for infringing activities. In many cases such intermediaries are best placed to bring such infringing activities to an end. Therefore, without prejudice to any other sanctions and remedies available, right holders should have the possibility of applying for an injunction against an intermediary who carries a third party’s infringement of a protected work or other subject-matter in a network. This possibility should be available even where the acts carried out by the intermediary are exempted under Article 5. The conditions and modalities relating to such injunctions should be left to the national law of the Member States.”

¹⁴¹ Analysis of application of the enforcement directive, at 16. Safe harbors in place may limit liability when specific requirements are satisfied, however, the Commission’s view here seems to argue for limitation of these safe harbors.

¹⁴² Allocative efficiency and “social efficiency requires trading-off resource allocation against distribution of income” at 24

¹⁴³ Ronald H. Coase, “The Problem of Social Cost.” 3 Journal of Law and Economics 1 (1960) at 2.

¹⁴⁴ Nicolas Mercuro and Steve G. Medema, Economics and the law: From Posner to Post-Modernism (1997) at 67 citing an example ‘defining’ causation from the perspective of wealth maximization in William M. Landes & Richard A. Posner, “Causation in Tort Law: An Economic Approach” 12 Journal of Legal Studies 109 (1983) at 110.

parties to a dispute will, regardless of the initial assignment of rights (entitlements), negotiate to the same efficient outcome.¹⁴⁵ Consequently, allocative efficiency is reached by allowing them to do so.¹⁴⁶ Coase's theory, however, presumes clearly defined property rights and no transaction costs.¹⁴⁷

In the context of copyright and related rights, where the market for copyrighted works is arguably endangered by large scale commercial piracy the theory of cost allocation may or may not have weight. In our scenario, the transaction costs involved in separating infringing from non-infringing conduct cannot realistically be less than high, which precludes reliance on Coase's theory. Indeed, theories on allocative efficiency is in economic theory¹⁴⁸, but a partial goal of law and economics that in all prevailing schools of thought, has as its ultimate goal *social efficiency*.¹⁴⁹ Social efficiency is reached by way of striking a balance between two, often competing, objectives, that of distribution of income and efficient resource-allocation.¹⁵⁰

It is argued here that we have before ourselves a question not easily resolved, because the expansion of trademark law has made the definition of *harm insufficiently certain* to serve as a basis (defined property right) for defining the outer limits of trademark law.¹⁵¹ It cannot be assumed that the granted trademark right is specific and delimited enough to allow for no-cost bargaining as envisioned by Coase.¹⁵² Coase himself recognizes that

¹⁴⁵ Coase recognizes that the agreement alters the distribution of income between the parties, but presumes that this is outweighed by the long-term social cost of involving the legal system in the (re)distribution. Coase at 5-8.

¹⁴⁶ It is noteworthy here that the Chicago School, as well as Coase's theory, presuppose a common law system, which indeed allows and channels 'bargaining' efficiently, and a legislator that is inefficient in comparison. Nicolas Mercuro and Steve G. Medema, *Economics and the law: From Posner to Post-Modernism* (1997) at 66.

¹⁴⁷ Nicolas Mercuro and Steve G. Medema, *Economics and the law: From Posner to Post-Modernism* (1997) at 67-68.

¹⁴⁸ However, the power of rhetoric is weak in practice, since scholarship focuses almost exclusively on allocative efficiency. Nicolas Mercuro and Steve G. Medema, *Economics and the law: From Posner to Post-Modernism* (1997) at 24.

¹⁴⁹ Obviously, some schools emphasize social efficiency more than others.

¹⁵⁰ Nicolas Mercuro and Steve G. Medema, *Economics and the law: From Posner to Post-Modernism* (1997) at 24. Obviously, some schools emphasize social efficiency more than others.

¹⁵¹ Dinwoodie, Graeme, 'Developing Defenses in Trademark Law', 13 Lewis & Clark L.Rev. 99 (2009) at 101. This is true whether you argue for limiting doctrines, articulated defenses or fair use provisions in trade mark law.

