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Introduction

It has been over ten years since the Trade Marks Directive came into force, harmonising the law on trade marks across Europe. However, the number of references to the European Court of Justice from national courts, as well as the variation in the interpretation of key concepts across the continent, demonstrates that the true picture is as diverse as the countries and people which make up the union.

The best trade marks strategy in Europe combines European coverage and local knowledge. The CMS Brands Review combines report and analysis on some of the key cases before the ECJ in the last few years with commentary on the ways in which the law has been implemented across Europe.

CMS has an experienced team of lawyers across the European Union and further afield which is able to advise on all aspects of trade mark law. If you would like further information please contact a lawyer in the relevant office using the contact details at the back of this publication.

Editors: Nick Beckett, Isabel Davies and Tom Scourfield
CMS Cameron McKenna LLP, London

Bubble trouble: Comparative advertising

UK

The case has been closely followed in the UK and may have significant consequences for the forum in which future comparative advertising disputes are held. As a result of the way in which the CAD (as amended by the MCAD) had been implemented in the UK, issues of advertising law are solely a matter for the UK advertising regulator, the Advertising Standards Authority (the "ASA"). In particular, there is no private law right of action for an alleged breach of the advertising rules and a complaint must be brought before the ASA tribunal, rather than the courts. The ASA does not have the power to award costs or provide interim relief by way of an injunction. The ECJ's ruling confirms that in some circumstances a claim can still be brought before the courts.

The judgment provides a clear scheme for assessing whether UK trade mark owners whose trade mark has been used in a comparative advert should bring an infringement claim in the courts or make a complaint before the Advertising Standards Authority, and may even allow them to do both.

The UK has traditionally been a permissive jurisdiction which allows comparative advertising, provided that it is carried out on a fair basis. Despite the ECJ's positive ruling, it is likely that the number of comparative advertising cases which do come before the trade mark courts are few and far between. In that respect, it seems a return to business as usual in the UK.

Susie Carr

Q *Can the use of a competitor's trade mark for a comparative advertisement be an act of trade mark infringement?*

A *Comparative advertising can result in trade mark infringement if there exists a likelihood of confusion which affects the essential function of the mark.*

Background

In 2004, the telecom company Hutchinson 3G ("H3G") ran a comparative advertising campaign in which images similar to O2's well-known "bubbles" trade marks were used. O2 sued for trade mark infringement and passing off.

The High Court originally found that O2 had made out a prima facie case of infringement under Article 5(1)(b) of the Trade Marks Directive (the "TMD") in that the bubbles images used in H3G's campaign were similar to O2's registered bubbles marks, the products advertised were identical and there existed a likelihood of confusion. However, it also found that H3G had a defence because it had complied with the Comparative Advertising Directive (the "CAD", now incorporated into the Misleading and Comparative Advertising Directive (2006/114/ EC) (the "MCAD")). Both parties appealed.

On appeal, the UK Court of Appeal referred three questions to the European Court of Justice.

Question referred

Although three questions were referred, the ECJ provided guidance on only one of the questions, as follows:

'Where a trader, in an advertisement for his own goods or services, uses a registered trade mark owned by a competitor for the purpose of comparing the characteristics (and in particular the price) of goods or services marketed by him with the characteristics (and in particular the price) of the goods or services marketed by the competitor under that mark in such a way that it does not cause confusion or otherwise jeopardise the essential function of the trade mark as an indication of origin, does his use fall within either (a) or (b) of Article 5(1) of Directive 89/104 [TMD]?'

ECJ guidance

The ECJ confirmed that use of a sign in a comparative advertisement falls to be considered solely under the MCAD, unless it creates confusion in the marketplace. If so, such confusion can also result in an infringement under Article 5(1)(b) of TMD.

Cases:

O2 Holdings Limited and O2 (UK) Limited v Hutchison 3G UK Limited, Case C-533/06, 12 June 2008

If there is a likelihood of confusion between the marks in the advertisement, then the requirements of the CAD have not been met, so will not provide a defence to infringement. The interpretation to be given to the word "confusion" is the same for Article 5(1)(b) of the TMD and for Article 3(a)(1) of the CAD, the test being whether or not there is a "likelihood of confusion", which may be different from actual confusion.

The ECJ also referred to its previous decisions in *Adam Opel* and *Céline* setting out the four basic requirements for Article 5(1)(b) infringement:

- Use must be in the course of trade;
- It must be without the trade mark proprietor's consent;
- It must be in respect of goods or services that are identical with, or similar to, those for which the mark is registered; and
- It must affect or be liable to affect, the essential function of the trade mark, which is to guarantee to consumers the origin of the goods or services, by reason of a likelihood of confusion on the part of the public.

Applying this to the *O2* case, the ECJ concluded that H3G's use of the bubbles sign met only the first three conditions, since the advertisement was not misleading and did not suggest that there was any form of commercial link between the O2/O2 (UK) and H3G. Although some confusion had arisen in this case, it would seem it was not of the right kind. As the ECJ noted, in a comparative advert, advertisers will actively seek to distinguish goods/services by comparing their characteristics with those of competing offerings. It is likely to be relatively rare for such comparisons to result in a likelihood of trade origin confusion between two competing brands, meaning that a claim under Article 5(1)(b), although technically possible, will remain elusive.

Questions unresolved

One point which has been left unresolved by the ECJ is whether other types of infringement not resulting in confusion, such as dilution and unfair advantage, might also be justiciable as matters of trade mark law rather than advertising law.

Nevertheless, the ruling (which was contrary to the Opinion of the Advocate General) should be welcomed by trade mark proprietors who could otherwise have been left without the prospect of an action for trade mark infringement where their marks were used by a third party for the purposes of a comparison.

Austria

In contrast to the legal opinion of the ECJ, in Austria the use of a competitor's trade mark for comparative advertising is not a question of the law of trade marks, but of the law against unfair competition.

Only the use of a competitor's trade mark (or a sign similar to a competitor's trade mark) for "the use of the trade mark as a trade mark" is considered "use" pursuant to section 10 para 1 and para 2 of the Austrian Trade Marks Act. According to section 10a of the Trade Marks Act (Markenschutzgesetz = MSchG), the following uses in particular breach trade mark law: the use of the trade mark for the labelling of goods or services; the selling or marketing of goods or services under the trade mark or to hold goods for these purposes; the import or export of goods under the trade mark; and the use of the trade mark in business documents, announcements or advertisements (provided that it appears to the consumer that the trade mark is used for the own goods or services).

The use of trade marks for other purposes than as a trade mark cannot breach trade mark law. However, under certain conditions it may infringe the law against unfair competition.

According to section 2a of the Austrian Unfair Competition Act (Gesetz gegen den unlauteren Wettbewerb = UWG), comparative advertising must not be unfair, misleading, aggressive or degrading and must not exploit the good reputation of a trade mark or lead to a risk of confusion. Furthermore, there are some more restrictions, like the duty to compare only comparable goods or services.

If the comparative advertisement meets these requirements, it is legally allowed, even if the trade mark of a competitor is used for the purpose of comparing the competitor's goods with the advertiser's own goods.

Egon Engin-Deniz

Benelux

Comparative advertising has long been prohibited in Belgium. The traditional point of view was that each and any undertaking had the “right to be left alone,” meaning that competitors had to focus their advertisements on their own products or services rather than those of their competitors. Since the implementation of the CAD in 1999, comparative advertising has been allowed in Belgium, provided that the requirements of the CAD are met.

Ten years of comparative advertising have led to several interesting cases in Belgium. Two of them were only resolved after preliminary questions were referred to the ECJ. In *Lidl v Colruyt* (C-356/04), the ECJ held on 19 September 2006 that, amongst others, comparative advertising may relate collectively to selections of basic consumables sold by two competing chains of stores in so far as those selections each consist of individual products which, when viewed in pairs, individually satisfy the requirement of comparability laid down by Article 3a(1)(b) MCAD. It is therefore allowed to compare the price for a basket of products purchased at Colruyt with the price of a basket of identical or similar products purchased at Lidl.

In the case of *De Landtsheer v Comité Interprofessionnel du Vin de Champagne and Veuve Clicquot Ponsardin*, the ECJ held that a reference in an advertisement to a type of product and not to a specific undertaking or product can be considered comparative advertising where it is possible to identify that undertaking or the goods that it offers as being actually referred to by the advertisement. The case regarded the launch by Mr. De Landtsheer of a beer called ‘Champagnebier’ as implying that it was made according to the ‘méthode champenoise’ (champagne method).

In Belgium, comparative advertising cases are decided by the courts via injunctive relief proceedings under the Unfair Commercial Practices Act of 1991. The courts will decide whether or not there is an unfair commercial practice, and if so, they will order injunctive relief. Trade mark infringements, just as with any other infringements of intellectual property rights, constitute unfair commercial practices and are therefore subject to injunctive relief. A plaintiff can easily combine a claim based on trade mark law with a claim based on the advertising rules of the Unfair Commercial Practices Act. As Belgian law does not provide for a specific advertising regulator, like the Advertising Standards Authority in the UK, the distinction between a trade mark infringement and a violation of the Comparative Advertising Directive does not affect the forum for potential disputes. They are all brought before the judicial courts.

Tom Heremans

Germany

Prior to the *O2* case, in German law the prevailing opinion was that referential use of a trade mark as an indication of the trade mark holder’s products did not constitute infringing use. Although such use could be unlawful as inadmissible comparative advertising, trade mark infringement however could not be shown to exist.

Since the *O2* case, this view cannot be upheld because, within the Community, the concept of rights-infringing use must be uniformly construed in accordance with the criteria developed by the ECJ. It now has to be assumed that comparative advertising that gives rise to a likelihood of confusion between the products being compared or that suggests an economic link between the two companies both constitutes trade mark infringement and must be classified as unfair and, as such, inadmissible comparative advertising.

However controversial this decision is in terms of German legal dogma, it is nonetheless of minimal relevance in terms of practice. Comparative advertising that misleads consumers about the business origin of the products being compared is extremely rare, since the very purpose of the comparative advertising is precisely to clearly contrast the two products. The ECJ decision in the *L’Oréal v Bellure* (C-487/07) case, involving the comparison between imitation perfumes and luxury perfumes, so also involving the issue of exploiting a reputation and of offering an imitation, is therefore eagerly awaited. However, in light of the decisions rendered by the ECJ in the *Adam Opel/Autec* and *Céline* cases, it appears that the ECJ - at least in the context of using well-known trade marks - will also assume rights-infringing use in the context of comparative advertising within the meaning of trade mark law. Thus, inasmuch as the reputation of a well-known mark is exploited or suffers detriment within the framework of comparative advertising, trade mark law is likely to be applicable in addition to competition law.

Carsten Menebroecker

Spain

In principle, advertising should not contain explicit or implicit references to distinctive signs belonging to other advertisers, except in those cases of comparative advertising acceptable by law. In this regard, the General Act on Advertising ("Ley General de Publicidad") states that comparative advertising is legal, provided the goods or services compared have the same purpose or meet the same needs and the comparison is made in an objective way between one or more essential, relevant and verifiable characteristics of the goods or services.

In Spain, comparative advertising tends to be controversial, so it is little used in practice. There have been a few comparative advertising cases in the last 10 years. The ads in question were by Telefónica (in a campaign against Retevisión in 1998), Burger King (against McDonald's in 1999), Caster Jeans (Levi's control in 1999), Pepsi (against Coca-Cola in 2001) and Tele 2 (against Telefónica in 2001). Most of them have been judged by the "Asociación para la Autorregulación de la Comunicación Comercial" ("Autocontrol"), that is, the Spanish advertising self-regulation organisation (SRO) composed of the main advertisers, agencies and media (TV, press, radio, Internet) as well as the main advertising industry associations. When parties to a conflict on advertising are members of Autocontrol, the resolution issued by this body is binding. In any case, the parties usually comply because the Spanish courts often take into account Autocontrol's verdicts.

Perhaps the most famous case was between two brands of juices, "Don Simón" (a natural juice) and "Pascual" (a squeezed juice with added sugar). In 2006, Autocontrol considered the comparative advertisement illegal, as it omitted to inform the consumer that "Pascual" contained added sugar, and therefore was not comparable with a 100% natural juice.

Another case resolved by Autocontrol in 2006 was between the brands "Dodot" and "Huggies". Three claims were submitted. In the first, the advertisement in question was played by two girls comparing their nappies, and one saying, "My Huggies are three times more elastic". "Dodot" claimed that this comparison was illegal, as that the comparison was done with its less elastic line of nappies. Autocontrol found that the products being compared performed the same functions, so the comparison was considered legitimate. The second claim made by "Dodot" was because the nappy used in the ad was not marketed in Spain. Autocontrol rejected this, considering that the differences were purely formal. The last claim, which was accepted by Autocontrol, was in relation to a television advertisement in which one of the girls said that Huggies nappies were designed to stay dry, not for showing off. According to Autocontrol, this phrase implied something denigratory, so the company was urged to rectify the advertisement.

Blanca Cortés Fernández

Distinctly unregistrable: Descriptive and non- distinctive marks

France

The *Celltech* decision is in line with French case law on the question of the distinctive character of a mark produced by the combination of two descriptive words. For instance, in *Pierre Fabre Dermatologie v Laboratoires* (28 October 2008), the French Tribunal of First Instance held that “the sign CURACNE is not a word used in common language, nor is it the juxtaposition of the terms “cure” (treatment) and “acne”. It is a neologism which is constituted by the contraction of the two terms. This sign, which refers to a treatment against acne, is not descriptive of its characteristics. It shows originality by the partial absorption of the term “cure” by the word “acne”. This new association gives the sign CURACNE an arbitrary character.

Antoine Gendreau

UK

In the UK, the IPO interprets the ECJ’s guidance in *DOUBLEMINT* and other cases that where a mark is “capable” of being used as a description of goods/service, there is “a reasonable likelihood that the mark will serve a descriptive purpose in the ordinary course of trade”. For marks composed of two or more words and consisting exclusively of a descriptive term, the assessment will also take into account whether the words are juxtaposed in such a manner that would render the mark resistant to natural descriptive uses. Further, if the combination of descriptive elements is unusual and creates an impression that is sufficiently far removed from being simply a composite description of the goods/services, the trade mark may be registrable. The UK IPO found the mark EUROLAMB to be unregistrable (for lamb) on the grounds that the element EURO is commonly used to indicate “European” and conjoining EURO and LAMB therefore results in nothing more than a composite description of the kind and geographical origin of the goods, which is no more registrable than the term “European Lamb”.

