

Key ECJ trademark cases in 2008

ECJ trademark rulings handed down last year may frustrate owners of well-known brands looking to rely on trademark law to prevent comparative advertising or brand dilution. The incomplete guidance provided by the ECJ in these areas is likely to necessitate further references from national courts in 2009

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In *O2 Holdings Ltd v Hutchinson 3G Ltd* Lord Justice Jacob said: "European trade mark law is in danger of becoming a forest of case law where everyone loses their way." To continue this arboreal metaphor, the European Court of Justice (ECJ) added a number of particularly dense thickets to the forest in 2008. This article seeks to distil the most significant of these cases and to provide guidance as to their impact in a number of key areas, including comparative advertising, decorative marks and trademark dilution.

Comparative advertising

An area of trademark law that has attracted extensive interest is the extent to which traders may use competitors' trademarks in advertisements to compare their goods or services. A widely publicised example of a comparative advertisement was that of Ryanair, which was headed "expensive BA....DS". The advertisement was held lawful in the litigation that inevitably ensued.

The European legislature has taken the view that comparative advertising should

be encouraged if it complies with certain conditions set out in the Comparative Advertising Directive. Among other things, the advertisement must not be misleading or create confusion between trademarks or goods/services, and must make objective comparisons of goods/services intended for the same purpose.

However, it has remained unclear whether trademark law could nevertheless be invoked to prevent comparative advertising, particularly since the relevant legislation contains no explicit statement that compliance with the conditions above would amount to a defence to trademark infringement. Guidance on this issue, and others, was sought from the ECJ in Case C-533/06, *O2 Holdings Ltd v Hutchinson 3G UK Ltd*.

The reference concerned a series of television advertisements run by Hutchinson 3G UK Ltd (H3G) for its mobile telephones in 2004, which made a price comparison with O2's services and featured moving bubble imagery. Bubbles are the hallowed turf of O2, which in the past has complained about their use in advertising by numerous (often non-competing) traders. O2 issued proceedings against H3G for trademark infringement, relying on its trademarks comprising pictorial representations of static bubbles registered for telecommunications apparatus and services. It claimed that H3G's use of marks similar to those "bubble marks" in respect of identical services constituted infringement. In the proceedings, O2 accepted that the price comparison was fair and that the advertisements did not confuse consumers into thinking there was a trade link between O2 and H3G. The case reached the Court of Appeal, which made a reference to the ECJ.

One question for the ECJ was whether

comparative advertisement made the appropriate kind of “use” of a competitor’s trademark for the purposes of trademark infringement. H3G had argued before the English courts that the advertisement had not infringed because it was using the bubble marks descriptively to identify O2’s services, as opposed to designating the origin of H3G’s services. The ECJ found against H3G on this point, indicating that comparative advertising can comprise trademark infringement.

The ECJ then examined how the Comparative Advertising Directive can be reconciled with trademark law and made the general pronouncement that a trademark owner is not entitled to prevent the use by a third party of a sign that is identical or similar to its mark in a comparative advertisement which satisfies all the comparative advertising conditions.

The ECJ focused on the use of a similar mark in a comparative advertisement for identical goods/services. It noted that, to prove infringement of a similar mark under trademark law, the trademark owner must show likelihood of confusion. Since one of the comparative advertising conditions is that the advertisement must not create confusion, a comparative advertisement using a similar mark cannot fall within the remit of both trademark law and the Comparative Advertising Directive. H3G’s advertisement did not cause confusion and complied with the conditions of the Comparative Advertising Directive: it was therefore deemed lawful.

The judgment has clarified the rights of trademark owners to prevent the use of a similar mark for identical goods/services, or an identical mark for similar goods/services, in a comparative advertisement. Trademark law may apply to such advertisements and, to succeed in an infringement action, the trademark owner must prove a likelihood of confusion. If it cannot do so, it will have recourse only where it can show a breach of one of the other seven comparative advertising conditions. In the United Kingdom, such breaches are within the jurisdiction of the Advertising Standards Authority, not the courts, and the remedies available are limited.