¹⁵² Coase at 8. "It is necessary to know whether the damaging business is liable or not for damage caused since without the establishment of this initial delimitation of rights there can be no market transactions or transfer and recombine them [but] the ultimate result (which maximizes the value of production) is independent of the legal position if the pricing system is assumed to work without cost (at 8)." "But it has to be remembered that the immediate question faced by the courts is not what shall be done by whom but who has the legal right to do what. It is always possible to modify by transactions on the market the initial legal delimitation of rights. And, of course, if such market transactions are costless, such a rearrangement of rights will always take place if it would lead to an increase in the value of production (at 15)....Once the

when a large number of people are involved and related costs are high, government intervention promotes efficiency and maximizes wealth, because it prevents squandering resources on numerous transactions.¹⁵³

It is argued here that treating the question of liability of intermediaries for trademark infringement as a simple issue of cost allocation, may not, due to high inherent transaction costs promote social or allocative efficiency.

Therefore, we are left to seek other more appropriate means. First, we begin by trying to discover and define any existing entitlements and, second, we consider new entitlements. The question of liability for intermediaries is treated as uncharted territory surrounded by poorly defined entitlements each pressing for recognition and expansion. The competing entitlements are the trademark owner's property right and the intermediary's freedom to provide services.

5.1.2 Protecting trademarks with property or liability rules

Thus, what does the trademark right, as an entitlement protected by property rules, entail. What is included in the bundle of rights? Trademark rights are alienable, that is can be freely transferred (Article 21 of TRIPS), but some aspects of the exclusive right are inalienable.¹⁵⁴ For example, *the entitlement* in Article 21 of TRIPS that prohibits compulsory licensing of trademark rights is inalienable, i.e. cannot be 'transferred'¹⁵⁵

costs of carrying out market transactions are taken into account it is clear that such a rearrangement of rights will only be undertaken when the increase in the value of production consequent upon the rearrangement is greater than the costs which would be involved in bringing it about...In these conditions the initial delimitation of legal rights does have an effect on the efficiency with which the economic system operates (at 16)...equally there is no reason why, on occasion, such governmental...regulation should not lead to an improvement in economic efficiency. This would seem particularly likely when...a large number of people are involved and in which therefore the costs of handling the problem through the market or the firm may be high (at 18)...Even when it is possible to change the legal delimitation of rights through market transactions, it is obviously desirable to reduce the need for such transactions and thus reduce the employment of resources carrying them out. (at 19)"

¹⁵³ See supra note 152.

¹⁵⁴ See Dogan, Stacey & Lemley, Mark, 'A Search-Costs Theory of Limiting Doctrines' in Graeme Dinwoodie & Mark Janis *Trademark Law and Theory A Handbook of Contemporary Research* (Edward Elgar, Cheltenham, 2008) (Dogan & Lemley 2008) at 82 discussing the effect of unsupervised licensing of trademarks.

¹⁵⁵ This entitlement could be likened to moral rights protection in copyright law (Berne Convention Article 6 bis). Many European countries consider the right inalienable that is, a contract transferring moral rights is *invalid*. It is considered necessary to protect the entitlement from outside pressure or force, be it from government, contract partners

between a willing buyer and seller, and it is designed to protect the initial entitlement or even to define the trademark right itself.¹⁵⁶ To support and protect the initial grant, additional protection could in principle be afforded to new entitlements¹⁵⁷ with liability rules.

However, the above-mentioned inalienability of the core of the trademark right distinguishes them from other forms of intellectual property rights, namely copyrights and patents.¹⁵⁸ A consequence of this inherent difference is that the application of liability rules to entitlements in trademark law, that is, *allowing transfer of entitlements based on willingness to pay*¹⁵⁹, becomes problematic. If the exclusive control¹⁶⁰ of the exclusive use of a trademark is inalienable, that is, not permitted between a willing buyer and a willing seller¹⁶¹ it is hardly possible to allow release of the entitlement without destroying the initial grant.

For example, while trademarks can be freely sold or licensed, *a valid trademark requires ONE trademark owner that controls it*. This is because the trademark owner may lose its exclusive right, if it does not itself use or control the use of the trademark by its subsidiaries or licensees. A trademark cannot distinguish the goods and services of an entity, if its use is not coherent and centrally managed. *A mark that loses its distinguishing function is no longer a trademark*. To protect the core trademark right (initial entitlement), the requirement of maintained control was specified with an inalienability rule, to allow the prohibition of transferring the trademark without the accompanying firm, to be removed.