Tom Scourfield

Q *How should the assessment of descriptive or non-distinctive marks be carried out?*

A *Each of the absolute grounds for registrability should be considered separately and different policy considerations underlie the various grounds. Further, composite marks must be considered in the context of not only the individual elements of the mark, but also based on the impression as a whole. Even if all of the individual elements are descriptive, it is only where the overall impression of the mark is descriptive that it will be denied registration.*

Background

Eurohypo

Eurohypo AG applied to register EUROHYPO in Class 36 with a specification for financial analysis, investments, insurance, financial affairs, real estate affairs and other services. The application was refused at first instance. On appeal, OHIM’s Board of Appeal allowed the mark in relation to “financial analysis, investments, insurance” but not in relation to the rest of the specification. OHIM considered that the mark was devoid of distinctive character under Article 7(1)(b) because the words “euro” and “hypo” (an abbreviation of the German word for mortgage, “hypothek”) were descriptive.

On further appeal, the CFI agreed and confirmed that a mark which was descriptive under Article 7(1)(c) was necessarily devoid of any distinctive character under Article 7(1)(b). The applicant appealed.

Celltech

Celltech R&D Ltd applied to register the word CELLTECH for various goods and services in classes 5, 10 and 42, including pharmaceutical, veterinary and sanitary preparations and instruments, and research and development services.

OHIM originally refused the application under Articles 7(1)(b) and 7(1)(c) of the CTMR, holding that the mark consisted of the grammatically correct combination of the two terms “cell” and “tech” which failed to serve as an indicator of origin for the relevant goods and services, since all goods/services generally fell within the field of cell technology.

Celltech’s appeal to an OHIM Board of Appeal was dismissed on the basis that the mark was descriptive of the relevant goods and services and therefore lacked the minimum level of inherent distinctiveness required under Article 7(1)(b). Celltech appealed successfully to the CFI, which held that the Board of Appeal had failed to show that Celltech’s mark was descriptive. OHIM then appealed to the ECJ.

Cases:

Eurohypo AG v OHIM, Case C-304/06, 8 May 2008 and
OHIM v Celltech R&D Ltd, Case C-273/05 P, 19 April 2007

ECJ guidance

Eurohypo

In *Eurohypo*, the ECJ set aside the CFI's decision on the basis of the logic that the CFI had applied to arrive at its decision. For the purposes of assessing distinctiveness, the relevant public was the average German-speaking consumer, who would understand the mark to refer to financial services, in particular mortgage loans payable in euros. The CFI had correctly assessed the impression given by the mark overall and had not simply examined the individual components separately.

However, the CFI has erred, since it has not appreciated that while there was overlap between Articles 7(1)(b) and 7(1)(c), each of these grounds was independent and required separate examination. In particular, the public interest underlying each of the articles was different and therefore required a slightly different emphasis. The public interest underlying Article 7(1)(c) relates to ensuring that descriptive terms remain free for use by others, whereas the public interest in Article 7(1)(b) aims to guarantee the identity of the origin of the marked product or service for consumers or end users.

The CFI had been incorrect in assessing the distinctive character of the mark solely by reference to its descriptive character under Article 7(1)(c). It had not taken into account the public interest in guaranteeing origin under Article 7(1)(b). However, the ECJ ruled that the mark lacked distinctive character in any event. The ECJ has power to give final judgment but often does not and returns cases to the lower forum, so this case was unusual in that aspect.

Celltech

In *Celltech*, the ECJ commented on a number of technical aspects of the appeal. However, of particular importance was the ECJ's guidance on the assessment of composite marks. For a combination or composite mark, such as CELLTECH, to be deemed descriptive under Article 7(1)(c) of the CTM Regulation, it is not enough for each component part to be adjudged as descriptive. As an overall impression, the word itself must be found to be descriptive. A combination of individually descriptive terms may be non-descriptive if the composite word created an impression sufficiently far removed from that produced by the individual elements.

The CFI had properly assessed the descriptive character of the mark CELLTECH, when considered as a whole, and concluded that it was not established that the mark, even understood as meaning "cell technology", was descriptive of the goods and services referred to in the application. The appeal was refused.

Hungary

The Hungarian Supreme Court dealt with the evaluation of composite trade marks consisting of more signs in cases no. BH1993.354 and BH1997.580. The Hungarian legislator determined the principle of global assessment of combined trade marks not in the course of the examination of absolute grounds, but by examining whether two marks are confusingly similar or not.

In these cases, it was established that when the "confusability" of different marks is examined, it is always the overall impression of the trade mark on the relevant consumers that must be taken into account. In the event of composite trade marks consisting of words and figures, the dominant component that primarily ensures the function of the trade mark has primary importance. In consequence of the above judgments, it became established practice that in such cases the word component has the dominant role, as it functions as the name of the goods and as such enables consumers to distinguish this product from other products. Notwithstanding both the nationally and internationally accepted tendency that marks consisting of multiple words must be evaluated as a whole and not separated into parts to see whether the mark has distinctive character, in Hungary the practice continues to be that the Hungarian Patent Office is prone to "salami tactics" and examines the combined trade mark, looking at each of its word elements separately.

Dora Petrányil/Agnes Solyom

Czech Republic

The Czech Industrial Property Office (IPO) and the courts assess the descriptiveness and non-distinctiveness of both the mark as a whole and its individual word elements in relation to the goods and services for which the trade mark has been applied.

Lately, due to an increased knowledge of the English language, as well as certain terms from other languages, they have consistently declined to register trade marks consisting of a combination of elements with a descriptive meaning in the original (foreign) language that is well understood among the local population.

Also, if one of the word elements in a mark is identical with that of another mark in both Czech and other languages, the trade mark application will often be rejected. Before the final rejection, the IPO provides applicants with a sufficient time period to provide evidence of the mark having achieved distinctiveness in business, and only issues the rejection if distinctiveness has not been proved. Evidence of use alone is insufficient in this respect.

Appeals vary from case-to-case, depending on the assessment of the descriptiveness and/or non-distinctiveness of the terms used in the trade mark.

Gabriela Vendlova

Assessment of marks

Both of the ECJ's decisions emphasised that, ultimately, the consideration of registrability for a mark is one of a global assessment. The correct approach is to consider all aspects of the mark and, in particular after *Eurohypo*, it may be necessary to consider the different grounds for registrability according to the various characteristics of the mark, bearing in mind the public policy behind each (see also *Henkel v OHIM* [2004] ECR I-5089). However, in the end, it is the global assessment of the overall impression of the mark on the mind of the average consumer of the goods/services applied for.

Germany

From the German perspective, this judgment is not revolutionary but interesting in several aspects:

- First of all, it is remarkable that the judgment reverses the preceding judgement of the Court of First Instance (CFI) although it comes to the identical result. The only difference is the basis of that result.
- The judgment is a reminder to all practitioners, i.e. trade mark owners, attorneys and courts, of the distinctions between the absolute grounds of refusal as laid down in Article 7 (1) (b) and 7 (1) (c) of the CTMR. In fact, there may be a tendency in Germany to confuse these regulations and their contents. It will be important for practitioners in Germany to be aware that the ECJ requests all grounds of refusal as provided in Article 7 CTMR to be examined independently and separately in view of the public interest as expressed in each of them. To this extent, the judgement of the ECJ clarifies that a mark falls under Article 7 (1) (b) and, therefore, is to be considered non-distinctive if it lacks the ability to identify the source of origin of the respective good or service, while a mark falls under Article 7 (1) (c), if it merely describes qualities of the respective goods or services. The fact that a mark is found to be descriptive does not justify a refusal to register that mark pursuant to Article 7 (1) (b).

To conclude: the judgement will help and encourage practitioners to apply discipline in thought when examining the registrability of trade marks composed of terms taken from day-to-day language.

Friedrich Luckner

Three stripes and out: Infringement and availability

Germany

This decision of the ECJ is fully in line with German jurisdiction in general, and with regard to the famous Adidas stripes in particular.

The German Supreme Court (Bundesgerichtshof) already decided back in 2000 that using stripes as a decoration on sports clothing cannot be prohibited. However, if the stripes are applied on the piece of clothing so that they resemble the well-known three-stripes trade mark (and get-up) of Adidas, consumers will recognise the Adidas trade mark.

The Supreme Court held that the three stripes of Adidas have acquired an extremely high recognition among German consumers and therefore deserve broader protection against similar marks. Accordingly, similarity is given not only if three parallel stripes are used by third parties, but also if only two parallel stripes of the same width, contrasting in their colour with that of the garment, are being used.

The Supreme Court further mentioned that the aspect of the availability of stripes as a decoration on textiles does not play a role when assessing the likelihood of confusion between two trade marks.

Backed by this judgment, Adidas obtained numerous court decisions in Germany, prohibiting third parties from using parallel stripes on sports clothing. In November 2005, the Higher Regional Court of Munich held that even if sports trousers, featuring two vertical contrasting parallel stripes on the sides, also show a trade mark logo of the manufacturer (here it was the "D & G" logo), this will not prevent trade mark infringement because consumers are used to secondary marks on the same product, in particular together with famous designations (i.e. the Adidas stripes).

Ilse Rohr

Q *Should the assessment of a trade mark proprietor's rights include reference to the general principle of not restricting the availability of certain signs?*

A *The requirement of availability is not relevant to infringement, only to invalidity and revocation.*

Background

The dispute saw Adidas sue fashion outlet H&M and others for trade mark infringement in response to the use of similar stripes by H&M on its clothing. The case had reached the Dutch Supreme Court, which turned to the ECJ for guidance. The ECJ ruled on whether the general interest in the availability of given signs in the market should have any bearing on the protection provided by a trade mark. The ECJ ruled that the requirement of availability should not play a part in assessing confusion.

Adidas is the proprietor of figurative trade marks consisting of three vertical parallel stripes of equal width, which features sports clothes. Competing suppliers in the clothing and textile trade, such as H&M, among others, had begun to market sports and leisure garments featuring two parallel stripes. Adidas brought an action in the Dutch courts for trade mark infringement in relation to use of signs identical or similar to their marks, such as the motif with two parallel stripes, while the defendants, Marca Mode, C&A, H&M and Vendexs sought a declaration that they were free to place two stripes on their sports and leisure garments.

A Dutch court of first instance found in favour of Adidas on the basis of trade mark infringement. However a regional appeal court subsequently set aside that judgment, ruling that, as stripes are simple logos, they are signs which must remain available and do not therefore lend themselves to exclusive rights. The appeal court ruled that the marks owned by Adidas could not afford protection against the use of two-stripe motifs. Adidas appealed to the Supreme Court of the Netherlands, arguing that the requirement of availability should not be taken into consideration for assessing trade mark infringement, but rather was only a consideration in relation to assessing the validity or invalidity of a mark.

Question referred

The Supreme Court stayed proceedings to refer the matter to the ECJ, essentially submitting the question: "to what extent is it necessary to take into account the general interest in not unduly restricting the availability of certain signs in the assessment of the scope of the exclusive rights of the trade mark proprietor?"

Cases:

Adidas AG and Adidas Benelux BV v Marca Mode & Others, Case C-102/07, 10 April 2008

ECJ guidance

The ECJ's decision went back to basics and considered the fundamental provisions of the Directive. The requirement of availability was an important consideration in respect of Article 3 (validity of trade marks) and Article 12 (revocation) of trade marks. Whilst the ECJ noted that there were public interest considerations connected to undistorted competition which favoured certain signs being used freely by all economic operators, the requirement of availability was not a relevant consideration in the interpretation of Article 5 of the Directive governing trade mark infringement.

Likelihood of Confusion

Under Article 5(1) a trade mark proprietor is protected from similar marks that create the risk of the public believing that the goods or services in question come from the same undertaking or, as the case may be, from economically-linked undertakings. The likelihood of confusion must therefore be appreciated globally, taking into account all factors relevant to the circumstances of the case. The fact that there is a need for the sign to be available for other economic operators cannot be one of those relevant factors. The competitors of Adidas could not be permitted to infringe the three-stripe logo registered by Adidas by using stripes so similar that there is a likelihood of confusion in the mind of the public.

Dilution

Under Article 5(2) marks with a reputation, such as the Adidas three-stripe logo, are protected where a similar or identical mark for similar or identical goods takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark. This provision does not require a likelihood of confusion; it is sufficient for the degree of similarity between the mark with a reputation and the sign to have the effect that the relevant section of the public establishes a link between the sign and the mark. The assessment of whether the other factors exist can then be considered.

Again, the ECJ ruled that the requirement of availability is immaterial both to the assessment of the degree of similarity between the mark with a reputation and the sign used by the third party and to the establishment of a link which may be made by the relevant public between that mark and the sign. It cannot therefore constitute a relevant factor for determining whether the use of the sign takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.

Poland

So far, the Polish courts have only taken into account the availability of certain elements of a trade mark in relation to the type, intended purpose or other characteristics of goods. As a result, protection was limited for trade marks that included such "publicly available" elements. For example, in a case regarding the PRENATAL trade mark, the court emphasised that the trade mark holder must respect other businesses' right to use this word for medicinal products (VI SAWa 1044/05).

It is worth noting that where trade mark protection turns out not to be sufficient, the Polish courts sometimes grant protection for a trade mark holder on the grounds of unfair competition (VEGETA case, V CSK 311/06). This ECJ case might be welcomed as a tool for Polish courts to provide broader protection for such trademark holders.

Anna Kobylanska

Benelux

The scope of protection of the Adidas three-stripe mark has been a frequent topic of discussion in the Dutch Courts over the past decades. From the 1980's on, Adidas has tried to prevent other parties from using similar stripes on their clothing. In some instances, Adidas has been successful. In a 1982 Supreme Court case, Adidas successfully claimed against HEMA, one of the biggest Dutch department stores who used four stripes on its clothes. Other successful cases were against Marca in 1996 and against Scapa in 2007, where the Court found that the relevant section of the public establishes a link between the two parallel stripes as used by Scapa and the Adidas three-stripe mark. Scapa's defence that it displayed its figurative trademark next to the two stripes failed to convince the Court. Although the Court took the requirement of availability as part of the criteria to be assessed, it held that this criterion was not impaired. In another case in 2004 the use of 4 parallel black-and-white stripes was prohibited.

In other cases, Adidas has proven unsuccessful in preventing the use of similar stripes. Its claims against Fitnessworld were dismissed by the Court of Appeal Arnhem in 1998 because it held that Adidas should not be allowed to create a monopoly over a number of parallel stripes, especially as Fitnessworld used the two stripes merely as decoration. In the second *Adidas/Marca* case (against Marca, H&M and Vendex, and initially also against big Dutch companies as C&A, Neckermann and Zeeman) the Court of Appeal Den Bosch (1998) held that the two stripes as used by Marca c.s. were different from the Adidas' three-stripe mark(s) and there was no danger of confusion or establishment of a link. Also, Nike proved successful in its defence against the Adidas trade mark claims. The District Court of The Hague (2006) allowed the availability defence and added that no link would be established because of Nike's use of its famous "swoosh" sign.

A number of these cases have led to ECJ jurisprudence: *Adidas v Marca* (C-425/98), *Adidas v Fitnessworld* (C-408/01) and the case discussed here: *Adidas v Marca cs* (C-102/07). This case has met with much controversy in the Netherlands. All subsequently reported cases, have followed this ECJ case and have not allowed the availability defence in the infringement assessment. This concerned, i.a., the use of the trade marks "NEUTRAL" for skin-care products and "Chamonix" for ski clothing.

