

On the Limitations of Rights under European Trade Mark Law

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A. INTRODUCTION

Jochen Pagenberg and myself both share an interest in the whole field of intellectual property law. As litigators, we have been active in patent, trade mark and unfair competition cases, and I had the great pleasure of working with Jochen on several occasions. I would like to honour his 65th birthday with this article on the limitations of trade mark rights.

B. ON THE LIMITATIONS OF TRADE MARK RIGHTS IN GENERAL

Both under the national regimes harmonised by the First Council Directive of 21 December 1988 to approximate the laws of the Member States relating to trade marks (89/104/EEC)¹ (Directive) and the Council Regulation (EC) No. 40/94 on the Community Trade Mark² (Regulation), the trade mark owner on the basis of his exclusive right can oppose the use of his trade mark or similar sign under a number of circumstances as further specified in the relevant provisions. His exclusive right is not without limits, however. The trade mark owner has to accept certain limitations to the effects of his trade mark as is specified in the provisions of the Trade Mark Directive and the Trade Mark Regulation. In the Directive, these relate to

- Article 6 on particular types of use in the course of trade,
- Article 7 on the exhaustion of rights,
- Article 9 on acquiescence.

The corresponding provisions in the Regulation are Arts. 12, 13 and 53, respectively. There are other limits as well. Art. 5 explicitly mentions that the use by third parties must take place in the course of trade. The ECJ in the *Arsenal*-decision of 2002 shed some light on the meaning of this by saying that use should take place in the context of a commercial activity aiming at acquiring an economic benefit and

1 OJ 1989, L 40/1.

2 OJ 1994, L 11/1, as amended.

not in a private context.³ Thus, private and non-commercial use fall outside the scope of infringement.

Further limitations may be based on national law. Most systems in the European Union apply the doctrine of abuse of rights under the general principles of private or common law. In a way, this is also what the ECJ refers to in the *Arsenal*-decision. The ECJ said that the exclusive right under Art. 5(1)(a) 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. The exercise of that right must therefore be limited to cases where 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 the origin of the goods. According to the ECJ, the proprietor may not prohibit the use of an identical sign for identical goods if that use cannot affect the proprietary interests in the mark having regard to its functions. Without explicitly saying so, the ECJ in fact merely makes reference to the limitations of Art. 6 which provides that a trade mark shall not entitle the proprietor to prohibit a third party from using indications in a manner descriptive of the product concerned. Maybe there are situations where the enforcement of a mark goes beyond protecting the essential functions of a mark, e.g. an abuse of rights. The number of cases would be rather limited, and an example may be the parodistic use of a mark.

C. ART. 6 – THE RIGHT TO USE ONE'S OWN NAME

Turning to the specific limitations of Article 6, we note that the first one is the use of one's own name and address. The owner of the trade mark HEINZ cannot oppose the use of the name Heinz by the commercial director of Unilever, Mr. Heinz, even if he sells competing products. All limitations of Art. 6 are under the proviso that the use takes place in accordance with honest practices in industrial and commercial matters. What does that mean?

In the *Gillette*-case, the ECJ held that this involves a duty to act fairly in relation to the interests of the trade mark owner.⁴ In an earlier decision (*BMW/Deenik*⁵), the ECJ used a slightly different language by saying that this provision expresses a duty to act fairly in relation to the "legitimate" interests of the trade mark owner. So, if Mr Heinz, in my example, would use his name in a particularly eye-catching manner on the labels of Unilever's snack sauces, the owner of the trade mark HEINZ could successfully oppose such use.

In the *Budweiser*-case, the question arose whether "one's own name and address" only referred to the name of an individual, or also to the name of a company. In a

³ Decision of 12 November 2002, C-206/01.

⁴ Decision of 17 March 2005, C-228/03.

⁵ Decision of 23 February 1999, C-63/97.

statement that was entered into the minutes of the Council meeting at which the Directive was adopted, the following text appears⁶: “Re Article 6(1)(a) The Council and the Commission consider that the terms ‘his own name’ in subparagraph (a) apply only in respect of natural persons.” Against this clear (but non-binding) intention of the legislature, the ECJ decided that the text of the provision did not indicate any limitation as to the name of an individual⁷ and could be relied upon by a company in order to use its trade name. Of course, such use should be in accordance with honest practices. In assessing whether this condition is satisfied, according to the ECJ account must be taken of the extent to which a significant section of the relevant public understands the name as indicating a link between the third party’s goods and the trade mark proprietor, and whether the third party ought to have been aware of such link. The fact that the trade mark enjoys a reputation is also a factor to be considered.