This means that an entitlement that allows infringement of a trademark right, i.e. use without the rightholder's consent, as long as the infringer pays compensation

or third parties. See also Spyros M. Maniatis, *Trademark Rights—A Justification Based on Property*, [2002] I.P.Q.: No.2 123, at 152, arguing that the threat of compulsory licensing as well as the time-limit on the right in patent law can be used as a direct means to reset the equilibrium in the commons. In trademark law, where these means are not available (because they would create confusion) he argues that a use requirement could serve a similar purpose; creating a powerful incentive to actually apply the mark.

¹⁵⁶ TRIPS Article 21. Calabresi & Melamed at 971-972.

¹⁵⁷ Dogan & Lemley, at 1670 arguing that the pop-up and keyword cases giving rise to the *trademark use* debate involve attempts at allowing trademark holders to "assert a new and unprecedented form of trademark infringement claim" and in effect imposing "third-party liability under the guise of direct infringement suits".

¹⁵⁸ See Dogan & Lemley 2008, at 82 discussing assignment in gross and naked licensing of trademarks. Note, however, that the search-cost theory legitimizes a narrower confusion-based trademark right than in force in most countries today.

¹⁵⁹ Calabresi & Melamed at 971.

¹⁶⁰ While trademarks can be freely sold or licensed, a valid trademark requires a trademark owner that controls it. This is because the trademark owner may lose its exclusive right, if it does not control the use of the trademark by licensees. A trademark cannot distinguish the goods and services of an entity, if its use is not coherent and centrally managed. A mark that loses its distinguishing function is no longer a trademark. This requirement was added, when the prohibition of transferring the trademark separately from the firm was removed.

¹⁶¹ Calabresi & Melamed at 971 and 1111.

is *not logically possible*. Thus, unlike patent or copyright law, the choice or remedy of proscribing the use of a valid trademark under a compensatory scheme¹⁶² with a liability rule, cannot be available in trademark law, since it would dilute the distinguishing function of the trademark, which is at the heart of trademark protection. While the heart does not enjoy absolute legal protection, it is the core without which the construct of trademark rights could not exist.¹⁶³

Thus, an inalienability rule cannot be replaced by a liability rule without destroying the initial entitlement. Therefore, the issue of liability of intermediaries for trademark infringement cannot be resolved by a legislative compromise that takes away *some* of the trademark owner's control of the legitimate exercise of the trademark right with or without compensation. Must carry-solutions or collective licenses for use¹⁶⁴ of the mark cannot, due to the fundamental construct of the right, apply by analogy from copyright law to trademark law. *The exclusive right is either present in its entirety or not at all.* This fact explains the trademark owner's 'all or nothing' –approach on the internet; they stand to gain an absolute right and to lose an entire right.

5.1.3 Protecting ISPs with property or liability rules

ISPs, on the other hand, can like other market actors easily be regulated by liability rules and be made to answer to a property owner wronged, when negligent. However, economic efficiency, distributional equality and dynamic efficiency, the apparent consistency with new entitlements and the relative worthiness of them, may require us to rethink the situation. Liability rules, we know, are often used to protect entitlements, when there is uncertainty regarding which entitlement most efficiently can attain

¹⁶² See Ginsburg, Jane, 'Copyright Control v. Compensation' in Alain Strowel (Ed.) *Peer-to-peer File Sharing and Secondary Liability in Copyright Law* (Edward Elgar, 2009) at 123.

¹⁶³ See Dogan & Lemley 2008 at 82 discussing assignment in gross and naked licensing of trademarks. See also the case law of the EUCJ on the essential function of trademarks. Note what the inclusion of protection of the investment and advertising function, recognized in *L'oreal v. Bellure* does bring protection closer to being absolute for owners of famous marks.

¹⁶⁴ A recent inclusion in trademark law allows measuring the compensation to be paid for infringing use by way of assessing voluntary trademark licensing fees. Analogy to copyright is apparent. However, trademark owners are obviously willing to assist the court in assessing the correct amount of compensation they should receive. The court could however not rule that the trademark owner's right has not been infringed (entitlement protected by a property rule), but instead it is forced to allow the use and merely entitled to compensation for the use (entitlement protected by a liability rule) of the mark. A copyright owner's right includes either a right to prevent use or to receive compensation, when use is allowed.

economic efficiency.¹⁶⁵ Thus, for our purposes, when it is unsure whether enforcing a property right in a new setting, that is, granting an additional entitlement, increases allocative efficiency and distribution of income, a liability rule is to be preferred.

