

**Trademark Dilution, Trade Mark Use and Trademark Law Theory- Is There A Logical Connection?**

By the turn of the millennium trademark owners had acquired extended protection for not just globally well known marks, but also less known, ‘merely’ nationally famous marks throughout the European Union and the United States. Famous marks were considered deserving of protection even absent a likelihood of confusion among consumers, and when competing marks were used on dissimilar goods. Despite sharp criticism dilution protection has defended its place on the books. Nevertheless, its practical use and value remains unclear and highly controversial worldwide. Similarly the scope of dilution protection against blurring, as well as the availability of dilution protection to marks with acquired distinctiveness remain contested.

This article attempts to find the theoretical framework that ties dilution protection to contemporary trademark law theory and uses this larger lens to assess its scope and limits. A comparative analysis of recent decisions from the European Court of Justice, the federal courts of the United States and legislative developments in the respective regions serve as a practical sounding board for the analysis. When comparing different approaches to dilution protection –focusing on its inherent limits– a similar pattern emerges. This article argues that these similarities define the road of a functioning form of protection for famous marks.

The contemporary debate about the scope of protection for trademarks takes two unrelated forms in both the European Union and the United States. First, what is the appropriate scope of dilution protection, especially dilution by blurring? Second, what uses of a registered trademark are or should be permissible? This article reviews dilution protection in its current form in the United States and the European Union, through the issues raised in the trade mark use debate. It argues that a coherent theory and scope of trademark dilution naturally emerges, when both discussions are combined.

## 1 Introduction

Prior to the EC Trademark Directive of 1989 dilution protection for famous marks had only been afforded in some states in the United States and a few countries in Europe, most notably the Benelux.<sup>1</sup> Article 5.2 of the Directive allowed for relief for owners of reputed marks, where a third party without due cause takes unfair advantage of the distinctive character or repute of the mark. Although the implementation of the provision remained optional most of the member states have subsequently implemented the provision into national law.<sup>2</sup> National law, therefore, no longer governs on the issue of extended protection, which was thus in effect harmonized by way of the Directive and subject to the exclusive jurisdiction of the European Union.<sup>3</sup> Member states are however still free to provide for protection for unregistered marks, namely under unfair competition law, irrespective of the Directive.<sup>4</sup>

Since trademark owners often bring parallel actions against dilution under the respective national provisions of both trade mark and unfair competition law these fields of law are hard to distinguish in practice.<sup>5</sup> Although recognizing the jurisdictional divide the European Court of Justice has repeatedly, in tune with the principles of supremacy and direct effect<sup>6</sup>, emphasized the need for interpretation of national rules in harmony with EC rules in this area of law.<sup>7</sup> This article does not

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<sup>1</sup> Guy Tritton, Intellectual Property Law in Europe at \_\_\_\_\_. Claryn/Klarein

<sup>2</sup> First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks OJ L 40, 11.2.1989, p. 1–7, (hereinafter the Directive) Article 5 “ 2. Any Member State *may* also provide...”.

<sup>3</sup> C-63/97 *Bayerische Motorenwerke AG (BMW) and BMW Nederland BV v. Deenik* [1999] ECR I-905, paragraph 22 applying the general principles set forth in Case C-106/89 *Marleasing* [1990] ECR I-4135, paragraph 8, and Case C-91/92 *Faccini Dori v Recreb* [1994] ECR I-3325, paragraph 26 to trademark law.

<sup>4</sup> Article 5(5) of the Directive, *supra* note \_\_\_\_.

<sup>5</sup> This presents a complicated situation for the civil law judge. Trademark law is a highly specialized field of law as is unfair competition law. The provisions of the Directive have not necessarily been implemented word for word into national law, but in a way that in the legislative process has been deemed to conform to the Directive. Nonetheless, the judge is obligated to interpret the national provision in light of the Directive and the preliminary rulings from the European Court of Justice on the subject. Adding the question of jurisdiction to the mix makes an already complicated task of interpretation almost unmanageable to any judge.

<sup>6</sup> C-26/62 *Van Gend en Loos* [1963] ECR- special edition I-00001, C-6/65 *Costa v. ENEL* [1964] ECR special edition I-585, C-14/83 *Von Colson* [1984] ECR I-1891.

<sup>7</sup> C-63/97 *Bayerische Motorenwerke AG (BMW) and BMW Nederland BV v. Deenik* [1999] ECR I-905

question that premise, but proceeds to search for the limits on the scope of dilution protection under EC law.

The Trademark Directive does not include any specific defences to dilution actions; instead the same defences presumably apply to both infringement and dilution claims. The European Court of Justice has only answered questions on the interpretation of Article 5.2. a few times and to this date many questions on the theory underlying EC-style dilution remain unanswered.<sup>8</sup> Prior case-law on the interpretation of Article 5 (1) (b) sheds some light on the difference between traditional infringement and dilution protection, however, the European Court of Justice does not touch upon the limits of protection in those rulings.<sup>9</sup>

In response to inquiries by national courts on the limits of trademark protection, the European Court of Justice has adopted a trademark centric-approach to the interpretation of the provisions of the Directive. In addition, the European Court of Justice has repeatedly and specifically rejected a trade mark use requirement for a finding of infringement under the Directive. Does this mean that the European trademark right is in effect a property right against which there are no available defences? I review the case law of the European Court of Justice in attempt to find answers to this question. I conclude that the European trademark right afforded to owners of famous marks is not a property right, and that there are limits expressed and implied on the right afforded under the Directive.

The Article proceeds in five parts. First, it is necessary to elaborate on what is understood by trademark use. Second, I review the case law of the European Court of Justice discussing trade mark use. Third, I review the relevant case law of the European Court of Justice on the interpretation of Article 6 (1) of the Directive, which sets forth defences to an action for trademark infringement. Fourth, I make a brief

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<sup>8</sup> C-375/97 *General Motors Corp v. Yplon SA*, [2000] ECR I-5421 (the required reputation); C-292/00 *Davidoff & Cie SA and Zino Davidoff SA v Gofkid Ltd*, [2003] ECR I-389 (applicability of provision to when goods are similar); C-408/01 *Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd.*, [2003] ECR I-12537 (applicability of provision when marks are similar; importance of finding of absence of link between marks).

<sup>9</sup> For an account of that case law see: Katja Weckström, Protection of Trade Marks Having A Reputation: A Comparative Study of Recent Case Law in the EC and the US, University of Turku 2002.

comparative excursion to the United States and finally, I make an attempt to summarize what can be understood as being the theoretical scope of dilution protection.

## 2 Trademark use in Europe and in the United States

What is the meaning and significance of trade mark use in European trade mark law?

