

and, implicitly, for computer programs. This would not leave a gap in the law as it is filled by UDR, CUDR and Community registered design right. One easier way of clarifying the respective scope of copyright and UDR is, of course, the current one, namely judicial interpretation. However, the reality shows that it is a highly uncertain course and this is good neither for claimants nor for defendants. Judges are not to blame, as they simply follow precedents on the meaning of originality as they have no indication in the Act about what for instance an "engraving" is.

Another unsolved and related issue is the meaning of the word "for" in s.51(1). This term is ambiguous in that it is unclear whether the intention of the designer when recording the shape or configuration of the article is relevant. The *BBC* ruling seems to imply that the intention of the designer is important.²⁹ The literature is divided.³⁰ This is important as, if intention is relevant, s.51 applies in fewer cases than if it is not. There is no space here to discuss this issue at length but what is clear is that because of this ambiguity, designers are advised to register their design rather than rely exclusively on their copyright (which may be trumped by s.51), UDR or CUDR (whose protection is less lengthy).

In conclusion, *Flashing Badge* has clarified one important issue which *Lambretta* had left ambiguous, but Professor Cornish's statement is otherwise still in the most part true. Further judicial, if not legislative, guidance will therefore continue to be necessary to lift the penumbra of s.51.

DR ESTELLE DERCLAYE
University of Nottingham

Charles Gielen and Anne Marie
Verschuur*

adidas v Marca II: Undue Limitations of Trade Mark Owner's Rights by the European Court of Justice?¹

† Distinctiveness; EC law; Infringement; Trade
marks; Use

The ECJ uses the public interest as an element for assessing distinctiveness. This element is however threatening to slip into the scope of protection of marks, as will be seen when the authors discuss the *adidas* case that has been referred to the ECJ. In addition, several other decisions, including *Opel v Autec* and *Céline*, will be discussed.

²⁹ See also Bently and Sherman, *Intellectual Property Law* (2004), p.663.

³⁰ For G. Dworkin and R. Taylor, "By accident or design? The meaning of 'design' under section 51 Copyright, Designs and Patents Act 1988" [1990] E.I.P.R. 33, the designer's intention is relevant but for A. Christie, "The United Kingdom design copyright exemption" [1987] E.I.P.R. 253, it is not.

The trade mark rights ensuing from a trade mark registration, or at least some of them, used to be fairly straightforward, in particular where the use of a sign identical to a trade mark for identical goods or services is concerned. Use of such a sign has always been seen as constituting infringement. Another issue is the public interest that the European Court of Justice (ECJ) uses as an element for assessing distinctiveness. This element is threatening to slip into the scope of protection of marks, as we will see when discussing the new *adidas* case that has been referred to the ECJ.

It seems clear that, as far as the rights of trade mark owners are concerned, old certainties are no longer certain. The ECJ seems to have left the established path. Whether or not this is a good thing is debatable. One may wonder what will next follow as a result of the questions put to the court in *adidas v Marca II*.²

Below, the authors will first briefly discuss the *Arsenal*, *Budweiser* and *Céline* decisions. They will then discuss one of the ECJ's most conspicuous decisions of 2007: the *Adam Opel AG v Autec AG* decision.³ This decision is a clear example of the current direction in which the ECJ seems to be going, i.e. a limitation of the rights of trade mark owners. Finally, *adidas v Marca II*, a case which is currently pending before the Dutch Supreme Court and in which several questions have been submitted to the ECJ, will be discussed in light of the developments in the ECJ's case law.

The starting point for the discussion is Art.5(1)(a) of Directive 89/104⁴ (Trade Mark Directive; TMD), which provides as follows:

"The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

a. any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered."

In addition, and as we will see, Art.6 of the TMD, which concerns certain limitations in the exercise of trade mark rights, also plays an important part in this context.

* Charles Gielen is a partner of the law firm NautaDutilh NV and a professor at the University of Groningen. Anne Marie Verschuur is a senior associate at NautaDutilh NV.

¹ After this article was written, the European Court of Justice rendered its judgment in the *adidas/Marca II* case. On April 10, 2008, it declared: "First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks must be interpreted as meaning that the requirement of availability cannot be taken into account in the assessment of the scope of the exclusive rights of the proprietor of a trade mark, except in so far as the limitation of the effects of the trade mark defined in Article 6(1)(b) of the Directive applies." (C-102/07)

² *adidas AG v Marca Mode CV II* (C05/160HR), February 16, 2007, Dutch Supreme Court.