Rogier de Vrey

Limitation of the effects of a trade mark

Under Article 6(1) the proprietor of a trade mark cannot prohibit a third party from using, in the course of trade, indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, time of production of the goods or of rendering of the service, or other characteristics of the goods or services, provided he uses them in accordance with honest practices in industrial or commercial matters.

While Article 6(1)(b) of the Directive seeks to ensure that all economic operators have the opportunity to use descriptive indications, the requirement of availability cannot in any circumstances constitute an independent restriction of the effects of the trade mark in addition to those expressly provided for in Article 6(1)(b) of the Directive. It must be stated in that regard that, in order for a third party to be able to plead the limitations of the effects of the trade mark in Article 6(1)(b) of the Directive and rely in that respect on the requirement of availability underlying that provision, the indication used by it must, as required by that provision of the Directive, relate to one of the characteristics of the goods marketed or the service provided by that third party.

The ECJ ruled that, although the competitors of Adidas were relying on the purely decorative nature of the two-stripe motif to justify their use, the use by them was not intended to give an indication concerning one of the characteristics of the goods, so would not fall within Article 6(1).

Implications for brand-owners

The ECJ has given effect to the wording and spirit of the Directive in a manner that provides trade mark owners with comfort that they can enforce their trade marks. While the availability of marks may be a consideration when seeking to register a mark or where the validity of a mark is question, it cannot not be cited as a stand-alone defence to trade mark infringement.

Shaping up: Shapes and distinctiveness

UK

The UK has traditionally taken a very conservative approach to allowing shape marks to be registered, although there have been very few occasions where the courts or the IPO have considered Section 3(2)(c) of the (UK) Trade Marks Act.

Guidance from the UK IPO defines the intention of the section being to preclude the registration of shapes which add substantial value to the goods, disregarding any value attributable to a trade mark (i.e. source identification) function. The underlying purpose of the provision appears to be to prevent a permanent monopoly arising in relation to matters of design which should be protected under the various (time limited) designs protection. The IPO does, however, emphasise that shapes which are, or have been, the subject of registered designs are not excluded from registration unless the shape adds substantially to the value of the goods. The IPO recommend a comparative evaluation of the value of the shape in question against those used by competing products. However, for purely ornamental products, this is unlikely to assist, as the decision to purchase by the average consumer is likely to be wholly (or at least substantially) based on the shape and appearance of the product.

In a case that provides an excellent summary of the current status of the law on non-traditional marks in the UK, Lord Justice Jacob giving the judgment of the Court of Appeal in *Bongrain* describes the registrability of various types of trade marks as a “spectrum” of distinctiveness. The most distinctive are invented words and fancy devices, then semi-descriptive words and devices, further on can be found shapes of containers, and at the very limit of registrability, the shape of the goods themselves. Signs towards the beginning of the spectrum are likely to be understood by the consumer as identifying the maker of those goods; signs towards the end are unlikely to be able to fulfil the essential function of a trade mark – to guarantee origin – without first educating the consumer that is their purpose. In *Bongrain* the Court refused to allow the registration of a particular shape for a cheese. As Jacob LJ points out “consumers do not expect to eat trade marks, or parts of them”.

Isabel Davies

Q1 Can a prohibited shape be registered in circumstances where consumers in fact recognise it as an indication of origin?

A1 No. Shapes precluded from registration under Article 3(1)(e) of the Trade Marks Directive are not registrable even where the proprietor can demonstrate that consumers in fact see the sign as indicating the goods of the proprietor.

Q2 What is required of a shape mark for it to have distinctive character?

A2 A shape mark will have typically have distinctive character only if the mark departs significantly from the norms or customs within its particular sector, or where there is strong evidence of acquired distinctiveness.

Background

G-Star

G-Star BV is a well-known designer and manufacturer of jeans in Benelux. G-star had registered trade marks in Benelux for the shape and stitching of certain of their jeans designs.

Specifically, the registration covered:

- sloping stitching from hip height to the crotch seam, kneepads, yoke on the seat of the trousers, horizontal stitching at knee height at the rear, band of a contrasting colour or of another material at the bottom of the trousers at the rear, all on one garment;
- seams, stitching and cuts on the kneepad of the trousers, slightly baggy kneepad.

Rival manufacturer Benetton launched a range of jeans with similar characteristics to the G-Star trade marks. G-Star claimed Benetton was infringing its trade marks and issued proceedings accordingly. Benetton counterclaimed for invalidity under the domestic legislation equivalent of Article 3(1)(e), which precluded registration where the appearance and shaping of the goods determined its market value entirely or substantially as a result of their beauty or original character.

The claim was dismissed at first instance and by the Amsterdam Court of Appeal, and the counterclaim was successful. In particular, the court found that the jeans were a great commercial success and G-Star had conducted intensive advertising campaigns to give the trousers, which had specific characteristics, recognition as a G-Star product. As a result, the reputation of the jeans was largely attributable not to the aesthetic attractiveness of the shape, but to the attractiveness resulting from recognition of the trade mark.

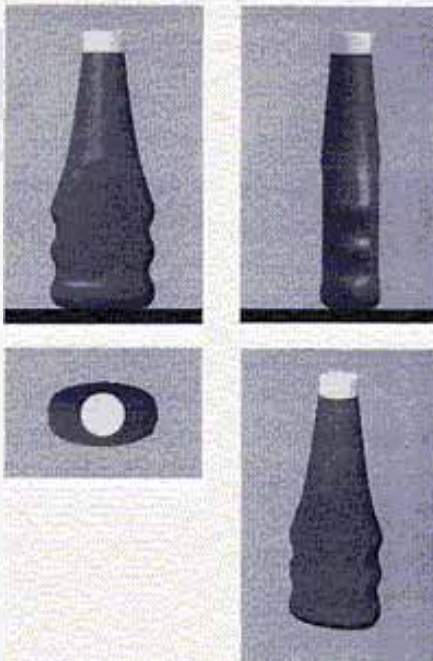
Cases:

Develey Holding GmbH & Co. Beteiligungs KG v OHIM, Case C-238/06, 25 October 2007
and Henkel KGaA v OHIM, Case C-144/06 P, 4 October 2007 and
Benetton Group SpA v G-Star International BV, Case C-371/06, 20 September 2007

The case was appealed to the Dutch Supreme Court, the Hoge Raad. The Court noted that *Philips* (Case C-229/99) had concluded that signs which cannot be registered under Article 3(1)(e) cannot acquire a distinctive character through the use made of them. However, since *Philips* did not resolve the issue in the *G-Star* case, the court referred the following questions to the ECJ:

Develey

Develey Holding GmbH & Co. Beteiligungs KG ("Develey"), applied to OHIM to register the following shape as a CTM, claiming priority from an earlier German filing.



The specification for the mark was for a variety of foodstuffs and soft drinks in classes 29, 30 and 32. Both OHIM and the Board of Appeal rejected the application on the grounds that the mark was devoid of distinctive character under Article 7(1)(b) of the CTM Regulation. For a trade mark consisting of the shape of packaging, it was necessary to take into account the fact that the perception of the relevant public was not necessarily the same as in the case of a word mark, a figurative mark or a three-dimensional mark unrelated to the look of the product which it covered. The end consumer would pay more attention to the label attached to the bottle than to the mere shape of the bare and a colourless container. In addition, the Board said that the applicant could not rely on its earlier German registration, since this was not decisive.

Austria

It is settled case law that shapes can be registered as trade marks, provided that they are distinctive. Even if it is not explicitly stated in the courts' decisions, in established practice the requirements for the distinctiveness of three-dimensional trade marks is higher than the requirements for figurative marks.

The general rule that shapes cannot be registered as trade marks, if they are predominantly determined by technical or functional reasons, is laid down in section 4 para 1 lit 6 of the Austrian Trade Marks Act (Markenschutzgesetz = MSchG). However, the fact that a (distinctive) shape also fulfils a technical function does not prevent the shape from being registered as a trade mark.

The Austrian Supreme Court has long had to face questions on the distinctiveness of shapes; the leading decision is 4 Ob 222/03f, dated 20 January 2004. In this decision, the court adjudicated on the question of whether the shape of a water bottle produced by Vöslauer is capable of being protected under trade mark law. The court approved the registrability of the shape as trade mark. According to the court, the shape of the Vöslauer bottle – the high and slim form and the waved notches – is distinctive. The shape is not predominantly determined by technical reasons and, in particular, the waved notches are an indication of the good's origin. In this context, the court referred to the case law of the ECJ, according to which the function of a trade mark as an indication of origin is the main function of trade marks.

Egon Engin-Deniz

Benelux

Before the ECJ decisions described above, the Benelux Court of Justice (BCJ) took a liberal approach with regard to permitting shape marks in the Benelux countries. In the *Burberry* case of 14 April 1989, the BCJ ruled that the shape of a product would only be excluded from trade mark protection when the original character and uniqueness of this shape substantially determines the market value of the products. However, any influence on market value that was not derived from the aesthetic attractiveness of the shape, but from its reputation as a well-known and distinctive sign, had to be excluded. Later on, the BCJ clarified that “the shape of goods” only comprises three-dimensional shapes.

These BCJ decisions led to the acceptance of several Benelux 3-D trade marks, such as the shape of a drain tile as confirmed in *Kijlstra/Zoontjes* (Dutch Supreme Court, January 27, 1995).

This liberal approach towards shape marks had to be amended in line with the (first) ECJ *Henkel* decision (C-218/01, February 12, 2004), according to which the shape of goods must deviate significantly from the customs of the sector in order to have sufficient distinctive character.

Thereafter, shape marks were further restricted by the ECJ decisions in *G-Star*, *Develey* and *Henkel* decisions.

Since these decisions, it is considered very difficult to obtain a valid shape mark in the Benelux. The ECJ clarified in *G-Star* that if, from the beginning, the shape of goods must be considered to give substantial value to the goods, there will not be a valid trade mark. The Dutch courts have applied this principle strictly, preventing the acceptance of shape marks almost completely.

Probably as a consequence of this, in a later decision of the District Court of The Hague of 17 October 2007, *G-Star* withdrew its claims based on its Benelux and CTM shape marks.

The Dutch Supreme Court gave its final decision on April 3, 2009 in the case *Benetton/G-Star* after the ECJ had given its decision on 20 September 2007. The Supreme Court had no choice other than to nullify the appeal decision of the Court of Appeal of Amsterdam, stating that shapes of goods which give substantial value to the goods must be deemed invalid trade marks. Trade marks that have acquired an attractiveness as a result of its recognition as a distinctive sign prior to the registration application will also be deemed invalid.

The difficult position for shape marks is confirmed by the fact that, in most recent Dutch cases, *G-Star* as a plaintiff has sought to base its claims mainly on copyright infringements, rather than infringements of Benelux or CTM shape marks (see *G-Star v Gull Trading*, District Court of The Hague 29 April 2008).

This leads to the conclusion that protection for shape marks has become difficult in the Benelux since the ECJ's recent shape mark decisions.

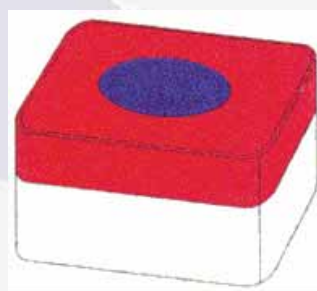
Willem Hoorneman

Develey appealed to the CFI, alleging breach of Article 7(1)(b) of the CTM Regulation. It also argued that the Board of Appeal had failed to give effect to the following international conventions:

- (i) Article 6 quinquies (A)(1) of the Paris Convention 1883 (Paris Convention) as revised, since it had considered the earlier German mark invalid and thus deprived it of protection on German territory.
- (ii) Article 2(1) of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs), since it had failed sufficiently to examine the earlier German registration.

Henkel

Henkel KGaA (Henkel) applied to register a CTM for the figurative mark below.



The application related to various goods, including “dishwashing preparations and rinsing agents for laundry use” in class 3.

OHIM's examiner and the Board of Appeal rejected the application on the basis of Article 7(1)(b) of the CTM Regulation, finding that the mark was devoid of distinctive character in relation to the goods for which registration was sought. The CFI rejected Henkel's appeal and Henkel appealed to the ECJ, alleging that the CFI had erred in law and fact in assessing the Article 7(1)(b) requirement that the mark applied for be distinctive.

Among other things, Henkel argued that the CFI had erred because:

- It was common practice for producers to use different colouring to distinguish products from those of its competitors and therefore a replica of the product would feature prominently on the front of the packaging and indicate to the public which company manufactured it.
- The CFI had wrongly assumed that the level of attention paid by the average consumer to the appearance of a product was not high and that everyday products were purchased without a high level of attention or any in-depth examination of the product.

Questions referred (G-Star)

Q1 Must Article 3(1)(e) of the Directive be interpreted as meaning that the prohibition contained therein permanently precludes the registration of a shape as a trade mark where the nature of the product is such that its appearance and shaping determine its market value entirely or substantially as a result of their beauty or original character, or does the prohibition not apply where, prior to the application for registration, the attractiveness of the relevant shape to the public has been determined predominantly by the recognition of it as a distinctive sign?

In other words, the Court asked whether the use made of a sign, prior to the application for registration, is capable of enabling it to be registered as a trade mark, or of precluding its invalidity where the sign has been registered.

Q2 If the answer to Question 1 is to the latter effect, to what extent must this attractiveness have prevailed for the prohibition no longer to apply?

ECJ guidance

G-Star

The ECJ held that the shape of a product which gives substantial value to that product cannot constitute a trade mark by acquired distinctiveness under Article 3(3) of the Directive where, prior to the application for registration, it acquired attractiveness as a result of its recognition as a distinctive sign, following advertising campaigns presenting the specific characteristics of the product in question. In effect, since the mark would not have been registrable under Article 3(1)(e), it cannot become so by any suggestion it has acquired distinctive character.

In this way, and following its decision in *Philips* the ECJ confirms that the grounds for precluding registration under 3(1)(e) are absolute. If the mark falls within them, it will never be registrable, even if consumers do in fact attribute origin to it.

Germany

This judgement had to be expected. It is, therefore, not really surprising: Article 3(1)(e) of the Trade Marks Directive also rules that trade marks are excluded from registration which exclusively consist of a shape providing the product with a substantial value. Article 3(3) of the Trade Marks Directive rules that the reasons for non-registrability as laid down in Article 3(1)(b), (c) or (d) may be overcome where the trade mark has acquired distinctiveness based on use before the registration application. This exception does, according to the clear wording of Article 3(3) of the Trade Marks Directive, not apply with respect to the regulation provided in Article 3(1)(e). Accordingly, the ECJ comes to the conclusion that the obstacle for registration as laid down in Article 3(1)(e) of the Trade Marks Directive cannot be overcome, and this is true even if the trade mark in question has acquired notoriety or distinctiveness through use. The ECJ refers to its judgement *Philips* (C-299/99) where it already expressly said that the obstacle for registration as laid down in Article 3(1)(e) may never be overcome by distinctiveness acquired by use in the sense of Article 3(3) of the Trade Marks Directive. To conclude: From the German perspective a clear judgement in a clear case.