The legal concept “trademark use” can be understood in several ways and in all its meanings has both positive and negative dimensions.<sup>10</sup> In fact, in contemporary trademark law, trade mark use is not one concept, but many and to a large extent undefined, if not indefinable.<sup>11</sup> Nonetheless, for the purpose of framing the discussion I will pursue this topic based on two general understandings of trademark use and limit my analysis to one of them.<sup>12</sup>

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<sup>10</sup> See Bojan Pretnar, *Use and Non-Use in Trade Mark Law* 15-20 and 21-23, in *Trade Mark Use*, Eds. Jeremy Phillips and Ilanah Simon, Oxford University Press, 2005. See also Graeme B Dinwoodie and Mark D Janis in *Use, Intent to Use and Registration in the United States* at 314 and 326-327, in *Trade Mark Use*, Eds. Jeremy Phillips and Ilanah Simon, Oxford University Press, 2005 and Stacey Dogan and Mark Lemley in *Grounding Trademark Law through Trademark Use* (<http://ssrn.com/abstract=961470> February 2007) at 6.

<sup>11</sup> Bojan Pretnar at 27.

<sup>12</sup> Each contributor to the discussion seems to have a slightly different take on trade mark use as a theoretical phenomenon. Many look at trademark use in relation to a specific legal question; what is required to acquire a distinctive character (Arnaud Folliard-Monguiral, *Distinctive Character Acquired through Use: The Law and the Case Law* and Anna Carboni, *Distinctive Character Acquired through Use: Establishing the Facts* in *Trade Mark Use*, Eds. Jeremy Phillips and Ilanah Simon, Oxford University Press, 2005.); drawing the line to functional use; (Thomas Hays, *Distinguishing Use versus Functional Use: Three dimensional Marks* in *Trade Mark Use*, Eds. Jeremy Phillips and Ilanah Simon, Oxford University Press, 2005.); drawing the line to denominative use (Neil J Wilkof, *Third Party Use of Trade Marks* and Massimo Sterpi, *Trade Mark Use and Denominative Trade Marks* in *Trade Mark Use*, Eds. Jeremy Phillips and Ilanah Simon, Oxford University Press, 2005.); or looking at trade mark use on the Internet (Spyros Maniatis, *Trade Mark Use on the Internet* in *Trade Mark Use*, Eds. Jeremy Phillips and Ilanah Simon, Oxford University Press, 2005.). While chosen scope, labels, juxtapositions and categorizations differ, the substantive law recognized as relevant for the discussion on trade mark use covers the two general categories outlined below. Attempts to theorize on the problems surrounding trade mark use have been made by tying the concept to the user (Bojan Pretnar discussing the trademark owner's use in *Use and Non-Use in Trade Mark Law* and from the perspective of third parties, Jennifer Davies, *The Need to Leave Free for Others to Use and the Trade Mark Common in Trade Mark Use*, Eds. Jeremy Phillips and Ilanah Simon, Oxford University Press, 2005.); or to the context of acquisition and enforcement of rights as opposed to infringement analysis (Bojan Pretnar, *Use and Non-Use in Trade Mark Law*). Stacey Dogan and Mark Lemley in *Grounding Trademark Law through Trademark Use* (<http://ssrn.com/abstract=961470> February 2007) look at the historical emphasis on the concept of trademark use in infringement analysis through the lens of the distinction between indirect and direct infringement. Graeme B Dinwoodie and Mark D Janis in *Use, Intent to Use and Registration in the United States* in *Trade Mark Use*, Eds. Jeremy Phillips and Ilanah Simon, Oxford University Press, 2005, discuss the significance of the temporal dimension to the concept of trademark use in US trademark law. Most authors recognize the other dimensions of the concept, but choose to focus on a certain aspect of it.

First, one could view trademark use as a requirement for obtaining and maintaining the trademark right. The *trademark owner* is required to use the mark as a trademark.<sup>13</sup> The negative<sup>14</sup> dimension of this understanding of trademark use is that non-use or failure to use the trademark as a trademark will result in the revocation or un-enforceability of the rights in the mark.<sup>15</sup> Second, one could view trademark *use by another* as a type of infringement. A third party may not affix another's trademark to his goods, or market his products with the aid of another's mark.<sup>16</sup> The negative dimension of this type of trademark use is currently subject to heated debate in both the European Union and the United States. Are other uses, than trademark uses infringing? Put the other way; are uses that do not fall within the statutory or common law definition of trademark use, automatically outside the purview of the trademark owner's right and inherently lawful?

Although a trademark use- requirement might initially seem desirable to combat overprotection of trademark owners, the introduction of an all-encompassing concept carries with it several difficulties.<sup>17</sup> It is necessary therefore, to distinguish the discussions about the importance of trademark use in trademark law, from discussions advocating the introduction of a requirement of trademark use to trademark law. The latter discussion merges with the former, when discussing the historical and current importance of the requirement of trademark use for maintenance of rights. A contested addition to contemporary trademark law is however, at issue, when advocating for a *trademark use requirement in infringement analysis*.

All the same, there is both a practical and theoretical aspect to this debate. Some argue that certain uses inherently trigger different questions of trademark law, and

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<sup>13</sup> Article 10 of the Directive.

<sup>14</sup> Note how the terms positive and negative may quickly become confusing, since trademark statutes are framed to confer negative rights. The starting point is that this negative right is the basis for the articulation of the positive dimension, and its' opposite, limitations on the right, the negative dimension of the concept of trademark use.

<sup>15</sup> Article 11 and 12 of the Directive.

<sup>16</sup> Article 5 (3) of the Directive.

<sup>17</sup> Stacey Dogan and Mark Lemley in *Grounding Trademark Law through Trademark Use* (<http://ssrn.com/abstract=961470> February 2007) at 5-6. Graeme Dinwoodie and Mark Janis Confusion over Use: Contextualism in Trademark Law (August 31, 2006) U Iowa Legal Studies Research Paper No. 06-06 Available at SSRN: <http://ssrn.com/abstract=927996>.

should be removed from traditional infringement analysis.<sup>18</sup> As we shall see, the European Court of Justice has refused to make trademark use a threshold question in the infringement analysis in practice.<sup>19</sup> The federal courts in the United States are split on whether such a categorical exclusion is possible outside the statutory fair use defence.<sup>20</sup> Others see the limits of a trademark use requirement in practice, and would like to emphasize its doctrinal significance in certain circumstances, and thus place conceptual safeguards in trademark law to allow the type of use in question to presumptively weigh heavier in infringement analysis in certain categories of use.<sup>21</sup> It seems that there is consensus among courts and commentators that some weight must be given to the type of use in question.<sup>22</sup> Exactly what theoretical significance and weight should in infringement analysis be placed on whether or not the defendant is in fact engaging in trademark use or other use remains unclear. Most importantly perhaps: how can systemic certainty be restored in trademark law and consequently on the market. Next, I will assess the case law of the European Court of Justice in light of the issues brought forth in this aspect of the trademark use debate.

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<sup>18</sup> *Century 21 Real Estate Corporation v. Lendingtree Inc.*, 425 F.3d 211, 76 U.S.P.Q.2d 1769, 217 (2005), C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273.