³ *Adam Opel AG v Autec AG* (C-48/05) [2007] E.T.M.R. 33.

⁴ Directive 89/104 to approximate the laws of the Member States relating to trade marks [1989] OJ L40/1.

Arsenal, Budweiser and Céline

The "5(1)(a) story" started with the *Arsenal Football Club Plc v Reed* decision.⁵ Regarding the exercise of the right conferred by Art.5(1)(a), the ECJ stated:

"The exercise of that right must . . . be reserved to cases in which a third party's use of the sign affects or is liable to affect the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods."⁶

The ECJ clarified that, for example, certain uses for purely descriptive purposes are allowed, thus clearly referring to Art.6 of the TMD. The *Arsenal* decision was therefore not disturbing—at least not in this respect—as the ECJ did not widen the scope of the existing limitations of Art.6 (and also Art.7) of the TMD.

Then came the *Anheuser-Busch Inc v Budejovický Budvar Národní Podnik*⁷ decision. After referring to *Arsenal*, the ECJ stated:

"A third party may, in principle, rely on the exception provided for in Article 6(1)(a) of Directive 89/104 in order to be entitled to use a sign which is identical or similar to a trade mark for the purpose of indicating his trade name, even if that constitutes a use falling within the scope of Article 5(1) of that directive which the trade mark proprietor may prohibit by virtue of the exclusive rights conferred on him by that provision. It is also necessary that the use be made in accordance with honest practices in industrial or commercial matters. . . ."⁸

The *Céline Sarl v Céline SA*⁹ decision essentially confirmed this, albeit with wording in the negative:

" . . . [U]nauthorised use by a third party of a company name, trade name or shop name which is identical to an earlier mark in connection with the marketing of goods which are identical to those in relation to which that mark was registered constitutes use which the proprietor of that mark is entitled to prevent in accordance with Article 5(1)(a) of the directive, where the use is in relation to goods in such a way as to affect or be liable to affect the functions of the mark. Should that be the case, Article 6(1)(a) of the directive can operate as a bar to such use being prevented only if the use by the third party of his company name or trade name is in accordance with honest practices in industrial or commercial matters."¹⁰

Leaving aside the turmoil caused in the United Kingdom by the *Arsenal* decision, the outcome of the above cases was generally felt to be acceptable. The trade mark owner can, for example, oppose the use of an identical sign without his permission on products not authorised by him. The ECJ's opinion that the rights are 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 did not meet with criticism, since this opinion was given in relation to the limitation of rights provided for in Art.6 of the TMD. Indeed, Art.6 can be seen as the result

of a balancing of the interests of the trade mark owner versus the interests of third parties who wish to make fair use of the mark.

However, the *Opel v Autec* decision teaches us that the above applies also *outside* Art.6 of the TMD. In order to appreciate the surprising outcome of the *Opel v Autec* case, a brief introduction to the facts of this case is warranted.

Opel v Autec

Autec AG, a German company, was a manufacturer of scale model toy cars. One of those toy cars was an Opel Astra V8 Coupé on a scale of 1:24. The Opel logo was affixed to the car's radiator grille, in the same way as on the original vehicle.

When Opel became aware of this use of its trade mark, it decided to invoke its trade mark rights to the Opel logo, which is registered not only for cars but also for toys. It seemed a straightforward, simple infringement matter: use of an *identical* sign for *identical* goods. Article 9(1)(a) of Regulation 40/94¹¹ (Community Trade Mark Regulation; CTMR), which is in line with Art.5(1)(a) of the TMD, is very clear in this respect: a trade mark owner is protected against use by a third party of an identical sign for identical goods or services. The legislature did not deem it necessary to add further requirements for such behaviour to be unlawful.¹²

In the opinion of the ECJ, however, the case was *not* that straightforward. The Court considered the following:

" . . . [T]he affixing by a third party of a sign identical to a trade mark 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. . . .

If . . . the referring court intended to emphasise that the relevant public does not perceive the sign identical to the Opel logo appearing on the scale models marketed by Autec as an indication that those products came from Adam Opel or an undertaking economically linked to it, it would have to conclude that the use at issue in the main proceedings does not affect the essential function of the Opel logo as a trade mark registered for toys."¹³

Thus, the ECJ reasoned that there is *no* infringement if the relevant public does not think that the toy cars originate from Opel or an entity economically linked to it. In other words: infringement only exists if the consumer is confused.