However, when transaction costs are high on both sides, a granted entitlement that has been proven wrong, that is, does not increase economic efficiency, will not be corrected by the market place.¹⁶⁶ Therefore, *it is better to entitle one actor to be free from a nuisance with a liability rule, than entitle another to create a nuisance with a liability rule*, since the latter can pay the former for loss of the privilege were it efficient and leave the former to enjoy the privilege in peace, were it not.¹⁶⁷ *Allowing recourse to trademark owners for contributory infringement or inducement is a question of granting a new entitlement. So is granting ISPs freedom from individual lawsuits.* Thus, when there is a choice between two liability rules the latter should be preferred.

If however, we are certain that optimal allocative efficiency and distribution of income demands an entitlement that protects ISPs from a multitude of claims, we should choose a property rule to protect this entitlement.¹⁶⁸ A property rule can be used to protect both private and public property. In this instance, the entitlement to communal property, (maintaining public access and use of e.g. internet auction sites, search engines and virtual worlds), can give rise to a communal property right that takes the form of a safe harbor for ISPs. In instances, where liability rules are relatively cheap to circumvent, and where a large number of actors thus choose to avail themselves of the possibility to infringe and pay (or get away with it), we either have chosen the incorrect entitlement and the market self-corrects to reach economic efficiency, or although the initial choice to protect and entitlement is correct, we have tailored the entitlement poorly or chosen the wrong rules to protect it. The latter situation will allow high-jacking of the entitlement by whoever is strongest.¹⁶⁹ In a situation, where transaction costs are high on both sides, the

¹⁶⁵ Calabresi & Melamed at 1119.

¹⁶⁶ Calabresi & Melamed at 1119. See also Dogan & Lemley 2008, at 66 arguing therefore that “trademark law reflects a continual balancing act that seeks to maximize the informational value of marks while avoiding their use to suppress competitive information.”

¹⁶⁷ Calabresi & Melamed at 1119.

¹⁶⁸ An inalienability rule may even be preferred to prevent actors from self-regulating under right holder pressure.

¹⁶⁹ Calabresi & Melamed at 1091.

market will entrench the right of the stronger entity/ies and will not allow the market forces to readjust and correct the wrong.¹⁷⁰

In the current market for ISPs, transaction costs are relatively high in maintaining a lawful practice, including creating, and maintaining technical tools and providing a service that manually filters and removes infringing listings. Allowing trademark owners with relatively low transaction costs the right to sue internet intermediaries for contributory infringement would raise these costs even more, including costs for defending the entitlement *not to act* in court.

Thus, it is preferable that the law prevents interference with the entitlement of intermediaries *ex ante*, as opposed to, allowing them remuneration for interference *ex post*. Since exposing ISPs to a multitude of claims that demand high transaction costs to settle seems inefficient and disproportionate in relation to the actual loss due to trademark counterfeiting that the individual trademark owner suffers, an entitlement in the form of a safe harbor for ISPs should prevail. The fact that counterfeiting will likely persist regardless of efforts or liability should also be given weight in the search of an appropriate rule. Similarly, alternative less onerous means of achieving the same end should be considered, after all, trademark owners are free to enforce their property right in alternative ways (against direct infringers or utilizing notice-and-take down systems more efficiently) that may lead to an equally, if not more, efficient overall result.

5.2 Pooling Resources and Enhancing Cooperation

The approach of the German Federal Supreme Court, *Störerhaftung*, seems close to vicarious liability that stems not only from a protected property right, but society's response to protecting this right against mass-infringement. Thus, the property right and the aggravated nature of the wrong together give rise to responsibility of key actors that control the infrastructure of real or virtual markets. Once the decision has been made to protect, it is common in property law to place a duty to act, not necessarily on the party

¹⁷⁰ Calabresi & Melamed at 1119. See also Dogan & Lemley 2008 at 66.

that is at fault, but on the party that is best suited to repair the injury.¹⁷¹ However, such cases tend to focus on repairing past wrongs, not the prevention of future wrongs. The German Federal Supreme Court, thus, placed the actor with the technical capacity to correct the wrong under a duty to act on pain of damages.