<sup>19</sup> C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273; C-408/01 *Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd.*, [2003] ECR I-12537; C-48/05 *Adam Opel AG v Autec AG* [2007] unreported, dated January 25, 2007.

<sup>20</sup> *Century 21 Real Estate Corporation v. Lendingtree Inc.*, 425 F.3d 211, 76 U.S.P.Q.2d 1769, 217 (2005) (The 3<sup>rd</sup> Circuit recognizing a nominative use defence); and *New Kids on the Block v. News America Publishing, Inc.*, 971 F.2d 302, 23 U.S.P.Q.2d 1534 (1992); *Playboy Enterprises, Inc. v. Welles* 279 F.3d 796, 61 U.S.P.Q.2d 1508 (2002) and *Cairns v. Franklin Mint Company*, 292 F.3d 1139, 63 U.S.P.Q.2d 1279 (2002), (The 9<sup>th</sup> Circuit recognizing nominative use as a protectable type of fair use), and *Chambers v. Time Warner, Inc.*, 282 F.3d 147, 61 U.S.P.Q.2d 1761 (2002) (The 2<sup>nd</sup> Circuit holding that likelihood of confusion analysis is the relevant test) and *Pebble Beach Company v. Tour 18 I Limited*, 155 F.3d 526, 48 U.S.P.Q.2d 1065 (1998) (The 5<sup>th</sup> Circuit holding that likelihood of confusion analysis is the relevant test); and *Interactive Products Corporation v. A2Z Mobile Office Solutions* 326 F.3d 687, 66 U.S.P.Q.2d 1321 (2003); *PACCAR Inc. v. Telescan Technologies*, 319 F.3d 243, 65 U.S.P.Q.2d 1761 (2003) (the 6<sup>th</sup> Circuit holding that likelihood of confusion analysis is the relevant test).

<sup>21</sup> Stacey Dogan and Mark Lemley in *Grounding Trademark Law through Trademark Use* (<http://ssrn.com/abstract=961470> February 2007) at 5-6 and 38.

<sup>22</sup> C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273; C-408/01 *Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd.* [2003] ECR I-12537; C-48/05 *Adam Opel AG v Autec AG* [2007] unreported, dated January 25, 2007. Stacey Dogan and Mark Lemley in *Grounding Trademark Law through Trademark Use* (<http://ssrn.com/abstract=961470> February 2007) at 5-6 and 38; and Graeme Dinwoodie and Mark Janis *Confusion over Use: Contextualism in Trademark Law* (August 31, 2006) U Iowa Legal Studies Research Paper No. 06-06 Available at SSRN: <http://ssrn.com/abstract=927996> at 10, see also 5-7.

### 3 The Case Law of the European Court of Justice Regarding Trade Mark Use

#### 3.1 Arsenal v. Reed

The European Court of Justice has specifically refused to adopt a trade mark use requirement into infringement analysis, as the concept is defined and understood in the United Kingdom, into EC trademark law.<sup>23</sup> First, the court rejected such a requirement in *Arsenal v. Reed*, where a question was referred by an English court on the interpretation of Art. 5 (1) (a), i.e. an identical mark was used on identical goods.<sup>24</sup> Mr. Reed sold scarves bearing the Arsenal word mark and logo at a stall outside the team's stadium. His stall visibly displayed a sign stating that the goods were not official Arsenal merchandise. The High Court referred the following question to the European Court of Justice:

Where a trade mark is validly registered and

- (a) a third party uses in the course of trade a sign identical with that trade mark in relation to goods which are identical with those for which the trade mark is registered; and
- (b) the third party has no defence to infringement by virtue of Article 6(1)<sup>25</sup> of the Directive does the third party have a defence to infringement on the ground that the use complained of does not indicate trade origin (i.e. a connection in the course of trade between the goods and the trademark proprietor)?<sup>26</sup>

In its answer the court adopted a trademark-centric approach, relying on protecting the essential function of the trademarks to guarantee to consumers the origin of the goods.<sup>27</sup> The court places great weight on the fact that the case is one of double identity, and notes the 10<sup>th</sup> recital of the preamble of the Directive, which offers near absolute protection at the core of trademark protection.<sup>28</sup> In this regard, the court

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<sup>23</sup> C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 at \_\_; C-408/01 *Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd.*, [2003] ECR I-12537 at \_\_. See Simon at 321.

<sup>24</sup> C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 at \_\_

<sup>25</sup> Find text of Article 6 (1) infra at xx.

<sup>26</sup> C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 at 27.

<sup>27</sup> C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 at 47-48. The concept of "essential function" was introduced and developed in the free movement of goods case law of the court. On the one hand, "companies must be able to attract and retain customers by the quality of their goods and services" (Case C-10/89 HAG AF [1990] ECR I-3711, para 13). On the other hand, trademark protection is limited to guaranteeing "the identity of origin of the marked goods or services to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the goods or services from others which have another origin" (Case 102/77 Hoffman la Roche [1978] ECR 1139, para 7).

<sup>28</sup> C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 at 51.

notes that only uses for purely descriptive purposes are permissible and other uses fall within the scope of trademark protection that the trademark owner consequently is entitled to prevent.<sup>29</sup>

Whether or not the European Court of Justice had jurisdiction to make findings regarding the permissibility of Mr. Reed's use has been contested. Justice Laddie of the referring national court held that the a finding of fact by the European Court of Justice is not binding on the national court, and made his own finding of fact finding Mr. Reed's use permissible.<sup>30</sup> On appeal the House of Lords agreed that the European Court of Justice cannot make findings of fact, however they found that the court's answer could be read to be consistent with Mr. Laddie's findings of fact and the European court had therefore not exceeded its jurisdiction in the present case.<sup>31</sup>

The European Court of Justice in my view did exceed its jurisdiction by stating that the use in question in *Arsenal v. Reed* is not such a descriptive use.<sup>32</sup> Under the EC treaty the European Court of Justice is not entitled to decide questions of fact when answering a request for preliminary ruling only questions of law.<sup>33</sup> It is within the sole discretion and jurisdiction of the national court to give the final ruling in the case, deciding questions of fact in light of the interpretative guidelines on issues of law provided by the European Court of Justice.<sup>34</sup>

It could, however, be argued that the European Court of Justice was forced to decide the question in order to answer the second question put to it by the UK court that is whether a trademark use defence was available to the defendant based on the type of use relevant here. Let us pursue the question on that assumption.

From the point of view of the European Court of Justice, there are two problems with the question. First, a typical civil law trademark statute confers negative rights to the

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<sup>29</sup> C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 at 54.

<sup>30</sup> *Arsenal v. Reed*, [2003] EWCA Civ 696 in the Supreme Court of Judicature Court of Appeal (Civil Division) on appeal from Chancery Division Mr Justice Laddie at paragraph 40-42.

<sup>31</sup> *Arsenal v. Reed*, [2003] EWCA Civ 696 in the Supreme Court of Judicature Court of Appeal (Civil Division) on appeal from Chancery Division Mr Justice Laddie at paragraph 43.