The judgment provides less clarity as to the far more common scenario of a comparative advertisement featuring an identical mark for identical goods/services. Confusion is not a requirement for infringement under the legislative provision prohibiting the use of an identical mark for identical goods/services, so the reasoning adopted in *O2* is not directly applicable. The

ECJ refused to discuss this provision in *O2* on the basis that it “is not applicable in the main proceedings and does not need to be interpreted”. However, the ECJ has a second opportunity to do so in Case C-487/07, *L’Oreal v Bellure*, in which one of the questions referred to it by the Court of Appeal is whether non-confusing comparative advertisements using identical marks for identical goods/services constitute infringement. In his Opinion of 10th February 2009, the Advocate General expressed the view that such use does not constitute infringement where it does not affect the mark’s essential function – namely, its guarantee of origin. In light of this Opinion and the general comments of the ECJ in *O2*, it is likely that the same approach will be adopted for such advertisements.

Guidance is required from the ECJ as to whether a competitor may use a trademark in a comparative advertisement only where that use is “indispensable” for the purposes of making a comparison – a further issue that the ECJ declined to address.

Decorative marks

In Case C-102/07, *Adidas AG v Marca Mode*, the Adidas “3 stripes” logo was again the subject of consideration by the ECJ. Adidas owns various figurative trademarks comprising three vertical parallel stripes registered in respect of sport and leisure garments. The proceedings brought against Marca Mode in the Netherlands involved the question of whether Adidas could prevent competitors from using logos comprising the similar mark of two vertical stripes on sportswear. Marca Mode argued there was a general interest in keeping such motifs available for use by competitors as decoration. Adidas appealed the decision of the Netherlands court, which had concurred with Marca Mode, and the appellate court made a reference to the ECJ.

Under trademark legislation, a trademark owner may prevent (among other things) the use in the course of trade of a similar mark for identical or similar goods, or an identical mark for similar goods, where that use results in a likelihood of confusion by consumers. Likelihood of confusion is “appreciated globally”, meaning that a range of factors is assessed, including the extent of recognition of the trademark and the degree of similarity between the marks and between the goods/services.

The ECJ first considered whether the general interest proposed by Marca Mode was a material consideration when assessing likelihood of confusion. It held that the

general interest is relevant to the registration of trademarks, but not to their infringement. The ECJ stated that to allow otherwise would undermine the principle that infringement of a mark under this provision was determined by whether there was a likelihood of confusion.

In addition, the ECJ considered Marca Mode's claim that its mark was seen by consumers as decoration. The ECJ indicated that "the public's perception that a sign is a decoration" cannot restrict the protection of the trademark owner in circumstances where "the relevant public is likely to perceive that the goods come from the same undertaking or... economically linked undertakings". Therefore, the fact that a mark is decorative provides, in itself, no defence to trademark infringement.

Following this ruling, while a competitor may still claim that its mark is seen by consumers as decoration, it must now show in effect that consumers perceive the mark solely as such and do not recognise it at all as branding. This is likely to be difficult, given the extent to which the public has been educated as to the origin function of such motifs through advertising and celebrity endorsement.

Protected designations of origin

While not a case decided under trademark law, *Commission of European Communities v Germany* (Case C-132/05) provides important guidance to traders labelling agricultural goods with certain marks known as protected designations of origin (PDOs). For a manufacturer to be entitled to use a particular PDO, its product must be produced, processed and prepared within a defined geographical environment and must have characteristics exclusive to that area. For instance, the PDO STILTON may be used only on cheese with certain characteristics that is made in Leicestershire, Nottinghamshire or Derbyshire. Legal action may be taken against traders that use a PDO (or a translation, imitation or evocation thereof) in respect of goods that do not comply with the conditions of that PDO. Where the PDO contains within it a generic name (one that has become the common name of an agricultural product), the use of that name is not an infringement of the PDO.

In 1996 a PDO was granted for PARMIGIANO REGGIANO. One condition of the PDO was that cheese designated as such had to be produced in Parma. In 2004 the European Commission, relying on the PDO, issued proceedings against Germany in respect of the sale of cheeses labelled

with the name PARMESAN that were not produced in Parma.