While the German Federal Supreme Court indicated that the internet auction sites would only be held liable for failing to remove listings containing replica, copy, imitation or the like, the duty to act was left open-ended. The possible deterring effect on the legitimate acts; removal of legitimate sites or the proportion of limited resources channeled to fight counterfeiting were not enough to remove liability entirely, since the legitimacy of the initial entitlement ‘to protect’ was not considered. The suitability of this form of liability in the contemporary market context, where there is not one trademark owner, but thousands, not one trademark infringed, but thousands and not one infringement but thousands, can be questioned. It seems at odds with the principle of proportionality to impose potential liability for failure to act in this setting without considering the initial entitlement or whether the ultimate goal will be furthered by imposing liability. The long history of persistent trade in counterfeit goods regardless of legislative efforts seems to prove that there is true uncertainty regarding whether the measures by ISPs will ever successfully reduce instances of infringement. Is automatic liability over-kill, when similar results may be achieved with less invasive means?

If the ultimate goal is to reduce harm to property owners and measures reached by imposing *some liability on ISPs* are somewhat effective the entitlement seems proportionate and justified. However, if imposing *more liability on ISPs* does not produce decrease in harm, it would seem that there is no point in creating a nuisance via legislation that does not outweigh the social costs of such a nuisance. It seems disproportionate to have the intermediaries bare *the whole risk of non-enforcement*, when it is unlikely that counterfeiting will seize entirely, regardless of efforts by third parties or property owners. The property owner, however, who suffers direct harm, is in the best position to evaluate putting a proportionate amount of resources towards the harm it suffers, and thus is most suitable to bear *the ultimate risk of non-enforcement* of the

¹⁷¹ Coase at Calabresi & Melamed at 1090, after society makes its decision to protect, it needs to enforce the decision, sometimes by granting new entitlements to protect the underlying entitlement. This is done without reassessing the value or worth of the initial entitlement.

property right. One could consider alternative ways of achieving the ultimate goal that is, decreasing the sale of counterfeit goods.

Trademark owners, much like copyright collective societies, could pool their resources to reach a higher state of economic efficiency. In *Tiffany v. eBay*, the trademark owner Tiffany had hired two employees that focused exclusively on searching for infringing listings for one year preceding the law suit. In that year, the employees found 19,000 listings that gave rise to concern, filed notices for claims of infringement to eBay, who expeditiously removed the infringing listings. While the trademark owner in this instance chose to discontinue this at least partially successful attempt at combating trademark counterfeiting, it shows that a higher level of enforcement is attainable, if resources are allocated to the endeavor. Tiffany's frustration, although not acceptable as a ground for shifting the duty to police the mark, is understandable, since the sale of counterfeit merchandise persisted regardless of their effort.¹⁷² If trademark owners, even only brands most harmed by trademark counterfeiting, were to pool their resources and together hire employees to create and improve filtering software, to manually sort through flagged listings, and to cooperate with ISPs, a higher level of enforcement should ultimately follow. ISPs have already shown that such action has a positive effect in combating counterfeiting.

Internet auction houses have also seemed quite willing to share their experience and knowledge in developing better filtering tools. Pressure to do more than what is reasonable, will likely increase self-protective measures and decrease voluntary cooperation.¹⁷³ Since the ultimate duty to police the mark lies on the trademark owner, it should be in every brand owner's interest to cooperate and also to utilize resources to develop better technology. This is vital for further development, since there are other ISPs, like e.g. Second Life, that need be wooed into cooperation in the future. Not only are there many smaller actors that cannot afford efforts like those of eBay, but there are also new forms of intermediaries and new forms of infringement occurring on the internet all the time. Trademark owners could incentivize adoption of filtering software and

¹⁷² On the policy issue of where to place the enforcement burden, Professor Jane Ginsburg has argued that monitoring sites for infringing listings can be unduly burdensome for the individual copyright owner and therefore, shifting the enforcement burden to internet service providers, especially in instances of recurring infringement despite notices and take-downs. The argument seems to presuppose technological development in the area of filtering software, and is presented in the context of user-generated content. Ginsburg, Jane, 'Separating the SONY Sheep from the GROKSTER Goats: Reckoning the Future Business Plans of Copyright-dependent Technology Entrepreneurs' (version of Feb. 16, 2008), Columbia Law School Public Law & Legal Theory Working Paper Group, Paper Number: 08-166 at 29-30. Although, the notion of the 'individual' can be debated in the copyright context, it must clearly be rejected in the trademark context, since trademarks are part of doing business. Shifting the inherent risk in doing business from one entity to another requires more than mere inefficiency, or lack of resources on the part of the property owner.