<sup>32</sup> C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 at 56-59 and 60.

<sup>33</sup> Treaty of Rome Article 234.

<sup>34</sup> Craig -De Burca

trademark owner, but hardly any to the defendant. Defendant's rights are implicitly taken into account in statutory interpretation. Second, it is counterintuitive to make conclusions based on facts (inductive reasoning) in a system based on reasoning that deduces the law from general principles.

What then is the significance of this interpretive technique regarding defences? Traditionally only common law systems explicitly and exhaustively include available defences in the statutory text. Legal concepts and tests thus naturally develop in common law to further refine the decision-making process and enable categorical statements about the law. With each brick that is laid there is no way back, without overruling prior precedent. The more refined the rules the more certainty exists in the legal system.

In contrast, civil law systems usually list only causes of action and some limits on the acquired rights in the statutory text. The acquired right is subject to numerous implicit limitations, when tested against the general principles of law operating in the legal system as a whole. Unlike, the common law where a single decision may lay the groundwork for a categorical exclusion, the 'stare decisis' of a civil law decision is which general principles interacted and how in the case at hand. Categorical conclusions may be drawn from a decision, but this is not always the case. A civil law court may affirm several valid interpretations of a general principle; in fact the European Court of Justice is often criticized for dodging the question by answering only a narrower question, when a more general one is readily in front of them.<sup>35</sup> Because of the authoritative influence of general principles of law within the civil law system, and the near impossibility of overruling such general statements, the court treads carefully in relatively new, *contested* areas of law. Once the debate has raged and a body of lower level decisions have developed the question of law is ripe for inclusion in the network of general principles.

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<sup>35</sup> The European Court of Justice has interpreted every question regarding the interpretation of Article 5.2 narrowly and constrained their answers much narrower than the Advocate Generals' opinion. C-375/97 *General Motors Corp v. Yplon SA*, [2000] ECR I-5421 (the required reputation); C-292/00 *Davidoff & Cie SA and Zino Davidoff SA v Gofkid Ltd*, [2003] ECR I-389 (applicability of provision to when goods are similar); C-408/01 *Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd.*, [2003] ECR I-12537 (applicability of provision when marks are similar; importance of finding of absence of link between marks).

A systemic consequence of the civil law system is that an affirmative statement of validity carries no *e contrario* –value. A decision to answer the narrow question should not be interpreted as a statement regarding the more general questions asked. The acceptance of an approach thus carries precedential value, while the rejection of another approach does not preclude the valid use of it in another setting.<sup>36</sup> By connecting the affirmative statements of the court, the civil law lawyer can slowly start seeing the picture in the jig saw and may draw conclusions although the final pieces have yet to be laid. All decisions are presumptively consistent with the general principles of law and an interpretation to the contrary is invalid.<sup>37</sup> Certainty within the system is maintained by way of repetition, thus, rather than overruling prior rulings, the European Court of Justice has a tendency to reaffirm parts of its rulings that support coherence and ignore or recast statements that have subsequently proven inconsistent with the general theoretical framework of law.<sup>38</sup>

In relation to the court's second problem, the question presupposes that a factual setting determines the outcome of whether the use is infringing. In the civil law system, it is not the facts of the case that set the parameters of the rule, a rule may be of broader or narrower scope based on the fundamental importance of the principle and the generality of the fact pattern at hand. Each civil law decision has its place within trademark law for sure, but its precedential value comes not from its place there, but from its place in relation to the general principles of law, on a higher level of abstraction. Since case-law offers only an incomplete picture (the unfinished jig-

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<sup>36</sup> Note for example how the European Court of Justice in Windsurfing Chiemsee rejected the German concept 'freihaltebedürfnis' (the need to leave free) as a bar to registration, but recognized the public policy interests behind the concept and adopted its substance into EC jurisprudence. Joined Cases C-108/97 and C-109/97, *Windsurfing Chiemsee Produktions- und Vertriebs GmbH (WSC) and Boots- und Segelzubehör v. Walter Huber, Franz Attenberger* [1999] ECR I-02779 at paragraphs 35, 50 and 52. Here again the court refused to make a categorical exclusion of a group of marks from trade mark protection. See also Jennifer Davis at [\\_](#) and Jeremy Phillips and Ilanah Simon in Conclusion: What Use Is Use? at 346.

<sup>37</sup> Alexy, Glenn

<sup>38</sup> The reluctance to overrule again can be explained by the search for optimal coherence in the civil law system. While the common law system builds a string of cases that are connected and distinguishable based on fact, cases in the civil law system are connected via a network of general principles. Each decision is an affirmative statement of the validity of a general principle in a certain context. Refusing to opine on the applicability of a principle merely leaves that question open for discussion, subsequently removing an affirmative statement on the applicability of a general principle to a certain fact pattern solves one case but creates uncertainty on the validity of the general principle. The general principles of law are the glue that holds the civil law system together.

saw) the law cannot be distilled by distinguishing cases based on fact. The facts merely display examples of how the general principles, i.e. the law operates.

This distinction should be easier to make in the decisions of the European Court of Justice, since the court by law may only give guidance on questions of law, more specifically on the question before it, and is not responsible for deciding the case at hand.<sup>39</sup> The case itself is decided by the national court. It is however humanly difficult to operate on such a level of abstraction, and we naturally seek a conceptual framework for decision-making. The key in the civil law system is not to let the conceptual or factual framework take the driver's seat in interpretation of the ruling, instead one should proceed by placing the decision in a more general context and try to identify principles of general application. Similarly, it would seem counter-intuitive to a civil law court to fix a question of law into a legal concept that is based on a factual premise. If x then y is a solution in a rule-based system, a principle-based system however is a system of optimization, where the system inherently requires balancing of interests in each concrete case.<sup>40</sup>

Thus, the European Court of Justice, which operates based on a civil law premise, likely viewed the question set forth by the UK court as follows.<sup>41</sup> Should the Directive be read to include a categorical exclusion for uses that do not amount to trade mark use? In other words, should the Directive be read to set a test for infringement that turns on how the mark is used by the defendant? As we know, the court answered both questions in the negative, but what conclusions can be drawn from this approach.

First, the court focuses on the essential function of the trademark. Simon calls this a proprietor-centred approach.<sup>42</sup> It is true that the *trademark* takes a central position in trademark analysis and consequently the trademark owners interests are protected, after all the civil law statutes confer negative rights to one party only; the trademark owner. In recent years, this statutory construction has been read by many courts to

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<sup>39</sup> Treaty of Rome Article 234.

<sup>40</sup> Robert Alexy

<sup>41</sup> The European Court of Justice is modelled after the French court system. At the time all member states of the European Communities were civil law countries. The United Kingdom, one of two common law countries in today's union, joined in 1972.