With the *Opel v Autec* decision, the ECJ has separated a hitherto presumed element of Art.5(1)(a) of the TMD, namely confusion, forcing separate positive proof thereof by the trade mark owner. This, however, is in direct conflict with the idea underlying the Directive, which is an *absolute* protection of trade marks against

⁵ *Arsenal Football Club Plc v Reed* (C-206/01) [2002] E.C.R. I-10273; [2003] E.T.M.R. 19.

⁶ *Arsenal* [2002] E.C.R. I-10273; [2003] E.T.M.R. 19 at [51].

⁷ *Anheuser-Busch Inc v Budejovický Budvar Národní Podnik* (C-245/02) [2004] E.C.R. I-10989.

⁸ *Budweiser* [2004] E.C.R. I-10989 at [81] and [82].

⁹ *Céline Sarl v Céline SA* (C-17/06) [2007] E.T.M.R. 80.

¹⁰ *Céline* [2007] E.T.M.R. 80 at [36].

¹¹ Regulation 40/94 on the Community trade mark [1994] OJ L11/1.

¹² See in this respect recital 10 of the Directive:

"Whereas the protection afforded by the registered trade mark, the function of which is in particular to guarantee the trade mark as an indication of origin, is absolute in the case of identity between the mark and the sign and goods or services."

¹³ *Opel v Autec* [2007] E.T.M.R. 33 at [22], [24].

use of identical signs for identical goods.¹⁴ By essentially making the trade mark owner prove the “confusion element”, the added value of Art.5(1)(a) of the TMD as opposed to Art.5(1)(b) of the TMD becomes blurred. However, this is not all. The ECJ’s line of reasoning is also contrary to Art.16(1) of TRIPs. This provision literally states the following:

“... In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed.”

In a recent article,¹⁵ Yap argues that *Opel v Autec* supports the argument that the sign concerned must constitute trade mark use before a claim of infringement can succeed. He takes the position that infringement should not be deemed to exist unless it is proven, for example with consumer surveys, that the public perceives the sign as a denotation of origin.¹⁶ Another possibility, one step back, would be to take the position that the presupposed confusion can be rebutted. This idea is certainly interesting, but still seems not to be in line with the *absolute* protection purported to be given under the TMD and TRIPs.

Incidentally, the authors doubt whether consumers would indeed not think that there is some economic link between a toy manufacturer and a company like Opel. Why would the consumer not, for example, think that a licence agreement has been concluded?

In any event, in the authors’ view *Opel v Autec* clearly limits the rights of trade mark owners beyond what has so far generally been accepted and beyond the limitation laid down in Arts 6 and 7 of the TMD.

adidas/Marca

A further limitation could result from the decision to be rendered by the ECJ in a case referred to it by the Dutch Supreme Court. The facts underlying the case are fairly straightforward. Sports giant adidas is famous for its *three-stripe* trade marks and owns many trade mark registrations in this respect. When it became aware that several clothing companies were using a *two-stripe* pattern, it sought a court order to prevent them from marketing clothing with either a three-stripe pattern or a similar pattern, such as the two-stripe pattern.

The *s-Hertogenbosch* Court of Appeal decided that because of the repute of the three-stripe mark, the trade mark had a broad scope of protection. Although initially the mark was not very distinctive, it had acquired distinctiveness through use. However, the Court of Appeal *also* stated that the breadth of this scope of protection did not mean that all other stripe patterns fell within this scope. In this regard, the Court stated that such patterns are common and should be available for third parties. adidas appealed this judgment, essentially disputing the importance attributed by the Court of Appeal to the public interest.

The Dutch Supreme Court decided that help from the ECJ was needed and submitted a request for a preliminary ruling on three questions.

The main question submitted is whether or not the public interest (in not unduly restricting the use of certain signs by competitors—*Freihaltebedürfnis*) should influence the scope of protection of a trade mark that was not distinctive *ab initio* or that was strictly descriptive, but has acquired distinctiveness through use. Another question is whether it makes a difference if the relevant public sees the signs as indications of origin or as embellishments.

In essence, the question seems to be whether signs that have acquired distinctiveness only (or mainly?) through use are doomed to have a narrow scope of protection.

If the ECJ allows this, it will effectively introduce a “public interest check” *after* a trade mark has been registered, i.e. in the “infringement phase”. This would be new, as the public interest figure was actually developed as ratio for absolute refusal grounds, such as descriptiveness, and has thus only played a role in the “application phase” up until now.