¹⁷³ Unlike eBay that chose the path of cooperation, other internet service providers, no doubt informed by eBay's constant pressure from right holders and battles in court, have chosen the path of tailoring their policies so as not to involve themselves at all as intermediaries. See for example, Google and Linden Labs.

infringement policies by commissioning the creation of or purchasing filtering software and distributing it and updates to intermediaries for free. Remuneration would be received by a decrease in counterfeiting on the site of a cooperating internet intermediary.

Trademark owners, in establishing the pooling organization, are best equipped to measure the appropriate level of enforcement and thus, the amount of allocated resources, to correct the wrong or harm they suffer. Such an organization would likely gather the most interested actors, that is, those who suffer most from trademark counterfeiting. The success in combating trademark counterfeiting, especially long-term, would likely be greater than imposing liability on a primarily disinterested party. Tailoring the agency to the demands of the internet, that is adopting a global focus and a conciliatory approach to intermediaries, will likely reduce litigation costs on a global scale.

While legal enforcement against organized crime and sales of counterfeit merchandise will remain important, the proposed agency could soften the public image of the “all or nothing”-approach¹⁷⁴ by including informing, aiding and providing tools to intermediaries in order to preemptively combat organized crime.

6 Conclusion

It is true that ISPs or intermediaries are not what they were at the wake of the millennium: up-starting businesses at the frontier of societal and technological revolution. The generation of ISPs that have benefited from legislative safe harbors are today, extremely successful, powerful and wealthy enterprises. However, wealth and success alone are not grounds for increasing liability.¹⁷⁵ At the same time, those businesses that attempted to profit from infringement of the rights of others are bankrupt¹⁷⁶ or struggling¹⁷⁷ today. Thus, fears of mass-infringers on the loose, because of ISP immunity, are groundless.¹⁷⁸ The issue of ISP liability is not one of intent, since those who intentionally attempt to infringe or profit from infringement by others are held liable across the globe.

In the trademark context, the question, today, is one of enforcement in combating organized crime, but beneath the surface lies the fundamental question of exclusive or

¹⁷⁴ By the “all-or-nothing” –approach I refer to advertising campaigns targeting consumers with threatening messages such as the consequences of buying counterfeit merchandise or law suits against intermediaries for willful trademark infringement.

¹⁷⁵ Lemley, at 244.

¹⁷⁶ Napster, Inc. closed its site after the Supreme Court found them liable for copyright infringement.

¹⁷⁷ Since the criminal convictions rendered by the District court of Stockholm, the owners of Pirate Bay have opened the site off and on without long-term success.

¹⁷⁸ Ginsburg 2008, at 25. E-Commerce Directive 2000/31/EEC 42nd and 44th recital.

open use of trademarks on the internet. So far, extending trademark rights to all uses of a protected trademark on the internet has been squarely rejected.¹⁷⁹ However, attempts at preventing offering or advertising using a protected trademark comes very close to permanently blurring the line between protecting the distinguishing function of a trademark to allowing absolute protection of the investment and advertising function of a trademark. Therefore, it is imperative to tread carefully in this domain and refrain from allowing actions of direct or indirect infringement against ISPs absent clear evidence of fault.

As long as, the internet service provider provides an infrastructure that primarily benefits society and reasonably cooperates with right holders that present justified and proportionate claims, it should presumptively enjoy immunity from individual right holder law suits and expanded statutory or case law-based duties of care. We should be careful to tailor liability rules based on the acts of a few strong ISPs and pit them against the interests of trademark holders. Instead, in fashioning liability rules, we should look to what rules enabled us to have a thriving market place, and thus, that would allow continued growth of technologically savvy and primarily infringement neutral technologies. All potentially infringing uses of trademarks in ISP domains are not known to us today neither are the impact of the up-starting businesses of today and tomorrow.¹⁸⁰ Rather than focusing solely on the old generation of ISPs, policy-making should take account of the market place as a whole. The standards for duty of care should also be tailored with small and medium-size businesses in mind.¹⁸¹ Developing a culture of sharing and cooperation between right holders and ISPs, e.g. filtering software, best practices etc., would likely improve the overall effectiveness in combating the sale of counterfeit merchandise and optimize the use of allocated resources.