<sup>42</sup> Simon at 321.

equal near absolute protection of the trademark *owner's interests*.<sup>43</sup> This collective lapse of judgment, does not however, constitute the true premise of trademark law. The trademark owner's interests are protected only to the extent conferred by statute, which we have learned from settled European Court of Justice case law is limited to instances when the trademarks ability to guarantee the origin of goods or services, that is the ability to distinguish the trademark owner's goods from the goods of another, is threatened.<sup>44</sup> When there is no threat, there is no protection.<sup>45</sup> To avoid the heavy baggage of the term proprietor, I would like to call the court's approach trademark centric.

Second, the court emphasizes that the case involves the truest form of trademark infringement, use of an identical mark on identical goods. Substituting the trademark centric approach with a trademark use analysis would arguably amount to changing the traditional premise of trademark law. The presumption of trademark protection in these circumstances would unavoidably be watered down by such an open-ended exception. Considering also that the traditional premise of trademark law is reflected in the TRIPS Agreement (strongest protection with double identity, gradually weakening in cases of mere similarity), the European Court of Justice would likely feel that giving an affirmative answer is outside its jurisdiction. This is reason enough for the European Court of Justice to reject the proposition.

Third, the court noted that certain permissible uses, namely use for descriptive purposes, were already exempted in Article 6.<sup>46</sup> As mentioned above, the European Court of Justice, arguably constrained by the conceptual framework of the case and the conceptual unfamiliarity with the question posed, seemed somewhat sidetracked on this point.<sup>47</sup> It would seem that the court ruled that protection of trademarks in cases of double identity is absolute save when the use is for purely descriptive

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<sup>43</sup> Preamble of the Directive. Canon

<sup>44</sup> See subsequent European Court of Justice case law e.g. in C-408/01 *Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd.*, [2003] ECR I-12537 at 40. See below at xxx

<sup>45</sup> C-408/01 *Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd.*, [2003] ECR I-12537 at 40.

<sup>46</sup> C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 at 54.

<sup>47</sup> At this juncture the court's approach to trademark law was truly proprietor-centric: assessing the impact of the use on the interests of the trademark owner without regard to the merits of any countervailing interest on the part of the defendant.

purposes.<sup>48</sup> However, such a strict reading of the case would render the concept of the essential function both meaningless and unnecessary. It would also imply that all uses of identical marks on identical goods, including non-commercial uses would constitute trademark infringement and that, as is the case in common law countries, all available defences are exhaustively listed in the Directive. As the court has noted in subsequent case law the wording of the Directive allows for member states to introduce exceptions to trademark rights.<sup>49</sup>

Lastly, it should be noted that the court did not say that the type of use is irrelevant for the purposes of determining infringement; it is merely not decisive of whether the provisions of trademark law apply.<sup>50</sup> The court views the concept of use from the perspective of the type of uses a trademark owner is entitled to prohibit.<sup>51</sup> The court moves on to focus on whether the use is one 1) “in the course of trade”, 2) of an identical mark, 3) on identical goods and services and 4) whether it is liable to harm the essential function of the trademark by creating a link between the defendant and the trademark owner in the mind of the consumer<sup>52</sup>.

In contrast, the UK court asking the question views the term trademark use as a threshold requirement for a finding of infringement.<sup>53</sup> An inquiry framed as a defence

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<sup>48</sup> C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 at 55-61.

<sup>49</sup> Directive and TRIPS, Joined Cases C-108/97 and C-109/97, *Windsurfing Chiemsee Produktions- und Vertriebs GmbH (WSC) and Boots- und Segelzubehör v. Walter Huber, Franz Attenberger* [1999] ECR I-02779 at \_\_\_, C-23/01 *Robelco v. Robeco Groep* [2002] ECR I-10913 at 31 and 34. C-245/02 *Anheuser-Busch Inc. v Budějovický Budvar, národní podnik* [2004] ECR I-10989 at 64 and 76; Also Opel, BMW, Gillette Art. Xx on GIs.

<sup>50</sup> One could argue the opposite, since the court states in C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 at 61 “Once it has been found that, in the present case, the use of the sign in question by the third party is liable to affect the guarantee of origin and that the trademark owner must be able to prevent this, it is immaterial that in the context of that use the sign is perceived as a badge of support for or loyalty or affiliation to the proprietor of the mark.” In the context of the opinion, I would place the emphasis on the first part of the sentence. The test announced by the court is the relevant one, not the one presented to it by the UK court. Similarly, to rejecting trademark use as a threshold requirement the European Court of Justice closes the back door. Non-trademark uses cannot be categorically excluded at any stage of infringement analysis. An *e contrario*-conclusion, that the use of a mark as a badge of loyalty is never relevant in infringement analysis, is not consistent with civil law interpretation. To this effect see also C-245/02 *Anheuser-Busch Inc. v Budějovický Budvar, národní podnik* [2004] ECR I-10989 at 61 stating that the national court must assess whether a link is present “in light of the specific circumstances of the use of the sign allegedly made by the third party.”

<sup>51</sup> C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 at 38. “Article 5 (3) gives a non-exhaustive list of the kinds of use which the proprietor may prohibit under Article 5(1). Other provisions of the Directive, such as Article 6, define certain limitations on the effects of the trademark.”

<sup>52</sup> C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] ECR I-10273 at 40 and 56

<sup>53</sup> Simon at 321.

would as a matter of law presume a lack of detriment to the mark in those certain types of cases, thus turning in effect the trademark use requirement into a question of fact. Although the common law system is well-equipped to deal with such a solution, such a ruling would reverse the basic presumption of trademark law in civil law countries; that a trademark owner can rely on his exclusive right.

### 3.2 Adidas . Fitnessworld

In *Adidas v. Fitnessworld* the European Court of Justice considered the effect of a finding of fact that the public views the defendant's sign not as a trademark, but as an embellishment, on the trademark proprietor's ability to invoke Article 5.2 of the Directive. Article 5.2 grants the owner of a reputed mark the right to prohibit uses that without due cause take unfair advantage of or is detrimental to the distinctive character or repute of the mark.<sup>54</sup> Adidas sought to prevent the use by Fitnessworld of two stripes on athletic wear in the Netherlands, where it arguably was clear that the defendant's use was not likely to confuse the general public.

The Hoge Raad referred the following question to the European Court of Justice:

If the sign alleged to be infringing is viewed purely as an embellishment by the relevant section of the public, what importance must be attached to that circumstance in connection with the question concerning the similarity between the mark and the sign?

The question again is likely to trigger theoretical unease at the European Court of Justice.<sup>55</sup> Although the question is framed from the perspective of the average consumer; a clearly relevant perspective according to the case law of the European Court of Justice<sup>56</sup>, it presupposes answers that would force the court into inconsistency with its prior rulings. If a finding of fact is decisive it amounts to a categorical exclusion of embellishments from the purview of trademark protection, which amounts to the threshold requirement the court rejected in *Arsenal*. If, on the other hand, a finding of fact that the public does not view the mark as a trademark is irrelevant for a finding of infringement, the trademark right is disconnected from the

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<sup>54</sup> Directive 89/104/EEC

<sup>55</sup> Compare to Opinion of AG Jacobs in C-408/01 *Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd.*, at 54-55. In the remainder of his opinion on the topic AG Jacobs advocates for a trademark use approach to deciding the question. This approach, for reasons discussed above, was not adopted by the European Court of Justice. See also Simon at 324.