The public interest check belongs in the application, not infringement, phase. The application phase is exactly where the public interest figure should stay. This has already been decided in the *Libertel Groep BV v Benelux-Merkenbureau*¹⁷ case, in which the ECJ stated:

“That approach is, essentially, tantamount to withdrawing the assessment of the grounds of refusal in Article 3 of the Directive from the competent authority at the time when the mark is registered, in order to transfer it to the courts with responsibility for ensuring that the rights conferred by the trade mark can actually be exercised.

That approach is incompatible with the scheme of the Directive, which is founded on review prior to registration, not an *a posteriori* review. There is nothing in the Directive to suggest that Article 6 leads to such a conclusion. On the contrary, the large number and detailed nature of the obstacles to registration set out in Articles 2 and 3 of the Directive, and the wide range of remedies available in the event of refusal, indicate that the examination carried out at the time of the application for registration must not be a minimal one.”¹⁸

The above clearly shows that the ECJ is of the opinion that after the application phase has been completed, there is no room to again invoke the public interest argument in order to limit the scope of protection of a trade mark.

However, this is not all. There is another reason why the ECJ’s answer to the above question in *Adidas v Marca* should be “No”.

The three-stripe mark could originally have been refused for lack of distinctive character (Art.3(1)(b) of the TMD). In the *SATI* decision,¹⁹ the ECJ stated that for Art.3(1)(b) the public interest is “manifestly, indissociable” from the essential function of the trade mark, which is preserving the identity of origin.²⁰

14 *Opel v Autec* [2007] E.T.M.R. 33 at [22], [24].

15 Po Jen Yap, “Making sense of trade mark use” [2007] E.I.P.R. 420.

16 Yap, “Making sense of trade mark use” [2007] E.I.P.R. 420, 427.

17 *Libertel Groep BV v Benelux-Merkenbureau* (C-104/01) [2003] E.C.R. 3793.

18 *Libertel* [2003] E.C.R. 3793 at [58] and [59].

19 *SATI Satellitenfernsehen GmbH v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM)* (C-329/02 P) [2004] E.C.R. I-8317.

20 *SATI* [2004] E.C.R. I-8317 at [27].

Thus, the public interest in the context of this refusal ground is *not* the *Freihaltebedürfnis*. In other words: the *Freihaltebedürfnis* has no relevance for a sign like the three-stripe mark, which arguably has no distinctive character *ab initio*.²¹

The *Libertel* decision, which concerns the possible refusal of a colour, does not detract from the above. Admittedly, in that case the *Freihaltebedürfnis* was mentioned in the context of Art.3(1)(b) of the TMD. However, that decision focused specifically on colour marks.²² The later *SATI* decision, which does not specifically target colours but discusses public interest in more general terms in the context of Art.3(1)(b) of the TMD, is the general rule (and *Libertel* the exception).²³

It is not in dispute that a trade mark with acquired distinctiveness can be invoked against infringing signs. In this respect, the strength of the distinctive character and the repute of the mark are relevant factors to be taken into account. This does not mean that the authors are necessarily of the opinion that a trade mark consisting of three stripes can successfully be invoked against a sign consisting of fewer or more stripes. However, the public interest is *not* relevant in this respect. The court should only assess whether or not there is a likelihood of confusion or dilution and in this context the distinctive character can and should play a part, but not the issue of public interest as suggested by the Dutch Supreme Court. The same conclusion was reached in the amicus brief of the International Trademark Association submitted in this case:

“The so-called ‘requirement of availability’ should have no part in determining the scope of protection to be given to a registered trade mark.”²⁴

In his advisory opinion of January 16, 2008, Advocate General Colomer partially agrees with this. He concludes the following:

“En résumé, la réponse que je propose d’apporter aux questions préjudicielles doit partir de la nécessité d’invoquer l’impératif de disponibilité pour déterminer la portée de la protection d’une marque constituée par un signe correspondant à une des indications décrites à l’article 3, paragraphe 1, sous c), de la directive, lorsqu’elle a acquis un caractère distinctif par l’usage et qu’elle a été enregistrée en tant que telle; en revanche, il n’y a pas lieu de recourir à ce principe lorsque le signe est initialement dépourvu de caractère distinctif, au sens de l’article 3, paragraphe 1, sous b) de la directive, mais qu’elle l’a acquis postérieurement par l’usage.”²⁵

21 The Dutch Supreme Court also mentions Art.3(1)(c) of the TMD. This, however, concerns descriptive signs, which the three-stripe mark is not, in the authors’ opinion.