Friedrich Luckner

Having found the above in relation to the first question, it was not necessary for the ECJ to consider the second.

Develey

The ECJ held that neither the TRIPs Agreement nor the Paris Convention was applicable. Both the EC Council decision (94/800/EC), under which the EU entered the TRIPs Agreement, and settled ECJ case law established that the provisions of the TRIPs Agreement were not directly applicable to create rights upon which individuals could rely directly before the courts by virtue of Community law. Similarly, the EC was not a party to the Paris Convention and Article 7(1) of the CTM Regulation made no reference to the Paris Convention in relation to the distinctive character of trade marks, but created a separate provision under Article 7(1)(b).

The ECJ confirmed that the criteria for assessing the distinctive character of three-dimensional marks, consisting of the appearance of the product itself, were no different from those applicable to other categories of trade mark. However, average consumers were not in the habit of making assumptions about the origin of products on the basis of their shape, or the shape of their packaging and it was only where a mark departed significantly from the norm or customs of the sector, and thereby fulfilled its essential function of indicating origin, that it was not devoid of distinctive character for the purposes of Article 7(1)(b) of the CTM Regulation.

The CFI had correctly assessed the impression produced by Develey's mark in finding that particular features of Develey's bottle were not sufficiently different from the usual shape of a bottle to enable it to fulfil the essential function of indicating origin.

Henkel

The ECJ confirmed the principles laid down in *Henkel*. Average consumers were not in the habit of making assumptions about the origin of products on the basis of their shape or the shape of their packaging in the absence of any graphic or word element. Only a mark which departed significantly from the norm or customs of the sector was not devoid of any distinctive character for the purposes of Article 7(1)(b).

The CFI had been correct to hold that the overall impression given by the mark was limited to a representation of a dishwashing product in the shape of a tablet with particular colour and shape elements. The overall impression would not indicate origin because the consumer was not accustomed to finding an indication of the commercial origin of a product in its shape and colours. The colours were also basic colours normally used in the sector concerned, so that they would not attract the consumers' attention.

Shapes, value and distinctiveness

These cases put a proprietor of a shape mark in a very difficult position. The courts and registries are often reluctant to accept that a shape mark is distinctive of origin, *per se*. To be registrable subsequently, a mark may acquire distinctiveness as a consequence of the use made of it. This requires the proprietor to use the mark in such a way as to encourage the consumer to look to the mark as an indication of origin. However, if the shape becomes so popular that the value of the goods is attributable to the shape, the mark may still be precluded from registration.

Critics of these decisions have suggested that the ECJ failed to appreciate the subtleties of the referred questions and missed the opportunity to give more general guidance on the application of this section. In particular, the Court did not explore the different ways in which the proprietor's sales and marketing activities can influence consumer perception as much as (if not more than) the shape of the goods themselves. Goods can often have value attributed as a result of the reputation, ethos or cult status of the mark, and as a result command a substantial value which is not in reality related to the shape or appearance of the goods. It is perhaps disappointing that the Court did not explain the meaning and intent of Art.3(1)(e) ('a sign which consists exclusively of the shape which gives substantial value to the goods').

For shape marks in general, the CFI and ECJ have consistently rejected applications to register three-dimensional shapes as CTMs on the ground that the marks were devoid of distinctive character. It is clear that such an application will have a chance of success only if the mark departs significantly from the norms or customs within its particular sector, or where there is strong evidence of acquired distinctiveness of the shape. However, where a mark falls within the exclusions to registrability, it will not be registrable under acquired distinctiveness, even if it is distinctive *per se*.

Keeping it in the family: Defensive marks & genuine use

Italy

In this case, the CFI rejected the idea of a “defensive” trade mark to justify its non-use, a very common practice in Italy regulated by Article 24 of the Italian Industrial Property Code. The ruling of the Court has a first practical consequence: from now on, it will be difficult for Italian trade mark holders to claim “defensive” registration before the European Courts as exempting them from providing evidence of use of their trade marks.

The second aspect to be considered is how to determine, at least before Italian courts, which is a “main” trade mark and which is a “defensive” one. The CFI has not taken any position in this regard, while the Opposition Division applied a chronological order approach stating that a defensive trade mark should be deposited together with or after the main one. This approach conflicts with Article 24, according to which a right over a trade mark is acknowledged, even if the trade mark is not used, if the right holder is “at the same time” holder of other similar trade marks used for the same products or services.

Lorenzo Bocedi

Poland

According to a Polish Supreme Administrative Court ruling of 11 June 2008, directly referring to *Il Ponte Finanziaria SpA v OHIM*, the existence of a family of trade marks may increase distinctiveness and result in greater protection of the whole series of marks. The Court concluded that it is not enough to simply register trade marks; they must be genuinely used on the market. Moreover, a trade mark may qualify for greater protection if it is a part of a family of marks not only if there is a distinctive element in all the trade marks, but also if there is a common indistinctive prefix or suffix used in the whole family. Therefore, if a mark uses an indistinctive similar common element in the same or similar way as a third party's existing family of trade marks, it may mislead the public by suggesting that it is related to this family. In the Polish case, the Court decided that the word-graphic mark “1000 crosswords” (being part of a family of marks) was an obstacle to registering the word-graphic mark “100 crosswords with a smile”. The proprietor of the registered trade mark had a family of similar marks in which only the number element differed. The use of a similar number element in a similar way might have therefore led to a risk of confusion.

Daniel Hasik

Q Can a trade mark proprietor rely on a “family” of registered trade marks sharing a common element to block other marks containing the same common element?

A The existence of a “family” of marks will only help trade mark proprietors if the use of the common element has given it a high degree of recognition among the relevant public.

Background

Marine Enterprise Projects (later, FMG Textiles Srl) (the “Applicant”) sought to register as a Community Trade Mark (“CTM”) a figurative mark made up of the word BAINBRIDGE and the image of the sail of a boat being unfurled, in respect of goods in classes 18 and 25. Il Ponte Finanziaria SpA (the “Opponent”) opposed the application on the basis of a likelihood of confusion with its 11 earlier Italian trade marks, all of which contained the word BRIDGE (a so-called “family” of marks). The marks were a mixture of word and device marks. Some of the marks relied upon had been used, whilst others were purely “defensive” marks which had not been put to use by the proprietor.

At first instance, OHIM's Opposition Division rejected the opposition, finding that the marks were insufficiently similar. On appeal, the Board of Appeal found that some of the eleven marks should be excluded from the comparison with the mark as applied for, since there was no evidence of genuine use by the proprietor. The finding that the marks were not sufficiently similar was also upheld. On appeal to the CFI, this reasoning was upheld. The Opponent appealed to the ECJ.

Questions referred

A number of questions were referred to the ECJ in the appeal:

- 1 Was the CFI wrong to require the Opponent to demonstrate continuous use of BRIDGE for a whole five-year period?
- 2 Was the CFI wrong to exclude the earlier mark BRIDGE from consideration?
- 3 Did the CFI make a proper assessment of global similarity?
- 4 Was the CFI wrong to disregard the Opponent's “family” of marks?
- 5 Was the CFI wrong to disregard earlier unused “defensive” marks?

ECJ guidance

The ECJ dismissed all of the grounds of appeal, agreeing with the Advocate General's opinion on every point. The ECJ held as follows:

- 1 Genuine use required more than token use and the assessment was one of fact. The CFI was entitled to find as it did that the Opponent had not used the mark BRIDGE and that it should therefore be excluded from the comparison.

Cases:

Il Ponte Finanziaria SpA v OHIM, Case C-234/06 P, 13 September 2007

- 2 The CFI rejected the Opponent's argument that use of its word mark for BRIDGE should be accepted as use of one of its device marks, since the two marks in question were more than slightly different. The Court did not comment further, having already found that there was no genuine use of the word mark in any event.
- 3 The CFI had correctly applied the test of a global comparison (visual, aural and conceptual) in finding on the facts that the visual and conceptual differences outweighed the aural similarity between BRIDGE and BAINBRIDGE.
- 4 The Opponent argued that its marks formed part of a family of marks, which made the marks more distinctive. The CFI had rejected this, finding that mere registration did not bestow distinctiveness and that, in fact, the Opponent had only shown genuine use of two marks, which would not be enough to form a family. The Advocate General commented that there was no Community authority on whether a family of marks could only be taken into account for the purposes of assessing likelihood of confusion if they had all been used. This would be the case under English law and was consistent with OHIM opposition guidelines that required opponents relying on a family of marks to show that the public recognised the common element. As a matter of simple logic, consumers could not detect a common element in a series that had not been used.
- 5 The Opponent argued before the CFI that, as defensive registrations were allowed under Italian law, there was a proper reason for their non-use. Both the CFI and the Advocate General rejected this view, arguing that there was no support for such a practice under the CTM Regulation ("CTMR").

Commentary

Although the ECJ's analysis of the global appreciation of the trade marks followed existing practice in this area, this case is particularly interesting for the attempt by the Opponent to rely on a trade mark "family" and, in particular, the idea that the existence of a family may increase distinctiveness, and that, as a portfolio, the "family" might be worth more than the sum of its parts.

It is clear that a "family" of marks sharing a common element will only be of relevance if the proprietor has used each mark sufficiently, so as to create a high degree of awareness of the common element or elements of that "family" among the relevant public. Simply citing Article 15(2)(a) and defensive national registrations will not enable brand owners to rely on unused marks and thus circumvent the CTMR's genuine use requirements.

Further, the ECJ indicated that it is not open to national registries to allow defensive registrations, which may well suggest that there are a number of marks on domestic registers in Europe (including Italy) which are likely to be invalid.

France

The main issues at stake in this ECJ ruling, regarding a "family" of marks or justification of non-use because of "defensive" trade marks, are irrelevant arguments before the French courts. In fact, the main effect of this ECJ ruling was a turnaround in French case law regarding the issue of revocation of a trade mark for non-use when another similar trade mark is being used and that trade mark is registered.

Initially, the French Supreme Court decided that the use of a registered trade mark similar to another registered trade mark cannot be opposed to challenge a claim in revocation for non use (July 16, 1992). Then the Supreme Court changed its position and ruled that the fact that the used trade mark is also a registered trade mark is irrelevant to decide if the non-used trade mark should be revoked (or not) for non-use (3 decisions of March 14, 2006).

In this context, the ECJ decision ruled that "it is not possible to extend, by means of proof of use, the protection enjoyed by a registered trade mark to another registered mark, the use of which has not been established, on the ground that the latter is merely a slight variation on the former". On this ground, French Courts now tend to decide that the proprietor of a registered trade mark cannot prove the use of this trade mark by giving evidence of the use of another similar registered trade mark (Paris Court of appeal, June 25, 2008).

Jean-Guillaume Monin

UK

Whilst the CTM regime does not have the same explicit requirement for a bona fide intention to use the mark being registered, the ECJ ruling is in keeping with the stricter approach taken by the UK IPO on the subject of defensive registrations and intention to use a mark. The ruling means that trade mark proprietors holding older registrations that have never been used will find that they are not only likely to be vulnerable to revocation, but also of limited or no value in supporting an opposition. The same requirement to show use of a registration more than five years old applies to oppositions under the UK national system.

Nick Beckett

A tale of two Celines: Company names and Trade Marks

France

The *Céline* case completes the *Adam Opel* decision (Case C-48/05) on the meaning of the “use in the course of trade,” stressing that, above all, the protection of a trade mark is dictated by its essential function. The ECJ has stated for the first time that even if a commercial name is not directly affixed on a product it would nevertheless amount to infringement where consumers make a link between the name and the goods. The Court of Appeal of Nancy has not judged the case yet, but the great renown of the *Céline* mark in France will be decisive in assessing whether such a link exists for French consumers. In its ruling of 20 May 2008 regarding the use by Google of trade marks as “Adwords”, the French Supreme Court alluded to the *Adam Opel* and *Céline* cases and decided to refer questions to the ECJ for a preliminary ruling. They essentially asked whether the unauthorized use of a trade mark by a provider of sponsored links constitutes a trade mark infringement. The response to this question should interest other European jurisdictions, which are now also confronted with the Adword system.

Antoine Gendreau

Hungary

In 1993 and 1995, before the ECJ *Céline SARL v. Céline SA* C-17/06 decision, the Hungarian Supreme Court dealt with the issue of whether a trade mark can be infringed by using a registered company name. In decisions no. BH1993.39 and BH1995.397, the Supreme Court established that a trade mark may not be used as company name without the consent of the trade mark holder. However it must be noted that in both cases the company name was used also when distributing products similar to the goods and services indicated in the list of goods of the trade mark. Thus, the beneficiary of the company name used the company name not exclusively as the name of its company but also for designating its products. Consequently it may be advisable to wait until the infringing company launches its first campaign in order to have a solid basis for the actions taken.

Dora Petranýi/Agnes Solyom

Q *Is the incorporation of a company with an identical or similar name to an existing mark an act of trade mark infringement?*

A *The mere incorporation of a company does not involve use of the mark, so the essential function of the mark cannot be affected. Subsequent trading under that mark may well result in infringement.*

Background

Céline SA is a company incorporated in Paris, France, established in 1928. Since its inception, the company has traded in the design, manufacture and marketing of clothes and accessories. In 1948, the company applied for a word mark “*Céline*”, registered in respect of clothes and shoes. The mark has been used and maintained by the claimant company since that time.

Céline SARL (the defendant) is a clothing and accessories retailer and has traded under the name “*Céline*” since 1950, at which time the trading name was entered in the local trade register. In 1992, *Céline SARL* registered “*Céline*” as a company name.

It was not until 2003 that the claimant became aware of the defendant. The claimant issued proceedings for trade mark infringement and unfair competition, alleging unauthorised use of the mark “*Céline*” as a company and trade name.

The first instance proceedings were successful, and the defendant was ordered to change its company name and shop sign, and to pay damages for its various acts of trade mark infringement and unfair competition. The defendant appealed this decision to the French Cour d’appel, arguing that a company or shop name did not constitute use of a trade mark within the meaning of Article 5(1) of the Trade Mark Directive, as it was not used in relation to goods or services.

Question referred

The *Cour d’appel* was concerned as to whether the mere use of a mark as a business name or trading name would amount to infringement under Article 5(1)(a) of the TMD if the mark itself were not affixed to goods or their packaging. The Court referred the following question to the ECJ for a preliminary determination:

Should Article 5(1) of the TMD be interpreted to mean that the adoption, by an unauthorised third party, of a registered word mark, as a company name, trade name or shop sign in the context of a business marketing identical goods, amounts to use of that mark in the course of trade, which the proprietor is entitled to stop by reason of his exclusive rights?