<sup>56</sup> Cases

market and is in effect a property right, a finding equally inconsistent with the prior case law of the court.<sup>57</sup>

The European Court of Justice thus struck a compromise. The fact that a mark is generally viewed as an embellishment will not, of itself, prevent the later mark from being infringing.<sup>58</sup> However, if the national court makes the finding of fact that the relevant section of the public views the mark *purely* as an embellishment, the requisite link between the marks is absent, and therefore there can be no dilution of the earlier mark.<sup>59</sup> Not surprisingly, the European Court of Justice does not explain or define the concept of embellishment. The emphasis continues to be on whether the requisite link is established in the minds of the relevant public, not on the type of use the defendant has employed.<sup>60</sup> This conclusion is also apparent from the court's ruling in *Budweiser*, where the court, clarifying *Arsenal*, discusses the type of uses that constitute infringement:

[The required link is established], in particular, where the use of that sign allegedly made by the third party is such as to create the impression that there is a material link in trade between the third party's goods and the undertaking from which the goods originate. It must be established whether the consumers targeted, including those who are confronted with the goods after they have left the third party's point of sale, are likely to interpret the sign, as it is used by the third party, as designating or tending to designate the undertaking from which the third party's goods originate.<sup>61</sup>

### 3.3 Adam Opel v. Autec

In its most recent ruling, *Adam Opel v. Autec*, the European Court of Justice once again refused to follow the suggestion of the Advocate General to introduce a trademark use requirement into EC trademark law. Instead, the European Court of Justice reiterated the trademark centric approach, when answering the following question put to it by a German State District court:

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<sup>57</sup> The European Court of Justice has throughout its case law emphasized the importance of an overall assessment of all the relevant circumstances from the perspective of the relevant consumer. Cases.

<sup>58</sup> C-408/01 *Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd.*, [2003] ECR I-12537 at. 39.

<sup>59</sup> C-408/01 *Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd.*, [2003] ECR I-12537 at. 40.

<sup>60</sup> C-408/01 *Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd.*, [2003] ECR I-12537 at. 40.

<sup>61</sup> C-245/02 *Anheuser-Busch Inc. v Budějovický Budvar, národní podnik* [2004] ECR I-10989 at 60.

Does the use of a trademark registered for ‘toys’ constitute use as a trademark for the purposes of Article 5 (1) (a), if the manufacturer of a toy model car copies a real car in scale, including the corresponding trademark, and markets it?

Article 5(1) (a), as was the case in *Arsenal*, concerns uses of an identical mark on identical goods. Autec manufactured remote-controlled cars and had affixed the Opel trademark on the front grill of its Opel Astra V8 Coupe replica.<sup>62</sup> It was clear that the defendant had clearly marked both the packaging and transmitter with its own trademark ‘cartronic®’ and trade name ‘AUTEC®’.<sup>63</sup>

The court first concluded that the use was clearly one ‘in the course of trade’ and that an identical mark was affixed on identical goods, since Opel had registered its trademark for toys.<sup>64</sup> In those circumstances the use must be one that the trademark owner is entitled to prohibit under Article 5 (1) (a).<sup>65</sup> This time the court however explained its approach further:

“It should, however, be remembered that, in accordance with case-law of the Court of Justice the exclusive right under Article 5 (1) of the directive was conferred in order to enable the trade mark proprietor to protect his specific interests as proprietor, that is, to ensure that the trade mark can fulfil its functions and that, therefore, the exercise of that right must be reserved to cases in which a third party’s use of the sign affects or is liable to affect the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of goods.

Therefore, the affixing by a third party of a sign identical to a trademark registered for toys to scale models of vehicles cannot be prohibited under Article 5(1) (a) of the directive unless it affects or is liable to affect the functions of that trade mark.”<sup>66</sup>

The factual situation was similar to the case in *Adidas v. Fitnessworld*, where the referring court indicated that the relevant public in Germany *does not* view Autec’s products as originating with Opel. The European Court of Justice once again held that such a finding of fact would mandate the conclusion that the use at issue does not affect the essential function of the Opel logo as a trademark registered for toys.<sup>67</sup>

On its own motion the European Court of Justice also assessed the situation in relation to Art. 5(2) of the Directive and concluded that the use in question constitutes a use

<sup>62</sup> C-48/05 *Adam Opel AG v Autec AG* [2007] unreported, dated January 25, 2007 at 5-6.

<sup>63</sup> C-48/05 *Adam Opel AG v Autec AG* [2007] unreported, dated January 25, 2007 at 7.

<sup>64</sup> C-48/05 *Adam Opel AG v Autec AG* [2007] unreported, dated January 25, 2007 at 18-20.

<sup>65</sup> C-48/05 *Adam Opel AG v Autec AG* [2007] unreported, dated January 25, 2007 at 20.

<sup>66</sup> C-48/05 *Adam Opel AG v Autec AG* [2007] unreported, dated January 25, 2007 at 21-22.

<sup>67</sup> C-48/05 *Adam Opel AG v Autec AG* [2007] unreported, dated January 25, 2007 at 24.

that the trademark owner is entitled to prohibit, if, the national court finds that the use without due cause takes unfair advantage of, or is detrimental to, the distinctive character or repute of the mark.<sup>68</sup>

#### 4 Defences under Article 6 of the Directive

The second question at issue in *Adam Opel v. Autec* was whether the use in question could be considered an indication of the intended purpose of the toys, which would constitute a permissible use under Article 6 (1) (b) of the Directive, or a use of the trademark designed to indicate the intended purpose of the toys, which would constitute a permissible use under Article 6 (1) (c). Article 6 of the Directive in relevant part reads as follows:

##### Article 6

###### Limitation of the effects of a trade mark

1. The trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade,
  - (a) his own name or address;
  - (b) indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of goods or services;
  - (c) the trade mark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts; provided he uses them in accordance with honest practices in industrial or commercial matters

The European Court of Justice clearly rejected a broad reading of Article 6 (1) (c) and held that the affixing of a trademark to scale models is not necessary to indicate the intended purpose of the toy itself.<sup>69</sup> The European Court of Justice reached the same conclusion regarding the use in question, in relation to Article 6 (1) (b); the use of a trademark registered for (*note!*) motor vehicles, on scale models, in order to faithfully replicate the original, is not intended to provide an indication as to a characteristic of the replica within the meaning of Article 6 (1) (b).<sup>70</sup>

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<sup>68</sup> C-48/05 *Adam Opel AG v Autec AG* [2007] unreported, dated January 25, 2007 at 31-37.