I consider this solution by the ECJ a complicated one. If a particular use of a trade name falls under the provisions of Art. 5(1) Directive (because the use made of the trade name is also in relation to goods or services), it seems rather strange to grant the user of the trade name the exception of Art. 6(1)(b) and subsequently, via the route of the exception to the exception (is the use honest?), to come to the conclusion that a link can be established or that the use is otherwise unfair. Via a detour, one seems to arrive at the same result as if a likelihood of confusion was immediately established. It would have been much easier had the ECJ interpreted Art. 6(1)(b) as only applying to natural persons, which is what the legislature meant.

D. ART. 6 – DESCRIPTIVE USE

The second limitation of Art. 6 concerns the use of a mark for descriptive purposes. This limitation played a role in the somewhat strange *Hölterhoff*-case.⁸ The case concerned the owner of the trade marks SPIRIT SUN and CONTEXT CUT for diamonds and precious stones. Both types of products showed particular cuts. Mr Hölterhoff offered stones in similar cuts and in offering those for sale to professional jewellers he described his products using the marks SPIRIT SUN and CONTEXT CUT. Assuming that the reference to those marks cannot be interpreted by potential customers as indicating the origin of the products, the ECJ held that the use did not infringe any of the interests which Art. 5 was intended to protect. There is no specific reference to the limitations of Art. 6. The case is very fact-specific and general conclusions on principles cannot be drawn from the decision on which I just have two comments. First: The case to me seems to be one of comparative advertising wherein someone who sells a product can use the trade marks of another

⁶ See for the text: *Gielen*, European Trade Mark Legislation: The statements, [1996] EIPR 87.

⁷ Decision of 16 November 2004, C-245/02.

⁸ Decision of 14 May 2002, C-2/00.

in order to compare the characteristics of his own product with those of the trade mark owner. This is explicitly made possible by the Comparative Advertising Directive (97/55) of 1997. According to referrals 14 and 15 of this Directive, “it may ... be indispensable, in order to make comparative advertising effective, to identify the goods and services of a competitor, making reference to a trade mark ... of which the latter is the proprietor”, and that “such use of another’s trade mark ... does not breach this exclusive right in cases where it complies with the conditions laid down by this Directive ...” The second remark regarding the *Hölterhoff*-case is that there lies a danger in the reasoning of the ECJ. If use of another’s trade mark in order to describe the characteristics of a product becomes permissible outside the scope of comparative advertising, there is the danger that such marks become the generic indication of the products, thereby losing their distinctive character. This has been pointed out in the Advocate General’s opinion on this case.

Another case in which descriptive use played a role was the dispute between the German owner of the trade mark GERRI for soft drinks and the bottlers of spring water of the KERRY spring in Ireland. GERRI was phonetically similar to KERRY, but according to the ECJ this did not imply that Art. 6(b) could not be applied. In principle, one should be free to honestly use the geographical indication of this spring water. In assessing honesty, it was for the national court to make an overall assessment taking into account all circumstances of the case, such as the shape and labelling of the bottle in order to assess in particular whether the producer of the drink bearing the geographical indication might be regarded as unfairly competing with the proprietor of the mark. This could be the case when the indication was used as a trade mark rather than a geographical indication.⁹

E. ART. 6 – INDICATING COMPATIBILITY

The third limitation of Art. 6 is that a trade mark owner cannot oppose the use of the mark where it is necessary to indicate the intended purpose of a product or service, in particular as an accessory or spare part. This provision played a role in the *BMW/Deenik* case.¹⁰ Mr *Deenik*, a non-authorized dealer in *BMW*-cars, used the trade mark *BMW* in advertising to announce that he repaired and provided maintenance services to *BMW*-cars. The ECJ considered this to be use to indicate the intended purpose of the services as mentioned in Art. 6(c), just like the use of a mark to identify the vehicles for which non-original spares may be used. Of course, the use should be honest and not suggest a position as a licensed dealer or any other particular relation between the two companies. The interesting question here is whether the use of the *BMW* logo instead of only the word mark could cause such impression. There is national case law going into different directions.

⁹ Decision of 7 January 2004, C-100/02.

¹⁰ Decision of 23 February 1999, C-63/97.