Cases:

Céline Sàrl v Céline SA, Case C-17/06, 11 September 2007

ECJ guidance

The decision of the European Court of Justice in *Céline SARL v. Céline SA* confirmed a narrow definition of trade mark use and followed the Advocate General's Opinion, finding that unauthorised use of a trade mark as a company, trade or shop name does not amount to infringement as the purpose of a company, trade or shop name is not, of itself, to distinguish goods/services, but to designate a business which is being carried on.

Subsequent use of the mark in relation to goods/services may be an infringement if this affects the essential function of the mark, but the assessment of this will be a matter for national courts.

The decision places a higher burden on trade mark owners to investigate use prior to objecting to any new company incorporation and illustrates the importance of other remedies to object to use of a trade mark by third parties.

On that the facts, it was for the national court to determine whether the use made by Céline SARL of the mark was liable to affect the essential function of the mark.

The ECJ did not comment upon the more detailed guidance offered by the Advocate General in relation to honest practices, which would require a third party to consider potential conflicts with the name before incorporation. Instead, the Court suggested that the following factors should be taken into account when assessing whether the third party had acted fairly in relation to the legitimate interests of the proprietor:

1. The extent to which the relevant public understood the use of the name as indicating a link between the owner of the mark and the third party's goods;
2. The extent to which the third party should have been aware of that fact; and
3. Whether the mark had a reputation in the member state of registration, from which the third party might profit in marketing its goods.

Again, it was for the national court to make an assessment as to whether the behaviour of Céline SARL could be regarded as competing unfairly with the proprietor of the mark.

UK

In the UK, it was not uncommon for defendants to argue that a trade mark had become less distinctive or weaker as a result of other, similarly named companies on the UK Companies House register. This so-called "state of the register" evidence was often criticised, since it did not give a true picture of the way in which marks and company names were used in the real world.

The ECJ's ruling in *Céline* has in effect ratified the UK's previous practice. The state of the register at, for example, Companies House, will no longer be relevant in determining whether the mark is unique to the proprietor, as the mere existence of companies on the register is now largely irrelevant to issues of trade mark use.

The fact that the mere incorporation is potentially unobjectionable has made alternative brand protection strategies of importance in the UK. Brand owners may look to other remedies in relation to the use of their marks in a company name, such as passing off in the UK, or unfair competition elsewhere in Europe. From 1 October 2008, brand owners in the UK have become able to object to misleading or exploitative company names under s.69, Part 5 of the Companies Act 2006 and to bring a complaint before a new body, the Company Names Adjudicator.

Tom Scourfield

Benelux

Traditionally, disputes between trade marks and trade names or company names are resolved in Benelux by applying article 2.20.1(d) of the Benelux Convention on Intellectual Property Law. As expressly allowed under article 5.5 TMD, the Benelux Convention provides in article 2.20.1(d) that a trade mark owner is entitled to prevent all unauthorised third parties from using 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.

The *Céline* decision opens new possibilities for trade mark owners in Benelux. They can now also claim that the use of a trade name or a company name constitutes a traditional trade mark infringement under article 2.20.1(a) and (b) of the Benelux Convention (article 5§1(a) and (b) TMD). The requirements for such a trade mark infringement, however, are very strict. Even though article 5§1TMD does not refer to any additional requirements, the ECJ seems to indicate that the assessment as to whether a trade name or a company name constitutes a trade mark infringement must take into account the extent to which the third party should have been aware of that fact and whether the mark had a reputation, which the third party might profit from in marketing their goods.

Tom Heremans

Implications for enforcement

The decision of the ECJ offers a relatively narrow interpretation of trade mark use by determining that the mere act of incorporation does not interfere with the essential function. The decision provides little guidance as to when subsequent use of the mark by that company would constitute an act of infringement, leaving such an assessment as a question of fact for the national court to decide.

At the time the decision was given, it was felt that this was unlikely to be welcomed by trade mark owners, who may consider that allowing such companies to remain on the register may encourage infringement by others, who may mistakenly believe that the presence of such companies suggests that the marks may not be enforced.

Germany

The German Federal Court of Justice (Bundesgerichtshof) already referred to the *Céline* decision in a decision of 13 September 2007, where the owner of the Community Trade Marks 'THE HOME DEPOT' (word) and



wanted to prevent the use of the trade designation/company symbol



The Bundesgerichtshof pointed out that such use could only be prevented if consumers made a link between the name and certain goods offered by that company. The case was referred back to the court of lower instance in order to examine whether consumers understood the use of the sign in the defendant's catalogue only as a reference to its business establishment and its complete assortment - consisting of products from diverse brand companies - or whether they could also understand it as identifying certain products offered in the catalogue.

However, the Bundesgerichtshof had already principally required such a link before the ECJ's *Céline* decision. The only discrepancy is that, according to the former jurisdiction of the Bundesgerichtshof, this perception was normally assumed whereas now, after the *Céline* decision, it is up to the plaintiff to provide arguments and evidence in this regard.

As a consequence, the plaintiff will have to put more effort into the proceedings than before and the courts will have to write the grounds of their decisions differently, but in many cases the outcome of the cases will probably not change.

Petra Goldenbaum

Czech Republic

The Czech Trade Mark Act and the Czech court system are strict on the co-existence of company names and trade marks, and take a stricter view on the registration of company names that are identical with pre-existing trade marks than the ECJ in its ruling in the *Céline* case.

In recent years, the registration of company names became stricter, so that new company names identical with or very similar to existing company names are not allowed, unless a true reference is being made to participation in an asset group. Trade mark owners may object to the registration of company names, but the authorities may not, as in the ECJ ruling. In the absence of a well known trade mark, registration will not be cancelled and the company requested to adopt a new name, but rather the authorities will allow the names to co-exist and will persecute potential unfair competition activities by the company competing with the trade mark and its owner.

In unfair competition cases regarding company names and older trade marks, the concrete circumstances of the registration, as well as those of the use of the trade mark would be assessed. Lately, we have seen claims brought by a trade mark owner owning service marks in the field of hair care, and the use of a very similar trade name and sign, based on the real name of the owner of a competing hair salon, including a similar font and colour. The use by the competing entity was prohibited after a claim was filed with the relevant court.

Gabriela Vendlova

Replicas and the real thing: The essential function

Q *Is the use of a mark on replica toy cars an infringement of the trade marks of the original product?*

A *If the use of an identical mark does not affect the essential function of the mark as guaranteeing the origin of goods to consumers, there will be no infringement.*

Background

Adam Opel, the manufacturer of Opel cars, is the proprietor of a figurative mark, registered in Germany for, among other things, motor vehicles and toys. Autec manufactures remote control cars. At the beginning of 2004, Adam Opel discovered that Autec was manufacturing and marketing in Germany a 1:24 remote-controlled scale model of the Opel Astra V8 coupe, bearing the Opel logo on its radiator grille like the original vehicle. The model cars carried Autec's marks CARTRONIC and AUTECC® AG on the user instructions, and the latter mark also appeared on the underside of the remote control transmitter.

Adam Opel applied to the German regional court for an order that Autec be prohibited from using the Opel logo on scale models of vehicles and from dealing in the same. It said that Autec was using

a mark identical to its mark on products, namely toys, identical with those in respect of which the logo is registered.

Autec argued that affixing a trade mark on a scale model replica of a vehicle of that mark does not constitute trade mark use as such. It argued that the original function of the logo was unaffected since, because of the use of the CARTRONIC and AUTECC® AG marks, it is obvious to the public that the scale model does not come from the manufacturer of the vehicle of which it is a replica. Also, it said that the public is used to the fact that the toy industry customarily reproduces real products, including their logos.

The German regional court referred various questions to the ECJ, asking:

- whether the use of a trade mark also registered for toys constitutes use as a trade mark for the purposes of Article 5(1)(a) of the Directive if the manufacturer of a toy car copies a real car, including the trade mark, in a reduced scale and markets it; and, if so
- whether such use of the mark would be exempt under Article 6(1)(a) of the Directive?

ECJ guidance

Article 5(1)(a): use in relation to toys

Referring to *Arsenal v Reed*, the ECJ noted that the exercise of a trade mark owner's rights under Article 5(1)(a) is restricted to cases in which a third party's use of a 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. Therefore, Adam Opel cannot prohibit Autec's use of its mark on toy cars unless such use affects or is liable to affect the functions of the trade mark.

It is for the German court to determine by reference to the average consumer of toys in Germany whether the use of the mark by Autec affects the functions of the Opel logo as a trade mark for toys.

Article 5(1)(a): use in relation to motor vehicles

The German court also asked whether Autec's use of Adam Opel's mark constituted use in the mark's capacity as a mark registered for motor vehicles. This question was based on an earlier German case, *BMW v Deenik*, in which the use of BMW's mark by a tradesman offering repair services to BMW's cars was held to fall within Article 5(1)(a) of the Directive.

However, the ECJ distinguished that judgment. In *BMW*, the vehicles marketed under the mark formed the subject matter of the services being offered by the infringer, and the use of the mark by the infringer referred not to the infringer's services but to goods marketed by the

UK

In the UK, prior to cases such as *Arsenal v Reed*, the courts tended to require "trade mark use" for there to be an infringement of the mark. In other words, the defendant had to be using a similar mark as an indication of origin, rather in a descriptive manner (see *TREAT*). Since the ECJ's continuing emphasis on the role of the trade mark and its essential function to guarantee the origin of the goods, without the possibility of confusion, practice has changed considerably. However, the result of the ECJ's approach has meant a change in focus, away from the use of the mark by the defendant, and towards the effect of that use on the proprietor's own mark. Although this often leads to the same results as the trade mark use test, it can sometimes lead to contrary results. Many practitioners and trade mark owners in the UK would find it surprising if they were not able to enforce a mark against the use of that same mark by a third party for identical goods. Yet the result of the ECJ's ruling in this case shows that is a distinct possibility.

Tom Scourfield

Cases:

Adam Opel AG v Autec AG, Case -48/05, 25 January 2007

trade mark owner. Other than in the specific case of use of a trade mark by a third-party provider of services having as subject matter the products bearing the trade mark, Article 5(1)(a) must be interpreted as covering use of an identical sign in respect of identical goods.

Here, Autec did not sell vehicles, so there was no use of the logo as a trade mark registered for motor vehicles for the purposes of Article 5(1)(a).

Article 5(2): Marks with a reputation

The ECJ noted that Adam Opel's mark has a reputation in Germany and that it is also registered for motor vehicles, which are not similar to scale models of motor vehicles. The ECJ therefore considered that Autec's use of the Opel logo is capable of being prohibited under Article 5(2), if such use without due cause takes unfair advantage of or is detrimental to the distinctive character or repute of the registered trade mark. The ECJ noted Adam Opel's argument that it has an interest in scale models of its cars being good and absolutely up to date, as otherwise the reputation of the mark as a mark registered for motor vehicles would be affected, but held that this would be an assessment of a factual nature to be made by the national court.

Article 6(1)(b): Descriptive use

The affixing of a sign which is identical to a trade mark registered in respect of motor vehicles to scale models of such vehicles in order to reproduce those vehicles faithfully is not intended to provide an indication as to a characteristic of those scale models, but is merely an element in the faithful reproduction of the originals. Accordingly, Article 6(1)(b) did not apply.

Comment

Again, the ECJ has focused upon the essential function of the trade mark. Even in circumstances where the proprietor has an identical mark registered for identical goods, it seems that the proprietor is not guaranteed to be successful if the competitor's use of the mark will not affect the ability of that mark to identify origin.

The ECJ also confirmed that under Article 5(2), trade mark owners will have a cause of action against toy manufacturers even where the trade mark registration is not for toys, providing the trade mark has a reputation and the toy maker's use of the mark takes unfair advantage of, or is detrimental to, the trade mark.

Germany

The German Regional Court, re-considering the case on the basis of the ECJ ruling, turned down Adam Opel's application and, upon appeal from Adam Opel, this decision was confirmed by the Higher District Court of Nürnberg on the following grounds:

According to the ECJ's findings there is no doubt that the affixing of Opel's trade mark on scale models of Opel vehicles constitutes "trade mark use" as such. However, an additional precondition for an infringement of trade mark rights by such use is that the function of the trade mark must be affected or at risk of being affected: in particular, the essential function of guaranteeing to consumers the origin of the goods. According to the German courts, this is not the case where a trade mark is affixed to a scale model car in order to produce a true-to-detail copy of the original vehicle. Consumers will therefore understand the trade mark to be only a detail copied from the original Opel car and not a badge of origin for the scale model car.

The courts further considered whether the consumers will infer an economic relationship between Adam Opel and the manufacturer of the scale model from the Opel logo on the scale model, such as a licence agreement. This possibility was also denied, because in the opinion of the courts consumers are more likely to assume that Autec has been granted a licence to copy the original Opel car, but not a licence to use the trade mark for any scale model of a car.

As to a possible illicit use of the trade mark on the grounds of unfair advantage or detriment to the distinctive character or the repute of the trade mark without due cause, the German courts held that in the present case there is no such unfair behaviour without due cause. Autec had not made use of Opel's trade mark in any other way than affixing it on the scale model of the car, just as it is affixed on the original Opel car, in order to produce a perfect copy. Instead, Autec labelled the bottom of the car and its packaging with its own Autec mark.

Adam Opel AG has appealed the decision of the Higher Regional Court to the Supreme Court. The case is still pending and a decision is expected to be released by the Supreme Court in the second half of 2009.

Ilse Rohr

Nothing to declare: Trade marks, customs and transit

UK

The UK courts have continued to apply principles established in the ECJ's decisions in *Class* and *Montex*. An interesting application of these rules arose in *Eli Lilly v 8pm Chemists Limited* in the UK Court of Appeal. The defendant was an English pharmacy operating a website through which US customers could, with a prescription, purchase drugs at favourable prices. The US customer would order from a Canadian company, which then supplied from a company in Turkey. The Turkish company labelled Lilly's genuine Turkish product with a dispensing label including essential information such as dosage, the customer name and an English PO box address in Slough together with the name "Complete Care Pharmacy". The product was placed in a small box addressed to the customer and then about 100 such boxes were parcelled up in a larger box and sent to the defendant in Slough, who released them from Customs, paying no duty (as these were only goods in transit), and sent the individual items on to the US customers via Royal Mail.

The High Court originally granted an interim injunction in Lilly's favour, finding that there was an arguable case that the importation of various branded pharmaceuticals into the UK from Turkey for immediate re-export to the United States was a trade mark infringement. Although the goods were, for Customs purposes, regarded as outside the UK, the defendant's distribution method suggested to recipients that the goods had a UK origin. The Court of Appeal disagreed. The essential function of Lilly's trade marks was not affected by the defendant's activities. No one in Europe ever saw the trade marks. Further the *Class International* case was decisive: there is no "import" for the purposes of the Trade Marks Directive. Although the Customs procedure used here was different from those procedures referred to in the *Class* case, in both instances there was no interference with the trade mark owner's right of first marketing in Europe. This was the "touchstone". The goods were never in free circulation in the Community and were never used in the course of trade within Europe. *Class* was entirely consistent with *Montex*. The judge had been wrong to consider that giving an impression to consumers that the goods were English in origin could make a difference. He had overlooked the fundamental reasoning of previous case law.