22 See in particular *Libertel* [2003] E.C.R. 3793 at [54]–[56], where the specific problems concerning colours are discussed.

23 Incidentally, the Dutch Supreme Court also refers to *Windsurfing Chiemsee Produktions- und Vertriebs GmbH v Boots- und Segelzubehör Walter Huber* (C-108/97 & C-109/97) [1999] E.C.R. I-2779, but that seems even less relevant, as *Chiemsee* pertains not to subs.(b) of Art.3(1), but to subs.(c).

24 “Amicus brief of the International Trademark Association in *adidas AG and adidas Benelux BV v Marca Mode, C&A Nederlanden, H&M Hennes & Mauritz Nederlanden BV and Vendex KBB Nederlanden BV*” (2007) 97 *Trademark Reporter* 1401.

25 Opinion of A.G. Colomer, *adidas v Marca* (C-102/07), January 16, 2008, at [80].

The Advocate General thus differentiates between signs that lack any distinctive character *ab initio* (subs.(b)) and signs that are descriptive (subs.(c)), only denying an influence of the public interest for the first category. Basically, he is of the opinion that the public interest would not be served by keeping signs that are not suitable for denoting the commercial origin of the relevant products or services “free”. He furthermore states:

“En effet, une fois qu’un commerçant est parvenu à obtenir une marque connue du public à partir d’un signe insignifiant, grâce à son usage et à sa publicité, l’empreinte du droit de la propriété industrielle impose de le récompenser d’avoir réussi à surmonter le défaut de caractère distinctif affectant sa marque en l’ayant rendue apte à assumer la fonction d’information quant à l’entreprise d’origine des produits ou des services.”²⁶

However, he considers the situation to be different where “subs.(c)” signs are concerned, referring to Art.6 of the TMD, which provides a defence concerning the use of certain signs. Unlike in the case of the “subs.(b)” signs, there is reason here to limit the possibility of objecting to such use:

“Ce qui est exceptionnel dans ce cas, c’est la jouissance de la propriété d’un signe qui . . . serait accessible à tous. Le fait qu’il a été monopolisé depuis lors . . . ne saurait être invoqué au détriment des autres opérateurs économiques qui aspirent à utiliser librement les mentions descriptives en question, ni à celui de l’autre groupe de personnes concernées par la disposition, les consommateurs, qui sollicitent des informations transparentes et véridiques qui leur sont habituellement fournies par ces indications précisément.”²⁷

As was explained above, the three-stripe mark of adidas belongs to the “subs.(b)” category, in the authors’ opinion. The Advocate General, however, indicates that this is a factual decision to be made by the Dutch courts.²⁸ Whatever may become of this, the authors are of the opinion that neither in the “c” nor in the “b” category should the public interest influence the scope of protection of a trade mark. While Art.6 of the TMD must of course be applied, it functions as a defence *per se*,²⁹ and should not be used to limit the scope of protection.

Conclusion

When the authors recap the above, they note that further to *Opel v Autec*, the ECJ effectively forces a trade mark owner to separately prove a hitherto presumed legal element in the context of Art.9(1)(a) of the CTMR. This addition has no basis in the Trade Mark Directive. In the authors’ view, this is a wrong development which touches an important cornerstone of our legal system: legal certainty.

26 Opinion of A.G. Colomer, *adidas v Marca* (C-102/07), January 16, 2008, at [56].

27 Opinion of A.G. Colomer, *adidas v Marca* (C-102/07), January 16, 2008, at [75].

28 Opinion of A.G. Colomer, *adidas v Marca* (C-102/07), January 16, 2008, at [30], [57].

29 See also “Amicus brief” (2007) 97 *Trademark Reporter* 1400–1401.

As is already apparent from the above, the authors believe that the ECJ should not further restrict the scope of protection of trade marks when it answers the questions submitted by the Dutch Supreme Court in respect of the *adidas v Marca* case. If it decides to apply an additional public interest check, all trade marks that have acquired distinctiveness through use could potentially face a narrower scope of protection, even if they are very famous. Such limitation is unwarranted and has no basis in the law. The Advocate General's

opinion, if adopted by the ECJ, would be a step in the right direction. However, the authors are of the opinion that yet a further step should be taken. The public interest should simply not play a part in the scope of protection of trade marks outside the boundaries of Art.6 (and Art.7) of the Trade Mark Directive.

CHARLES GIELEN AND ANNE MARIE
VERSCHUUR
NautaDutilh Amsterdam