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The second, more recent case is *Gillette*.¹¹ A competitor of *Gillette* sold razor blades indicating a compatibility with *Gillette Sensor*. The question was when such use should be considered necessary to indicate the intended purpose of the product. The court ruled that use of a mark was necessary when in practice it constituted the only means of providing the public with comprehensible and complete information on that intended purpose in order to preserve the undistorted system of competition in the market for such products. National courts should determine whether this was the case, taking into account the nature of the public concerned. The interesting question is whether in a market where there are relatively few players and assuming the blades would be compatible with all systems, it would be sufficient to mention on the product: “*compatible with other systems on the market*” rather than referring to the market leader.

But there is more. Even if the use were allowed, when would it be in accordance with honest practises? The ECJ gave the following guidance as to dishonesty:

- When undertaken in such a manner as to give the impression that there was a commercial connection between the third party and the trade mark owner;
- When affecting the value of the trade mark’s distinctive character or repute;
- When leading to the discreditation or denigration of that mark;
- When presenting the product as an imitation or replica of the product bearing another’s trade mark.

One clearly recognises a few conditions for the acceptability of comparative advertising provided for in Art. 3a Comparative Advertising Directive.

F. ART. 7 – EXHAUSTION

In a series of decisions, the ECJ interpreted Art. 7 of the Directive according to which the proprietor of a mark cannot not prohibit the use of his mark for products that were put on the market in the European Economic Area (“EEA”) by himself or with his consent. The ECJ applied rather strict criteria. Consent cannot be assumed but should be explicit or clearly implied¹², and should concern all relevant products.¹³

Leaving aside the range of decisions on parallel trade of pharmaceutical products which concern the conditions for repackaging and re-labelling,¹⁴ I like to discuss the following recent developments in this area.

One is the *Peak Holding*-case.¹⁵ It concerns a bit of a strange situation in which the trade mark owner did import products into the EEA and offered them for sale,

11 Decision of 17 March 2005, C-228/03.

12 Decision of 20 November 2002, C-414, 415 and 416/99 *Davidoff and Levi’s*.

13 Decision of 1 July 1999, C-173/98, *Sebago*.

14 See the above decision of 11 July 1996, C-427, 429 and 435/93, *Bristol Meyers Squibb and others/Paranova*.

15 Decision of 30 November 2004, C-16/03.

but they were never sold in the EEA. They went back to the country of origin outside the EEA and subsequently they were imported into the EEA by a third party. The question was whether the products were put on the market by the trade mark owner or with his consent in the EEA? The answer by the ECJ is: no. The acts of importing and offering them for sale do not transfer to third parties the right to dispose of the goods. They do not allow the trade mark owner to realise the economic benefit of the mark. So, this cannot be equated to putting them on the market.

Another important development concerns the *Van Doren/Lifestyle*-decision.¹⁶ The difference between this case and the earlier cases on exhaustion of rights was the doubt about where the products were put on the market for the first time. In the earlier cases, the products had clearly been marketed outside the EEA, and the parallel trader had to prove consent. Where this was not clear, who should bear the burden of proof? Under German law, it was up to the parallel trader to prove that consent was given. The ECJ found such a rule not against the system of the Directive as such, yet held that the principle of the free movement of goods and services could require further qualifications up to a reversal of the burden of proof where the evidence rule would allow the proprietor of the mark to partition national markets. The latter was a real risk where the products were marketed through an exclusive distribution system because the parallel trader in adducing the evidence would need to disclose the source of the products and in doing so he could in fact make it possible for the trade mark owner to obstruct the further marketing of the products. But in a selective distribution system, one can lawfully require a limitation of resales to other selected distributors, and there could be no risk of partitioning the market. Thus, at least in one case a court held that in a situation of selective distribution, there is no place for a reversal of the burden of proof.¹⁷

G. ACQUIESCENCE

With respect to the final limitation mentioned in the Directive and the Regulation (acquiescence of rights), the ECJ did not yet have an opportunity to decide upon. Acquiescence is a limitation of the effect of a mark because the trade mark owner can no longer oppose the registration and use of a mark unless he acts against such registration and use (of which he is aware) during more than five years. The interesting question is whether such a rule could also *per analogiam* apply if there is no registration but only use during the five year period. The author has argued that also in this case the acquiescence rule should apply.¹⁸

¹⁶ Decision of 8 April 2003, C-244/00.

¹⁷ Court of Appeal Amsterdam 14 October 2004, *Intellectuele Eigendom en Reclamerecht (IER)* 2005, 48 *Lancome/Kruidvat*.

¹⁸ *Gielen*, Volghende het rechte oordeel van redene, W.E.J. Tjeenk Willink, Zwolle, 17.