Lucy Kilshaw

Q Do goods bearing trade marks travelling through the EU under Customs procedures affect the rights of a trade mark proprietor for an identical or similar mark?

A Trade mark owners cannot prevent the transport of goods bearing their trade marks through a Member State where the goods are merely in transit under Customs procedures and not actually placed on the market in the state of transit.

Background

Under EU Customs procedures, where goods enter the EU for transit only they are placed under Customs supervision and are not subject to import duties (the "external transit procedure"). The goods are treated as if they never entered the EU.

Under Council Regulation No. 241/99 (which amended Regulation No. 3295/94), counterfeit goods may be seized by Customs officials who will then notify brand owners and ask for confirmation that their rights have been infringed.

Montex, a jeans manufacturer in Ireland, exported garment pieces, including labels bearing the word "DIESEL" which it had no licence to use, to Poland for assembly, and then reimported the finished goods back to Ireland, via Germany (at the time Poland was not part of the EU).

German Customs seized a consignment of the goods, which were being transported under a Customs seal pursuant to the external transit procedure from Poland via Germany to Ireland. The goods were not in free circulation in the EU because the Customs seal had not been removed. This was due to occur in Ireland. Diesel SpA of Italy, which owned the DIESEL marks, claimed that its registered trade mark rights were infringed in Germany. At the time, it had no trade mark registrations in Ireland to enforce the marks at their ultimate destination. *Montex* disagreed with this construction and objected to the seizure, arguing that mere transit did not infringe the DIESEL mark. After losing at first instance and subsequently on appeal, *Montex* appealed to the Bundesgerichtshof (German Federal Court), which referred the following questions to the ECJ:

Questions referred

- (1) Does a registered trade mark grant its proprietor the right to prohibit the transit of goods with the sign?
- (2) If the answer to the first question is "yes", may a particular assessment be based on the fact that the sign enjoys no protection in the country of destination?

Cases:

Montex Holdings Ltd v Diesel SpA, Case C-281/05, 9 November 2006

(3) If the answer to the first question is “yes”, and irrespective of the answer to the second question, is a distinction to be drawn according to whether the article whose destination is a member state comes from a member state, an associated state or a third country? Is it relevant in this regard whether the article has been produced in the country of origin lawfully or in infringement of a right to a sign existing there held by the trade mark owner?

ECJ guidance

The ECJ referred to its previous ruling in *Class International* (Case C-405/03), where it held that the mere placement of genuine goods in the external transit procedure for destinations outside the EU was not trade mark infringement and did not interfere with the right of the trade mark owner to control initial marketing in the EU.

The ECJ held that Diesel could not prevent the mere transit of the goods through Germany. The external transit procedure was based on a legal fiction, to the effect that the goods did not enter the EU. The trade mark owner could only prevent such transit if the goods were subject to the act of a third party during the transit procedure which necessarily involved marketing the goods in the country of transit. The Court rejected Diesel’s argument based on the mere risk of the goods failing to reach their destination and being marketed in Germany.

The Court further decided that the status of Poland, being the origin of the goods, and at the time an “associated” State rather than a third party non EU member, was irrelevant, as also was the issue as to whether the goods were legally or illegally manufactured in Poland (which may have depended on the existence of trade mark registrations there).

Further analysis

Given the previous *Class International* case, this result was perhaps not surprising, although it should be noted that the *Class International* case concerned genuine parallel imported goods from outside the EU and not counterfeits. However, the result is very disappointing for brand owners who would prefer to intercept goods on route. It seems that this will still be possible via Customs activity, but if the infringer challenges the Customs seizure, then there may be no cause of action for trade mark infringement following this case. Of course, if Diesel had owned an appropriate trade mark registration in Ireland, it could have gone on to prevent sale of the goods there.

Benelux

The *Montex* decision was not well received by legal scholars in Belgium and the Netherlands, as Antwerp and Rotterdam harbours are often the starting-places for trade mark owners’ anti-counterfeiting actions. The criticism of the decision is based on the principles set out in both anti-counterfeiting Regulations 3295/94 and 1983/2003, according to which, “whether an intellectual property right has been infringed under national law will be conducted with reference to the criteria used to establish whether goods produced in that Member State infringe intellectual property rights.” (cf. recital 8 of the Regulation 1983/2003 and article 6§2 of Regulation 3295/94). The law of the member states of production or destination of the goods is not relevant in the assessment.

Because the German court that referred the case to the ECJ asked for the interpretation of the Trade Mark Harmonisation Directive, the ECJ did not fully investigate the proper application of the anti-counterfeiting regulations. Otherwise, the ECJ might have followed the reasoning of the Dutch Supreme Court (Hoge Raad der Nederlanden), which had already ruled on 19 March 2004 that the fiction of article 6§2(b) of the Regulation 3264/94 had to be applied when assessing the intellectual property rights infringement. This reasoning was confirmed by the court in The Hague with regard to the application of Regulation 1983/2003 on 13 July 2005.

As a result, the *Polo/Lauren* decision of the ECJ still offers the best legal grounds for blocking transit goods that infringe IP rights in the member state where the goods are seized.

Tom Heremans

France

In France, Courts usually comply with the ECJ case law regarding goods in transit in the EU territory. Moreover, these ECJ rulings were taken into account in French legislation of 29 October 2007.

Therefore, the owner of a trade mark cannot oppose the transit of counterfeit goods as long as they are not placed on the market in the state of transit and if they are intended to be legally commercialized in the state of destination.

The courts dealt with this point in a case between the company BUTTRESS (and its licensee) and the company L'OREAL (and its subsidiaries) regarding the use of the trade mark "Nutri-Riche" (Supreme Court, Commercial Section, July 10, 2007). The French Supreme Court extended the *Montex* decision to goods that are conditioned, affixed with the trade mark and held in a country where the trade mark is protected, in order to be exported to a territory where the marketing of the product is legal.

In this case, the Supreme Court ruled that there were no infringing acts since:

- the products were not placed on the market in the country where the trade mark was protected,
- such products were held with a legitimate reason (that is to say, their legal marketing abroad).

Although its motivation is questionable, this decision shows a tendency to limit the rights of trade mark owners when the infringing goods are not actually placed on the market on French territory.

Alice Bornand

Czech Republic

The views of the Czech Industrial Property Office (IPO) – and other relevant authorities - concur in part with those of the ECJ in the *Montex Holdings* case with respect to goods in transit.

The Czech authorities and companies using marks are aware of the allowed and non-allowed use of trade marks for transit and other purposes. The view on trade mark protection is well handled, especially by Customs, in part due to the fact that the Czech Republic, based on its geographical position in Central Europe is a transit country, as well as a destination for numerous counterfeit products.

In 2008, it has been argued that the production of goods in the Czech Republic, destined for foreign markets, was not an infringement of trade mark rights in the Czech Republic, as the goods in transit regime would apply, i.e. third party trade mark rights would not be breached. This proposition has not yet been tested by the courts.

For mere transit, with no production, marketing, distribution, Customs and the courts would apply the approach as expressed in the ECJ ruling. However, we have not seen a case where the courts have been deciding on the mere repackaging of goods in the Czech Republic from non-infringing to infringing packaging.

Gabriela Vendlova

Germany

The German Federal Court of Justice (FCJ) expressly endorsed the ECJ's *Montex* court ruling in two successive judgements (judgements of 21 March 2007 – Case I ZR 66/04 and Case I ZR 246/02). A trade mark holder cannot, therefore, prevent the transit of rights-infringing goods through Germany if there is no concrete indication that they are intended to be put into circulation in Germany or that they infringerelevant provisions under Customs law. A number of scholars in Germany consider that this court ruling contradicts the provisions of Regulation 1383/2003. Although Customs would be permitted to suspend clearance, ultimately, however, they would have to release the goods again because no breach of law could be shown to exist.

However, according to prevailing and correct opinion, this is not a true contradiction. First, Regulation 1383/2003 itself provides that customs authorities are expressly called upon to stop goods during mere passage in transit. The ECJ emphasised that this is completely independent of the question whether trade mark infringement is shown to exist in actual fact. Specific actions (in this case, passage in transit) can empower Customs to seize goods, but the very fact of passage in transit means that there is no impending infringement of a trade mark. Although customs authorities can intervene during mere passage in transit, subsequent proceedings leading to a decision on the merits pursuant to Articles 10 and 13 of Regulation 1383/2003 will only be successful after *Montex* if the trade mark holder can provide evidence of (planned) putting into circulation in Germany. If this fails, the trade mark holder will be liable pursuant to Article 19(3) of Regulation 1383/2003, in conjunction with national provisions (§150 (8), 149 of the German Trade mark Act). Taking action against transit goods is, therefore, now riskier than before.

The legal situation is a reminder in Germany of the legal situation under the Trade Mark Act's predecessor. Under §28 of the Warenzeichengesetz (WZG), it used to be possible to seize trade mark-infringing goods during transit. However, the FCJ did not consider mere transportation to be an act of infringement. In order to resolve this contradiction, the FCJ construed §28 so that Customs was prohibited from seizing good unless an act of infringement was actually shown to exist. Even subject to the WZG, a trade mark holder was thus unable to prohibit mere transit of trade mark-infringing goods through Germany. However, the FCJ provided the trade mark holder with the following solution. If the holder of the domestic trade mark also owned a corresponding trade mark in the country of destination, the FCJ allowed a trade mark holder a claim for unfair competition. At this point in time, it is unclear whether this option is provided in current court rulings. In any case, this legal option will not justify intervention by customs authorities pursuant to Regulation 1383/2003.

Carsten Menebroecker

Assessing similarity and confusion: composite marks and the average consumer

Italy

Shaker v OHIM

This decision is in accordance with the principles laid down by the Italian Courts.

In fact, according to the Italian case law, in order to establish if a risk of confusion between trade marks actually exists, it is necessary to analyze and consider all their features (including graphic, visual and phonetic elements), as well as the general impression that the trade marks produce in the public perception. Of course, such a general impression must be assessed considering the level of attention and the culture of the public for which the marked products are destined. For instance, in the case of expensive products addressed to a highly qualified public, which, from a technical point of view, is presumed to be well aware of the features of the products, the risk of confusion will be lower even if the trade marks are similar. Such a public is expected to have a higher level of attention and therefore to be less subject to confusion.

Alcon Inc. v OHIM

This decision is also in line with the principles expressed by the Italian Courts.

In fact, according to the Italian case law, when the goods identified by trade marks in conflict are pharmaceutical products (that require a prescription by a doctor before these are sold in a pharmacy) the definition of "relevant public" encompasses not only end-consumers, but also doctors and pharmacists, who are liable to influence or determine the choice made by end-consumers.

This implies that, since healthcare professionals are presumed to have a higher level of attention, even a slight difference will be capable of lessening the risk of confusion between trade marks.

Paola Nunziata

Q How should composite marks be assessed? How is the relevant public of the average consumer defined?

A For composite marks, different aspects may be dominant and distinctive and play a greater or lesser role in the overall impression. However, if a mark has multiple elements to it (e.g. letters, words, logos), it is only where an element is negligible in the overall impression that it can be discounted.

The definition of the relevant public and the average consumer can be of particular importance in determining the likelihood of confusion.

Background

Shaker v OHIM

In 1999 Shaker di Laudato, an Italian liqueur company, applied to register the following figurative mark as a CTM in Class 33: 'Lemon liqueur from the Amalfi Coast':



Limana y Botella, a Spanish company, opposed the application on the basis of Article 8(1)(b) of Regulation 40/94, claiming a likelihood of confusion on the Spanish market with its prior Spanish registration of the word mark LIMONCHELO for alcoholic drinks.

In 2002 and 2003, both the Opposition Division and the Board of Appeal of OHIM upheld the opposition, having regard to the phonetic and visual similarity of the marks, and the identical nature of the goods in question.

However, Shaker successfully appealed to the CFI in 2004. The Court held that the goods were identical and went on to compare the marks. It held that the image of the round dish decorated with lemons was the dominant component of the mark applied for, and the word components were not visually dominant so it was unnecessary to assess the phonetic and conceptual features of those components. The Court held that the dominance of the figurative element prevented any likelihood of confusion between 'limonchelo' and 'limoncello', as there was insufficient similarity between the marks.

OHIM appealed to the ECJ, which set aside the CFI's decision and referred the matter back to the CFI for reconsideration. The ECJ criticised the CFI for failing to carry out a global assessment of the likelihood of confusion of the marks. An assessment of similarity between two marks meant more than taking one component of a composite mark and comparing it with another mark. The marks must be compared as a whole, which did not rule out that the overall impression conveyed to the relevant public by a composite trade mark could, in certain circumstances, be dominated by one or more of its

Cases:

Shaker di L. Laudato & C. Sas v OHIM, Case T-7/04, 12 November 2008 and Alcon v OHIM, Case C412-05 P, 26 April 2007

components. However, it was only if the other components of the mark were negligible that the assessment could be carried out solely on the basis of the dominant element. The case was remitted to the CFI to be reassessed.

Alcon Inc. v OHIM

Alcon Inc. applied to register the mark TRAVATAN for “ophthalmic pharmaceutical preparations” in 1998. Biofarma opposed the registration on the basis of its earlier mark TRIVASTAN, registered in Italy for pharmaceuticals and other goods, which it proved it had used on a particular pharmaceutical for certain eye and ear disorders.

OHIM found the marks to be confusingly similar under Article 8(1)(b) of the Community Trade Mark Regulation 40/94/EEC, which allows opposition to the registration of a mark if “there exists a likelihood of confusion on the part of the public” in relation to an earlier mark.

Alcon’s appeal was rejected by OHIM’s Board of Appeal and it further appealed to the CFI. The appeal was based on two grounds, both of which failed. In particular, the CFI’s view was that the relevant public comprised not only end-users but also medical professionals. It rejected arguments that the goods were not similar because Alcon’s product was in the form of drops and Biofarma’s product was in tablet form. Further, the CFI found the marks to be both visually and phonetically similar.

Alcon appealed to the ECJ.

ECJ guidance

Shaker v OHIM

The CFI dismissed Shaker’s appeal and found that there was a likelihood of confusion between the two marks. Taking the ECJ’s criticisms into account, the CFI reasoned as follows:

Comparison of the marks at issue

- Assessment of similarity between marks means more than taking just one component of a composite mark and comparing it with another mark. Each mark must be examined as a whole.
- The figurative component of Shaker’s mark was as visually important as the word ‘limoncello’, but the words ‘della costiera amalfitana’ were clearly secondary as they were smaller and written underneath. The component ‘shaker’ was negligible in the impression created by the mark, as it was only just visible in the mark taken as a whole.
- Consumers usually describe and refer to the goods in question by reference to the verbal element, therefore the public will remember ‘limoncello’ in view of its prominent location. The word ‘limoncello’ is likely to dominate the overall impression created by the mark.