New tools should be developed within trademark law that specifically establish the prerequisites for indirect infringement and narrowly tailor appropriate remedies. This would aid judges in the difficult task of balancing fundamental interests properly. Until

¹⁷⁹ *Tiffany v. eBay*, 08-3947-cv, decided April 1, 2010 by U.S. Court of Appeals for the Second Circuit. Joined cases C-236/08 to 238/08, *Google France SARL, Google Inc. v. Louis Vuitton Malletiere SA* (C-236/08), *Viatricum SA, Lucetiel SARL* (C-237/08) and *Centre national de recherché en relations humaines (CNRRH) SARL* (C-238/08), March 23, 2010 (Grand Chamber).

¹⁸⁰ Compare to the situation in the 1990s Edwards & Waelde, at 7.

¹⁸¹ Dogan & Lemley 2007, at 1673.

then, preserving consumer access to services, consumer and business utilization of technological tools, competition, expressive freedom and freedom of enterprise are weighty interests that outweigh the individual trademark owner's interests in combating individual instances of trademark counterfeiting and new forms of infringement.¹⁸²

Allowing ISPs a presumptively wide safe harbor would not preclude trademark owners from utilizing alternative means to reaching a higher rate of combating trademark counterfeiting in the online environment, namely pooling their resources and establishing a global agency for utilizing the notice and take down procedures already in place. The burden of enforcement would then lie on the mostly interested parties that are best suited to allocate the appropriate level of resources in relation to the actual harm caused by trademark counterfeiting.

¹⁸² First Commission report at 19 citing a consumer study by DoubleClick Touchpoints: Effective Marketing Sequences in the Interactive Media Age, March 2003, no longer available at http://www.interstrata.com/Papers%20and%20Opinions/dc_touchpoints_0303.pdf

Summary

Trademark rights are increasingly valuable property of their owners. Therefore, recent legislative proposals have naturally focused on providing adequate protection for famous trademarks against unfair uses of trademarks in new settings. Due to the structural legislative choice of affording trademark rights in the form of negative rights third party interests are often not addressed in the statutory text. Instead numerous implicit doctrines limit trademark protection in practice. These limits, some expressed but most implied, are under pressure today, when trademark owners seek protection in new settings, i.e. where trademark rights have not traditionally been considered to apply. This thesis seeks to provide tools for the decision-maker to navigate rule vacuums and grey areas where general and specific legislation partially overlap.

It applies presumptive contextualism to give a voice to consumer and third party interests in EU trademark law, to counterbalance the trademark owner's interest which is strongly represented. It analyses four contemporary issues in separate articles, where guidance is sought from the rest of the legal system. The goal is to translate these vested interests into positive statements in the statutory text and provide equally firm presence for these countervailing interests within EU trademark law proper. It is argued that only then can judges and decision-makers proceed with principle-based decision-making, which is required at the limits of EU trademark law, i.e. where protection is sought against new types of uses of trademarks in new settings.

Throughout the thesis the case law of the EUCJ is interpreted in light of competing perspectives, which all find their source in EU primary law, international law and national constitutional traditions. By substituting the proprietor-centered presumptions with principle-based decision-making in hard cases it provides for a decision-making process that allows also civil law judges to balance competing interests and consider the question whether protection is justified. The thesis provides for guidelines to interpretation *de lege lata* and proposals for visibly addressing competing interests *de lege ferenda*. The two of the four articles consider the conflicts between protection of trademarks and on the one hand protection of geographical indications and on the other hand, freedom of expression. Two more discuss the sports merchandising right from the perspective of securing

a functioning market and whether internet service providers can be held liable directly or indirectly for trademark infringement. It concludes that current presumptions in EU trademark law prevent judges from considering interests enshrined in EU primary law despite existing limiting doctrines. The current situation allows unscrupulous trademark owners to obtain protection that may severely harm the proper functioning of new markets that have developed due to technological advance.