The Commission argued that PARMESAN was a translation or evocation of PARMIGIANO REGGIANO and therefore fell within the scope of the PDO. In response, Germany argued that the word PARMESAN had become a generic name for hard cheeses of diverse origins that were capable of being grated and was not, therefore, an evocation of PARMIGIANO REGGIANO; that PARMESAN was a translation of only PARMIGIANO, not PARMIGIANO REGGIANO; and further that consumers were not confused between the two names.

Citing the examples of BRIE and CAMEMBERT, the ECJ noted that a PDO can cease to be regarded by consumers as an indication of origin and instead be perceived as an indication of a type of product. However it held that, on the evidence adduced in the case, PARMESAN was not generic.

The ECJ held that PARMESAN comprised an evocation of PARMIGIANO REGGIANO. In its view, the two names were visually, phonetically and conceptually similar such that a consumer encountering "a hard cheese, grated or intended to be grated, bearing the name 'Parmesan'" would bring to mind the cheese protected by the PDO. Germany's argument that there was no likelihood of confusion was dismissed on the basis that a PDO could nonetheless be brought to mind. The fact that PARMESAN was not a pure translation of PARMIGIANO REGGIANO was deemed irrelevant in light of the conceptual proximity of the two names.

Though the action brought by the Commission in fact failed for procedural reasons, the judgment is likely to have a significant impact on traders of agricultural products in that the "evocation" of a PDO may extend some way beyond the exact form in which it was registered. Therefore, traders using marks that *prima facie* appear distinct from a PDO may nevertheless infringe. Specifically, manufacturers labelling products as PARMESAN would be well advised to ensure they meet the conditions stipulated in the PDO for PARMIGIANO REGGIANO or to re-label their products.

Trademark dilution

Finally, a summary of ECJ decisions would be incomplete without mention of arguably the most significant trademark ruling handed down last year: *Intel Corporation Inc v CPM United Kingdom Ltd* (Case C-252/07). This case addresses an area of trademark law, namely dilution, that has long proved

controversial since it provides rights to trademark owners in the absence of confusion – the traditional justification for trademark protection. As this case is the subject of a separate article in this publication, it is considered only briefly here.

Some trademarks may prevent the registration and use of identical or similar marks in respect of dissimilar goods/services. Essentially, in order to benefit from this wider protection, the trademark owner must show the following: the mark has a “reputation”; similarity of the marks such that consumers encountering the defendant’s mark establish a “link” between them; and one of three types of damage, which can be conveniently summarised as free-riding, dilution and tarnishing.

In *Intel v CPM* Intel, which owned the mark INTEL for computers and computer-related goods, applied to invalidate the mark INTELMARK registered by CPM in respect of marketing and telecommunication services. It was accepted that the INTEL mark had a huge reputation in the UK for microprocessors and software.

One issue in the case concerned the circumstances under which a link will be established. The ECJ indicated that this requirement is met if consumers bring to mind the registered trademark when encountering the defendant’s mark being used for dissimilar goods/services.

Much more problematic for brand owners were the ECJ’s comments on proving dilution. The ECJ held that trademark owners must show “a change in the economic behaviour” of consumers of

the trademark owner’s goods or services consequent on the use of the defendant’s mark, or a serious likelihood that such a change will occur in future. It appears that the trademark owner must therefore show it has lost, or will lose, sales as a direct consequence of use of the defendant’s mark for dissimilar goods. It is difficult to conceive how a trademark owner can prove the necessary causation. In focusing on dilution, the ECJ left unresolved the question of whether this test applies to the other two types of damage. It may be the case that, in light of *Intel*, it is easier for owners of trademarks with reputation to show that unfair advantage has been taken of their marks, as opposed to dilution. However, this conclusion is subject to the ECJ’s judgment in *L’Oreal v Bellure*, in which it is expected to clarify the meaning of “unfair advantage”.

Conclusion

The ECJ has handed down judgments that impact on a number of important areas of trademark law. The guidance provided in *O2* and *Intel* will be of concern to owners of well-known brands, given the apparent freedom they bestow on other parties to use similar trademarks. The selective approach adopted by the ECJ to questions referred to it by national courts and the lack of clear reasoning contained in some of its judgments are unhelpful to traders and intellectual property practitioners alike. Undoubtedly, the issues left unresolved by these cases will necessitate further deliberation (or evasion) by the ECJ, most imminently in *L’Oreal v Bellure*. **iam**



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