UK

In general, the ECJ’s view of the relevant public in *Alcon* was to be welcomed, particularly in the life sciences sector. The Advocate General’s view of the prescription-only market was unduly narrow and considered only the point of sale/supply. After a prescription-only product has been supplied, end-users will obviously become familiar with a mark, form impressions of it, and potentially become confused with other marks used on similar products, whether prescription-only or not. As the ECJ recognised, end-users may also seek to influence their doctor’s decision on future prescribing occasions. Further, in time it may be that some products will develop from being prescription-only to over-the-counter, then benefiting from the goodwill already established among end-users.

Similarly, the guidance in *OHIM v Shaker* has also been welcomed in the UK and has been broadly applied by the UK IPO. The CFI’s reconsideration of Shaker’s mark emphasises the need to make a global assessment of marks in relation to the likelihood of confusion under Article 8(1)(b). The CFI’s previous focus solely on the ‘dominant’ element of Shaker’s mark was criticised in the UK, and its new ruling is now in line with established case law in the UK in relation to the assessment of composite marks.

Tom Scourfield

- In a visual comparison of the marks, there was a certain similarity between them. The words ‘limonchelo’ and ‘limoncello’ were visually practically identical. The differences, mainly due to the figurative element, were not sufficiently significant to override the similarity caused by the word ‘limoncello’.
- Phonetically, the marks were similar, as the pronunciation of both was similar in Italian and Spanish.
- Conceptually the marks were also similar, as both marks may refer to a lemon-based liqueur.
- There was a certain similarity between the marks; the Board of Appeal’s finding that the marks were practically identical was wrong. However, if it found correctly that there was a likelihood of confusion, this error was not significant.

Global assessment of likelihood of confusion

- Taking into account the relevant public’s retention of an imperfect picture of the marks, particularly due to similarity between the words ‘limoncello’ and ‘limonchelo’, and given that the goods in question were identical, there was a likelihood of confusion.

Czech Republic

Overall, the Czech Industrial Property Office (IPO), as well as the courts decide cases in line with the ECJ ruling in the Shaker case.

In the event of a dispute over the elements of a newer composite mark and an older mark, the Czech authorities analyse both the overall impression on the average consumer and the elements of the mark, and assess the reputation of the individual elements of the older mark among consumers. We have noticed that the IPO seems more willing to register a new mark (on appeal) due to the overall impression dominating over one problematic element, but this decision may be overruled by the courts, citing the reputation of one of the elements of the mark and the potential confusion of the average consumer who could view the products as coming from the same producer.

The definition of the average consumer is assessed on a case-by-case basis; however, the courts tend to view consumers as being members of the lay public rather than professionals. In the case of medical products, prescription drugs are distinguished from other drugs, as in the ECJ ruling in the *Alcon* case. If the drug is a prescription drug only, professionals are viewed as the relevant public, whereas for other drugs, or a drug that is both prescribed and bought over the counter, the potential for confusion by the average patient is assessed.

Gabriela Vendlova

Alcon Inc. v OHIM

The appeal was rejected on all grounds.

On the substantive issue of likelihood of confusion, the ECJ considered several aspects:

Definition of the relevant public

Alcon argued that the CFI should not have included end-users in its assessment and should have considered only healthcare professionals. OHIM argued that likelihood of confusion was not confined to cases of direct confusion and that patients could attribute the same origin to two sets of goods even if they did not choose or purchase the products themselves.

The Advocate General had agreed that the relevant public should be restricted for prescription-only products to medical professionals. However, he found that here, the comparison was between the general group of goods, ophthalmic pharmaceutical preparations, which were not only available on prescription but also over-the-counter, and the medicinal product TRIVASTAN, which was only available on prescription. The perception of consumers was clearly relevant for over-the-counter medicines and on this basis the Advocate General felt that the CFI was justified in including the perception of the end-user.

The ECJ adopted a different view in the case of prescription-only products, commenting:

“...the fact that intermediaries such as healthcare professionals are liable to influence or even to determine the choice made by the end-users is not, in itself, capable of excluding all likelihood of confusion on the part of those consumers as regards the origin of the goods at issue....such a likelihood of confusion also exists for those consumers since they are likely to be faced with those products, even if that takes place during separate purchasing transactions for each of those individual products, at various times.”

The ECJ further referred to the end-users' ability “to make those professionals take into account their own perception of the trade marks at issue and, in particular, their requirements or preferences.”

Similarity of signs

Alcon argued that here the identity of the relevant public was important and that the findings of visual and phonetic similarity were incorrect, particularly given that the goods were prescribed by doctors and the fact that there was a difference in form between the two products. The ECJ rejected this, having already decided on the identity of the relevant public, and repeated the principle that a challenge to the CFI's purely factual appraisal was inadmissible.

Likelihood of confusion

Alcon argued that the CFI erred in law by failing to examine the likelihood of confusion in the eyes of the relevant public. The ECJ found that the CFI was entitled to assess whether there was a likelihood of confusion in the eyes of end-users, but found that the CFI's judgment was not clear as to what extent its assessment of visual and phonetic similarity applied to healthcare professionals or differentiated between professionals and end-users. However, despite this error, there was no cause for annulment of the judgment, as the CFI had in any event found a high degree of similarity between the goods and the signs, at least among end-users.

Further analysis

The difficulties experienced by the CFI in *Shaker v OHIM* have once again emphasised that the comparison of composite marks is often a very difficult assessment to get right, in weighing up the various aspects of the marks, and their distinctive and dominant components.

Germany

Both the German Federal Court of Justice (BGH) and the German Federal Patent Court (BPatG) have recently, repeatedly, relied on the ECJ *Limoncello* case. It appears that the German courts have welcomed the *Limoncello* ruling as confirmation of their established principle of dominance of a complex trade mark by one of its components ("Prägetheorie"). After the *Thomson Life* ruling in 2005, there was some uncertainty as to whether the principle of domination, as used by the German courts, would remain applicable. However, with the *Limoncello* ruling, the ECJ is fully in line with the German court's practice.

In addition, the latest CFI ruling in the *Limoncello* case assumes that even an element with weak distinctive character can, in certain circumstances, constitute a dominant element. The decisive question is, however, which part of the mark members of the relevant public would keep in mind as an identifier. There is strong German case law which considers that elements with weak distinctive character are not capable of creating likelihood of confusion. However, in light of the ECJ's decision, and the subsequent decision rendered by the CFI in the *Limoncello* case, it seems that the question of the distinctiveness of colliding elements will play less of an important role while the perception of the relevant public may become crucial.

Alexander Spaeth

In the *Alcon* case, the ECJ has identified the importance that the end user and average consumer can have in the global assessment. It is often the case that the global assessment tends to focus more on the similarities between marks, rather than the similarity of goods/services. The case of *Arsenal Football Club, Case C-206/01*, also concerned the possibility of confusion arising post-sale, although the later case of *Picasso, Case C-361/04*, found that in appropriate cases, depending on the type of goods, particular account should be taken of the fact that the average consumer displays a higher level of attention at the time of purchase rather than afterwards. However, the ECJ in *Picasso* noted that *Arsenal* did not purport to establish a general rule and that the degree of attention paid by the relevant public was distinct from the question as to whether circumstances post-sale may be relevant.

Spain

The Spanish courts have pursued two approaches concerning the assessment of similarity between composite marks in Spain. First, there have been cases favouring the predominance of the word component (Supreme Court, May 29, 1976, Supreme Court, 6 October 1976, Supreme Court, April 27 1984), and, secondly, countless judgments of the Supreme Court have applied a "global assessment" in comparing composite marks (Supreme Court, June 2, 1986; Supreme Court, September 27, 1986).

Composite brands are, obviously, complex marks, but, unlike complex word marks, composite brands are characterised by incorporating graphics. This difference, however, does not prevent comparing composite brands using both criteria: that is, the overall impression of marks and the "dominant element" of marks. Where complex word marks are being compared in composite trade marks, the Spanish courts strive to find the dominant element of the relevant mark, which is normally the word component, since it is the most common way for the consumer to identify a mark. However, on a case-by-case basis, this line will cease to apply in those cases in which the figurative element of a mark dominates the component word.

Following *Alcon*, the ECJ's view of the relevant public is welcomed in Spain.

Pedro Merry Monereo

Too many chefs?: National, international and community obligations

Austria

According to section 33a para 1 Trade Marks Act (Markenschutzgesetz = MSchG), anyone may apply for the cancellation of a national trade mark that has been registered in Austria for at least five years and for the cancellation of an international trade mark that has enjoyed protection in Austria for at least five years, provided that these marks have not been put to genuine use in Austria.

In respect of national trade marks, the commencement of the five-year-term is quite clear, but there exists uncertainty in respect of international trade marks.

Section 19 Trade Marks Act lays down that trade mark rights arise on the date on which the trade mark is registered in the trade mark register. In respect of national trade marks, this date is identical to the date of the completion of the registration procedure: In the course of the registration proceedings, the patent office examines whether the trade mark meets the legal requirements. If the legal requirements are met and the registration fees are paid, the trade mark is registered (section 20 para 2 Trade Marks Act). Registration is, therefore, the last step of the registration proceedings.

According to section 2 para 2, the regulations of the Trade Marks Act are similarly applicable to international trade marks. However, due to the different application proceedings for international trade marks, the date on which the trade mark rights arise is not identical to the date of the completion of the registration procedure. Section 33a Trade Marks Act refers to the date on which the trade mark right arises, while the European directive refers to the date of the completion of the registration procedure. The question therefore arose regarding which date is relevant for the commencement of the five-year-term of section 33a.

Section 33a Trade Marks Act has been criticised by several Austrian jurists; for example, Beetz raised concerns over whether the regulation complies with the EU directive.¹

However, section 33a Trade Marks Act has not been amended and no court decision has so far eliminated the uncertainty in respect of the commencement of the five-year-term. The Trade Mark Adjudication Tribunal (Oberster Patent und Markensenat = OPM) has not yet even decided the matter "Le Chef De Cuisine".

Egon Engin-Deniz

¹ Beetz in Kucsco, markenschutz (2006) 617 et seq.

Q What is the interaction between national, international and Community obligations in relation to registration and non-use?

A It is for national registries to determine the date on which registration is completed and the date from which non-use should be assessed.

Legal framework

Community legislation

Article 10(1) of the Directive provides that a mark will be liable to revocation in the absence of genuine use within five years following the date of the completion of the registration procedure. Similarly, Article 12(1) of the Directive provides that a trade mark shall be liable to revocation where there is a lack of genuine use for a continuous period of five years. In both cases, this is subject to there being no proper reasons for non-use.

International legislation

Article 3(4) of the Madrid Agreement concerning the International Registration of Marks (as amended) states that WIPO shall "immediately" register marks filed in accordance with Article 1. The registration shall bear the date of the application for international registration in the country of origin, provided that the application has been received by the International Bureau within a period of two months from that date.

Article 19(1) of the TRIPS Agreement refers to the requirement of use in that the registration may be cancelled only after an uninterrupted period of at least three years of non-use, unless the trade mark owner can show valid reasons for such non-use. Such valid reasons include circumstances arising independently of the will of the trade mark owner and constituting an obstacle to its use, such as import restrictions or other government requirements for goods or services protected by the trade mark.

National legislation

Paragraph 19 of the law protecting of trade marks (Markenschutzgesetz 1970, BGBl. 260/1970) states: "trade mark rights arise on the day on which it is entered on the trade marks (registration). The protection period ends ten years after the end of the month of registration."

Paragraph 33A(1) of the above 1970 law states: "Anyone may apply for the cancellation of a mark which has been registered in Austria for at least five years or which enjoys protection in Austria pursuant to paragraph 2(2) if that mark has not been put to genuine use in Austria in respect of the goods or services in respect of which it was registered

Cases:

Armin Häupl v Lidl Stiftung & Co. KG, Case C-246/05, 14 June 2007

(paragraph 10A) either by the proprietor of the mark or, with his permission, by a third party within the five years preceding the day on which the application for cancellation was lodged, unless the proprietor of the mark can justify the non-use.”

Background

A reference was made to the ECJ following the appeal of a decision made regarding proceedings between Mr Häupl and Lidl Stiftung & Co. KG (“Lidl”) concerning the cancellation of a trade mark owned by Lidl. Lidl is the proprietor of the word and figurative mark “Le Chef DE CUISINE”. The international mark registered in respect of Austria had been protected since 12 October 1993. The German basic mark had been protected since 8 July 1993. The international mark was published on 2 December 1993 by the International Bureau and notified to the designated Contracting State.

Since 1973, Lidl has operated a supermarket chain established in Germany. The first Austrian Lidl supermarket was opened on 5 November 1998. Lidl sells ready-made meals bearing the mark “Le Chef DE CUISINE” in its own sales outlets only. In advance of the opening of the Austrian supermarkets, Lidl planned the design of the goods internally, agreed the design with suppliers and began to display the goods, which had already been delivered.

On 13 October 1998, Mr Häupl sought to have the mark cancelled in Austria on the basis of Paragraph 33A(1) of the 1970 law: use or cancellation on the grounds of non-use. He claimed that the relevant five-year period began to run from the beginning of the protection period, i.e. 12 October 1993. The application for cancellation was challenged by Lidl. Lidl argued that the period began to run on 2 December 1993, and therefore did not expire until 2 December 1998. On 2 December 1998, Lidl was displaying for sale goods bearing the mark at issue in its first Austrian supermarket. Lidl also stated that an expansion into Austria had been contemplated since 1994, but that the opening of supermarkets in that Member State had been delayed by “bureaucratic obstacles”: in particular, delays in the issue of operating licences.

The cancellation division of the Austrian patent office (Nichtigkeitsabteilung des Patentamtes) declared that the mark was no longer protected in Austria as of 12 October 1998. Lidl appealed against that decision to the Supreme Patent and Trade Mark Adjudication Tribunal (Oberster Patent und Markensenat). At that point the Oberster Patent und Markensenat decided to stay proceedings and referred two questions to the Court for a preliminary reading.

Czech Republic

Pursuant to Czech trade mark legislation and applied practice, the period of non-use is counted from the date of the trade mark application, as the first day of the trade mark protection, rather than the later date of registration. Cases of cancellation of a trade mark due to non-use are common, as Czech trade mark professional advisers, lawyers and trade mark agents are well aware of the possibility of cancelling a trade mark based on non-use, and frequently exploit it. Use after the lapse of the 5-year period is insufficient.