<sup>69</sup> C-48/05 *Adam Opel AG v Autec AG* [2007] unreported, dated January 25, 2007 at 39.

<sup>70</sup> C-48/05 *Adam Opel AG v Autec AG* [2007] unreported, dated January 25, 2007 at 44.

The European Court of Justice was however, more open to a broad reading of Article 6 (1) (b) and with reference to its prior ruling in *Windsurfing Chiemsee*<sup>71</sup> concluded that although “the provision is primarily designed to prevent the proprietor of a trade mark from prohibiting competitors from using one or more descriptive terms forming part of his trade mark in order to indicate certain characteristics of their products...,” its wording is in no way specific to such a situation.”<sup>72</sup> Uses for other than purely descriptive purposes can therefore not be categorically excluded.<sup>73</sup> The relevant test for other uses is whether the use is made in accordance with honest practices in industrial and commercial matters.<sup>74</sup>

The court did not refer to its earlier case law on what constitutes use according to honest practices in industrial and commercial matters, Advocate General Ruiz-Jarabo Colomer however did so in his opinion in *Adam Opel v. Autec*. Although the Advocate General would have reached the opposite conclusion on the interpretation of Article 6 (1) (b), i.e. that the use in question constituted a use designed to indicate a characteristic of the scale model, his account of the settled case law of the European Court of Justice on the issue undoubtedly influenced the court’s conclusion as well.<sup>75</sup>

The European Court of Justice has repeatedly held that “the condition requiring use of the trade mark to be made in accordance with honest practices... must be regarded as constituting in substance the expression of a duty to act fairly in relation to the legitimate interests of the trade mark owner.”<sup>76</sup> In *Gillette*, where the defendant used red stickers on the packaging of razor blades stating that the razor blades are compatible with all handles produced by Parason Flexor (the defendant) and Gillette (the plaintiff), the court indicated that the use would be fair.<sup>77</sup>

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<sup>71</sup> Joined Cases C-108/97 and C-109/97, *Windsurfing Chiemsee Produktions- und Vertriebs GmbH (WSC) and Boots- und Segelzubehör v. Walter Huber, Franz Attenberger* [1999] ECR I-02779 at 28.

<sup>72</sup> C-48/05 *Adam Opel AG v Autec AG* [2007] unreported, dated January 25, 2007 at 42.

<sup>73</sup> C-48/05 *Adam Opel AG v Autec AG* [2007] unreported, dated January 25, 2007 at 43.

<sup>74</sup> C-48/05 *Adam Opel AG v Autec AG* [2007] unreported, dated January 25, 2007 at 43.

<sup>75</sup> Advocate General Ruiz-Jarabo Colomer in C-48/05 *Adam Opel AG v Autec AG* at 55-58.

<sup>76</sup> C-63/97 *Bayerische Motorenwerke AG (BMW) and BMW Nederland BV v. Deenik* [1999] ECR I-905 at paragraph 61, See also C- 100/02 *Gerolsteiner Brunnen GmbH & Co. v Putsch GmbH.* [2004] ECR I-691 at 24 and Advocate General Ruiz-Jarabo Colomer in C-48/05 *Adam Opel AG v Autec AG* at 55.

<sup>77</sup> C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 14, 33-36 and 38.



Above is the packaging used by the defendant, which triggered the law suit by Gillette. The sticker directly translated reads: “This blade FITS all Parason FLEXOR\* and all Gillette SENSOR\* HANDLES. \*registered trademarks”<sup>78</sup>

The European Court of Justice first tackled a question relating to the peculiar wording of Article 6 (1) (c) and the meaning of the fragment “in particular as accessories or spare parts” to the over all interpretation of the provision.<sup>79</sup> The court rejected a reading of the provision that would assess the permissibility of references regarding accessories or spare parts differently than other permissible uses, and instead interpreted the provision as only citing an example of a permissible use.<sup>80</sup> The focus of the provision lies on the necessity of the use of another’s trade mark and whether or not the mark “is being used by a third party in order to provide the public with comprehensible and complete information as to the intended purpose of the product”.<sup>81</sup>

Only uses in accordance with honest practices in industrial and commercial matters can be necessary and permissible under Article 6 (1) (b). As guidelines to the national court the European Court of Justice produced four categories of uses that *do not* constitute use in accordance with honest practices under the Directive:

<sup>78</sup> Korkein käräjäoikeus [Supreme Court], KKO 2006:17, *Gillette Company and Gillette Group of Finland v. LA Laboratories*, Feb. 22, 2006, paragraph 2. Author’s translation.

<sup>79</sup> The wording stems from a legislative compromise. Some member states have traditionally included a special exception for spare parts in their trademark laws. Benelux, Germany check OHIM.

<sup>80</sup> C-228/03 The *Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 23 (1) and (2) and 32

<sup>81</sup> C-228/03 The *Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 31 and 33-34.

- 1) the use of a trademark is done in a manner that it may give an impression that there is a commercial connection between the parties;<sup>82</sup>
- 2) the use of a trademark affects the value of the trademark by taking unfair advantage of its distinctive character or repute;<sup>83</sup>
- 3) the use of a trademark discredits or denigrates the trademark or;<sup>84</sup>
- 4) the third party presents its product as an imitation or replica of the product bearing the trademark of which it is not the owner.<sup>85</sup>

Based on the facts before it, the national court determines whether the use should be considered honest. At this juncture, it should be borne in mind that the fact that the third party uses the trademark to convey its message does not “mean that it is presenting that product as being of the same quality as, or having equivalent properties to, those of the product bearing the trademark.”<sup>86</sup> Such a conclusion would in practice nullify the wording of Article 6. Instead, the national court *should assess* the use by assessing the overall presentation of the product marketed, in particular 1) the circumstances in which the trade mark is displayed; 2) the circumstances in which distinction is made between the trade mark and the defendant’s mark and; 3) the effort made by the defendant to ensure that consumers can distinguish its products from the trade mark owner’s products.<sup>87</sup>

In assessing and determining honesty, the national court *must* take into account, any evidence or lack thereof, of an attempt to represent the products as being of the same quality or having equivalent properties to the trademark owner’s product.<sup>88</sup> The overall conclusions and the court’s choice of terminology show that the balancing test

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<sup>82</sup> C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 42 citing C-63/97 *Bayerische Motorenwerke AG (BMW) and BMW Nederland BV v. Deenik* [1999] ECR I-905 at 51.

<sup>83</sup> C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 43 citing C-63/97 *Bayerische Motorenwerke AG (BMW) and BMW Nederland BV v. Deenik* [1999] ECR I-905 at 52.

<sup>84</sup> C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 44.

<sup>85</sup> C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 45.

<sup>86</sup> C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 47.

<sup>87</sup> C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 46.

<sup>88</sup> C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 48.

should weigh in favour of the plaintiff in case of clear evidence of passing off, while it should equally clearly weigh in favour of the defendant, when such evidence is absent.<sup>89</sup>

## 5 United States

### 5.1 Dilution under the FTDRA

In the Trademark Dilution Revision Act of 2006 Congress clarified and refined dilution protection in the United States to include two forms; dilution by blurring and dilution by tarnishment.<sup>90</sup> Dilution by blurring is defined as “association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark”, while dilution by tarnishment occurs when a similar association harms the reputation of the famous mark.<sup>91</sup> The remedy is available to owners of famous marks with inherent or acquired distinctiveness, regardless of whether the parties are in competition or consumers are likely or actually confused.<sup>92</sup> Lastly, overturning the central holding of *Victoria Secret v. Mosley*, actual economic injury is *not* a prerequisite for a finding of dilution.<sup>93</sup>

As a welcomed clarification Congress also included explicit limitations on the scope of dilution protection in the form of specific guidelines for the assessment of the likelihood of dilution by blurring as well as some categorical exclusions from the scope of protection.<sup>94</sup> First, only marks that posit a requisite degree of recognition or fame are capable of being diluted within the meaning of the FTDRA.<sup>95</sup> Second, dilution is only actionable against third parties that use a famous mark as a designation of source of the person’s own goods or services. Third, any fair use, nominative or descriptive, in advertising to allow consumers to compare products or to identify, parody, criticize or comment upon the mark owner or its products is

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<sup>89</sup> C-228/03 *The Gillette Company and Gillette Group Finland Oy v LA-Laboratories Ltd Oy* [2005] ECR I-2337 at 29, 48-49.

<sup>90</sup> H.R.683 Sec. 43 1 (c).

<sup>91</sup> 15 U.S.C (????) Sec. 43 2 (B) (1) and (C) (1). H.R.683.

<sup>92</sup> Sec. 43 1 (c).

<sup>93</sup> Sec. 43 1 (c). *Victoria Secret v. Mosley*

<sup>94</sup> Sec. 43 2 (B) (1) and (C) (3)

<sup>95</sup> Sec. 43 (2) (A)

excluded from the realm of protection.<sup>96</sup> In addition all non-commercial uses of a mark and all forms of news reporting or commentary are categorically excluded.<sup>97</sup> Finally, ownership of a valid trademark registration is a complete bar to action.<sup>98</sup>

When a famous mark is used by a third party as a designation of source of his own products the court must balance the interests involved. Courts should give weight to the degree of similarity between the marks as well as the degree of inherent or acquired distinctiveness and recognition of the famous mark.<sup>99</sup> The higher the degree of similarity between the marks and the distinctiveness and fame of the famous mark, the stronger the protection should be.<sup>100</sup>

The third factor, the extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark<sup>101</sup>, possibly sheds light on Congress' theory behind dilution protection, especially when read together with the complete bar on actions targeting registered marks. Arguably, Congress seeks to maintain a vibrant marketplace, where identical and similar marks can co-exist. A presumption of co-existence also naturally streamlines the scope of protection for famous marks that have acquired distinctiveness. Dilution protection is limited to use of the famous mark within the meaning that the trademark owner has created, and does not extend to the ordinary meaning of the word or symbol, or creative uses that exploit the ordinary meaning. In contrast, unfair advantage of the distinctiveness of the famous mark is taken, when a third party invokes the association that is the product of the trademark owner's creativity in order to sell his own products.

This reading is further supported by the last two factors that are relevant in each case when assessing whether dilution by blurring is likely. In addition to the other four factors, the court should place weight on whether the defendant intended to create an association with the famous mark and if there is any actual association between the mark and the famous mark.<sup>102</sup> It is important to note that the court should consider all

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<sup>96</sup> Sec. 43 (3) (A)

<sup>97</sup> Sec. 43 (3) (B)

<sup>98</sup> Sec. 43 (6)

<sup>99</sup> Sec. 43 (2) (B) i, ii and iv.

<sup>100</sup> E.g. PACCAR at 251, explain why relevant non-dilution case.

<sup>101</sup> Sec. 43 (2) (B) iii.

<sup>102</sup> Sec. 43 (2) (B) v and vi.

relevant factors in the circumstances of the case before making an objective assessment of whether dilution by blurring is likely.<sup>103</sup>

--- Discussion on Victoria Secret v. Moseley and comments to FTDRA ---

## 5.2 Defences - Fair Use

By creating a broad fair use exception to dilution, Congress seemingly side-stepped the raging debate on trademark use and nominative fair use.<sup>104</sup> Although the statutory language clearly leaves these uses outside the scope of dilution protection, it is less clear what exactly constitutes such a use. The statutory fair use exception to trademark infringement, as set forth xxx in the Lanham Act, was only recently revived from a period of slumber by the Supreme Court's decision in *KP Permanent*.

--- Discussion on fair use –provision, KP Permanent and Prestonettes ---

## 5.3 Nominative Fair Use and Trademark use

An offshoot of the fair use debate in the US considers whether certain uses should be categorically excluded from traditional infringement analysis or if these interests can be adequately served by the likelihood of confusion-test.

--- Discussion of cases and commentators' views---

Some courts recognize a “defence” of nominative fair use, in addition to the statutory fair use defence.<sup>105</sup> The “nominative fair use” –debate concentrates on whether it is appropriate to carve out a separate test for nominative fair use –analysis (and consequently to some extent shift the burden on the defendant), or whether the factors of the traditional likelihood of confusion test will adequately guard the interests of the defendant in such cases.<sup>106</sup> Some commentators advocate for the clear recognition of the trademark use-doctrine in infringement analysis, as a (an implicit or explicit)

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<sup>103</sup> Sec. 43 (2) (B).

<sup>104</sup> Lendingtree, new kids, dogan & lemley, Dinwoodie & janis

<sup>105</sup> New kids, Lending tree

<sup>106</sup> Lending tree dissent. Mccarthy, Dinwoodie & Janis, Dogan & Lemley

counterweight to expansions of the (the concept of trademark infringement) traditional likelihood of confusion test.<sup>107</sup>

After the Supreme Court's decision in *KP Permanent* it is clear that the burden of proving likelihood of confusion must remain on the plaintiff, and conversely a burden of disproving likelihood of confusion may not be placed on the defendant.<sup>108</sup> The Third Circuit's decision in *Lendingtree* and other decisions applying nominative fair use –analysis, have, despite the ultimate purpose of safe-guarding the defendant's interest, been criticized for shifting the burden of proof in an infringement action to the defendant in practice.<sup>109</sup> For this reason, the prevailing view among commentators and a majority of courts seems to be that the defendant's interest is more adequately served within the realms of the traditional likelihood of confusion-test.<sup>110</sup> However, the debate continues on whether an explicit or implicit trademark use-doctrine exists or alternatively should exist in trademark law theory.

## 6 Comparative Conclusions

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<sup>107</sup> Dogan & Lemley and others.

<sup>108</sup> KP

<sup>109</sup> Dissent in *lendingtree*, McCarthy

<sup>110</sup> Court's that have not followed. McCarthy, Dinwoodie & Janis.