In client discussions on non-use of trade mark, lawyers and trade mark agents are frequently asked about the sufficient level of use to constitute proof of use in the event of a dispute. Use by licensees is sufficient; minimum or symbolic use may be insufficient. We have seen cases in which parties tried to fabricate evidence of use within the expired five-year period, substituting evidence of any use, or evidence of use after the lapse of the obligatory use period.

Proof that the trade mark owner was preparing for use is insufficient; the use must be real use in trade, such as marketing, production of the goods including real sale contracts, export to third countries, licensing and use in trade by a licensee. The Czech Industrial Property Office and the courts have heard arguments about the extent of use and have decided that it is based on individual circumstances; court precedent is inconsistent, and minor differences can often substantially change results.

Gabriela Vendlova

Questions referred

- 1 Is Article 10(1) of the Directive to be interpreted as meaning that the “date of the completion of the registration procedure” means the start of the period of protection?
- 2 Is Article 12(1) of the Directive to be interpreted as meaning that there are proper reasons for non-use of a mark if the implementation of the corporate strategy being pursued by the trade mark proprietor is delayed for reasons outside the control of the undertaking, or is the trade mark proprietor obliged to change its corporate strategy in order to use the mark in good time?

The Court considered whether it had jurisdiction to rule on the questions referred to it by the Oberster Patent und Markensenat. The court decided that the Oberster Patent und Markensenat is a court or tribunal within the meaning of Article 234 EC and that the court therefore had jurisdiction to answer the questions.

ECJ guidance

On the first question

The Court looked at whether Article 10(1) of the Directive is to be interpreted as meaning that the “date of the completion of the registration procedure” means the start of the period of protection. The Court referred to the fact that several legal systems are involved when a trade mark is registered internationally, including the Madrid Agreement and national provisions, which must in turn comply with Community law, particularly the Trade Marks Directive. Article 1 of the Directive states that it “shall apply to every trade mark... which is the subject of... an international registration having effect in the Member State.” The Court noted that the third recital in the preamble to the Directive mentions that the Directive is not intended to approximate fully the trade mark laws of the Member States. The fifth recital of the preamble to the Directive states that Member States “remain free to fix the provisions of procedure concerning the registration, the revocation and the invalidity of trade marks acquired by registration”.

The Court held that the preamble to the Directive made clear that it did not harmonise the procedural aspect of trade mark registration. The recital should also be taken into account for the purpose of interpreting Article 10(1) of the Directive, and there was therefore some ambiguity. The wording makes it possible to adapt that period to the specific features of the national procedures. It followed that Member States are free to organise their registration procedure and can consequently then decide when that procedure is to be regarded as having been completed. With regard to international registration, the Court held that it is the responsibility of the Member State in

which the registration application has been filed to determine the time at which the registration procedure comes to an end in accordance with its own procedural rules.

In answer to the first question, the Court held that “date of the completion of the registration procedure” within the meaning of Article 10 (1) of the Directive must be determined in each Member State in accordance with the procedural rules on registration in force in that State.

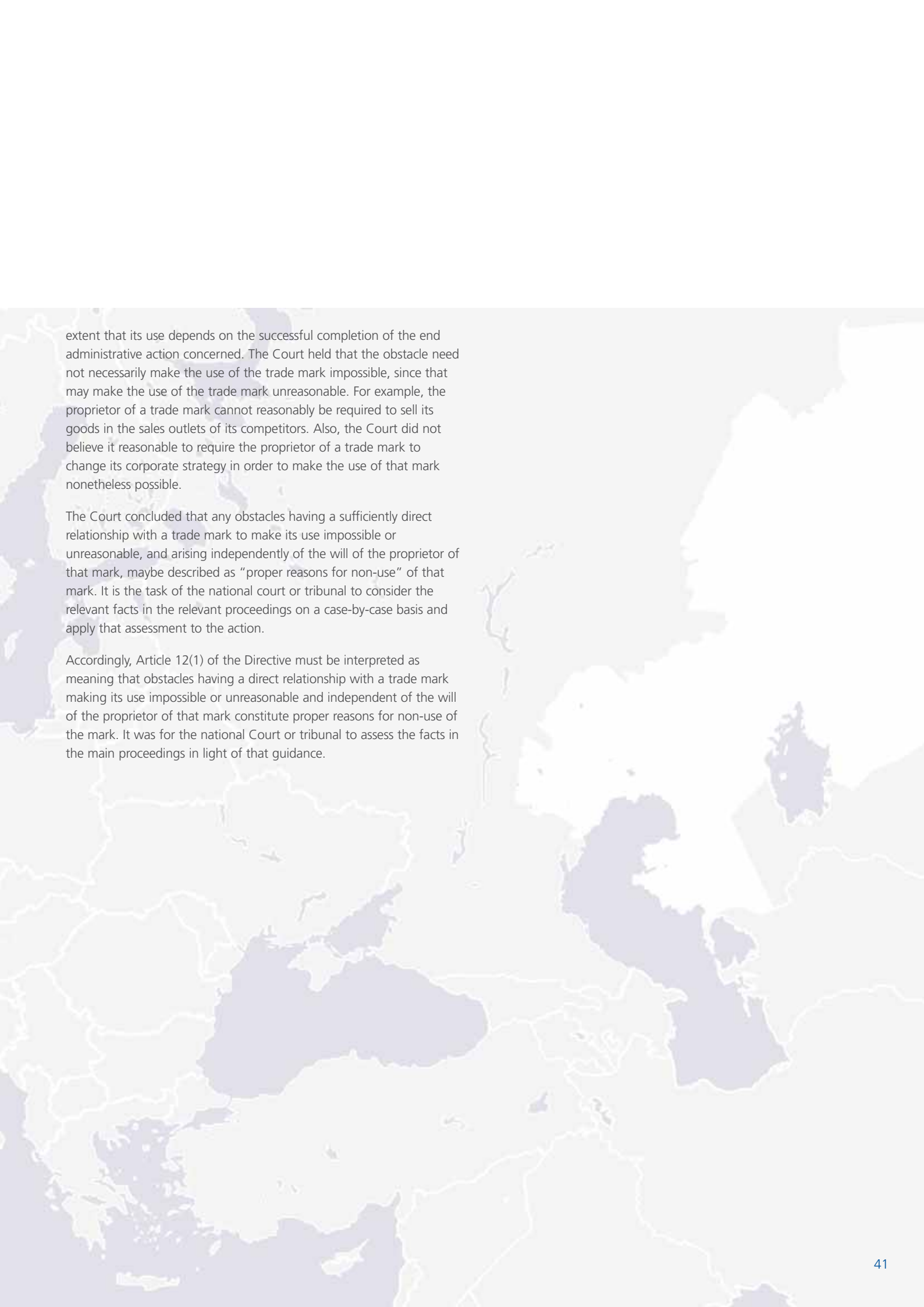
On the second question

The Court looked at the second question of the national court: whether Article 12(1) of the Directive is to be interpreted as meaning that there are proper reasons for non-use of a mark if the implementation of the corporate strategy being pursued by the trade mark proprietor is delayed for reasons outside the control of the undertaking, or whether the trade mark proprietor is obliged, in such cases, to change that strategy so as to be able to use the mark in good time. The Court considered this question to be admissible.

With reference to the judgments of *Linster* and *Ansul* (Case C-287/98 *Linster* [2000] ECR I-6917, paragraph 43, and Case C-40/01 *Ansul* [2003] ECR I-2439 paragraph 26), the Court held that it was to give a uniform interpretation to the concept of “proper reasons for non-use”, as referred to in Article 12(1) of the Directive. Article 12(1) applies to cases in which a mark has been registered, but its proprietor has not made use of it. If a proprietor does not make use of a registered mark during a continuous period of 5 years, the mark is liable to revocation unless the proprietor can show proper reasons. Article 12(1) does not contain any indication of what constitute “proper reasons”.

The Court referred to the TRIPS Agreement to which the Community is party. It deals with the requirements for the use of a mark and the reasons that may justify its non-use (Article 19(1)). Under that provision, circumstances arising independently of the will of the owner of the trade mark which constitute an obstacle to the use of the trade mark are to be recognised as valid reasons for non-use. Therefore, the Court deemed it necessary to determine what circumstances constitute an obstacle to the use of the trade mark within the meaning of that provision. The Court drew a distinction between circumstances that hinder temporarily and those that can be overcome.

The Court held, with reference to the Opinion of the Advocate General (Point 79), that it did not suffice that “bureaucratic obstacles” such as those pleaded in the main proceedings should be beyond the control of the trade mark proprietor. This is because those obstacles must have a direct relationship with the mark, to the



extent that its use depends on the successful completion of the end administrative action concerned. The Court held that the obstacle need not necessarily make the use of the trade mark impossible, since that may make the use of the trade mark unreasonable. For example, the proprietor of a trade mark cannot reasonably be required to sell its goods in the sales outlets of its competitors. Also, the Court did not believe it reasonable to require the proprietor of a trade mark to change its corporate strategy in order to make the use of that mark nonetheless possible.

The Court concluded that any obstacles having a sufficiently direct relationship with a trade mark to make its use impossible or unreasonable, and arising independently of the will of the proprietor of that mark, maybe described as “proper reasons for non-use” of that mark. It is the task of the national court or tribunal to consider the relevant facts in the relevant proceedings on a case-by-case basis and apply that assessment to the action.

Accordingly, Article 12(1) of the Directive must be interpreted as meaning that obstacles having a direct relationship with a trade mark making its use impossible or unreasonable and independent of the will of the proprietor of that mark constitute proper reasons for non-use of the mark. It was for the national Court or tribunal to assess the facts in the main proceedings in light of that guidance.

Contact details

Austria

Dr Egon Engin-Deniz (Partner)
egon.engin-deniz@cms-rrh.com

CMS Reich-Rohrig Hainz

Ebendorfer Strasse 3
1010 Vienna
Austria
T +43 1 40443 1550
F +43 1 40443 91550

Belgium

Tom Heremans (Partner)
tom.heremans@cms-db.com

Veerle Raus (Partner)
veerle.raus@cms-db.com

CMS DeBacker

Chaussée de la Hulpe 178
1170 Brussels, Belgium
T +32 2 743 69 00
F +32 2 743 69 01

Czech Republic

Gabriela Vendlova (Partner)
gabriela.vendlova@cms-cmck.com

CMS Cameron McKenna v.o.s.

Palladium
Na Pofiliáí 1079/3a
110 00 Prague 1
Czech Republic
T + 420 296 798 111
F + 420 221 098 000

France

Antoine Gendreau (Partner)
antoine.gendreau@cms-bfl.com

CMS Bureau Francis Lefebvre

1-3, villa Emile Bergerat
92522 Neuilly-sur-Seine Cedex,
France
T +33 1 47 38 55 00
F +33 1 47 38 55 55

Jean-Guillaume Monin (Partner)
jean-guillaume.monin@lyon.cms-bfl.com

Alice Bornand (Associate)
alice.bornand@lyon.cms-bfl.com

CMS Bureau Francis Lefebvre Lyon

174 Rue Créqui
69003 Lyon, France
T +33 4 78 95 47 99
F +33 4 72 61 84 27

Germany

Friedrich Graf Luckner (Partner)
friedrich.luckner@cms-hs.com

Ilse Rohr (Partner)
ilse.rohr@cms-hs.com

Petra Goldenbaum (Senior Associate)
petra.goldenbaum@cms-hs.com

CMS Hasche Sigle Hamburg

Stadthausbrücke 1-3
20355 Hamburg, Germany
T +49 40 376 30-0
F +49 40 376 30 40-600

Gordian Hasselblatt (Partner)
gordian.hasselblatt@cms-hs.com

Carsten Menebroecker (Senior Associate)
carsten.menebroecker@cms-hs.com

Alexander Spaeth (Senior Associate)
alexander.spaeth@cms-hs.com

CMS Hasche Sigle Cologne

Kranhaus 1, Im Zollhafen 18
50678 Cologne
T +49 (0) 221 / 77 16 - 201
F +49 (0) 221 / 77 16 - 259

Hungary

Dr Dóra Petrányi (Partner)
dora.petranyi@cms-cmck.com

Agnes Solyom (Senior Associate)
agnes.solyom@cms-cmck.com

Ormai es Tarsai CMS Cameron McKenna LLP

Ybl Palace, 3rd Floor
Károlyi Mihály utca 12
H-1053 Budapest, 3
Hungary
T +36 1 483 4800
F +36 1 483 4801

Italy

Laura Opilio (Partner)
laura.opilio@cms-aacs.com

Paola Nunziata (Senior Associate)
paola.nunziata@cms-aacs.com

CMS Adonnino Ascoli & Cavasola Scamoni

Via Agostino Depretis, 86
00184 Rome, Italy
T +39 06 47 81 51
F +39 06 48 37 55

Lorenzo Bocedi (Senior Associate)
lorenzo.bocedi@cms-aacs.com

CMS Adonnino Ascoli & Cavasola Scamoni

Via Michelangelo Buonarroti, 39
20145 Milan, Italy
T +39 02 48011171
F +39 02 48012914

The Netherlands

Willem Hoorneman (Partner)
willem.hoorneman@cms-dsb.com

Rogier de Vrey (Associate)
rogier.devrey@cms-dsb.com

CMS Derks Star Busmann

Newtonlaan 203
3584 BH Utrecht, The Netherlands
T +31 30 212 1111
F +31 30 212 1333

Poland

Daniel Hasik (Senior Associate)
daniel.hasik@cms-cmck.com

Anna Kobylanska (Senior Associate)
anna.kobylanska@cms-cmck.com

CMS Cameron McKenna Dariusz Greszta Spolka Komandytowa

Warsaw Financial Centre
XVIII Floor
ul. Emilii Plater 53
00-113 Warsaw
Poland
T +48 22 520 5555
F +48 22 520 5556

Russia

Leonid Zubarev (Partner)
leonid.zubarev@cmslegal.ru

CMS Russia

Gogolevsky Blvr, 11
119019 Moscow
T +7 495 786 30 85
F +7 495 786 40 01

Spain

Gracia Sainz (Partner)
gsainz@cms-asl.com

Blanca Cortés Fernández (Senior Associate)
bcortes@cms-asl.com

Pedro Merry Monereo (Associate)
pmerry@cms-asl.com

CMS Albiñana & Suárez de Lezo

C/ Génova, 27
28004 Madrid, Spain
T +34 91 451 93 00
F +34 91 399 30 70

Switzerland

Dr Robert G. Briner (Partner)
robert.briner@cms-veh.com

CMS von Erlach Henrici AG

Dreikönigstrasse 7
8002 Zurich
T +41 44 285 11 11
F +41 44 285 11 22

United Kingdom

Nick Beckett (Partner)
nick.beckett@cms-cmck.com

Isabel Davies (Partner)
isabel.davies@cms-cmck.com

Tom Scourfield (Senior Associate)
tom.scourfield@cms-cmck.com

CMS Cameron McKenna LLP

Mitre House
160 Aldersgate Street
London EC1A 4DD, England
T +44 20 7367 3000
F +44 20 7367 2000

