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Lessons from the ECJ on legitimate third-party trademark use

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If I sell razorblades, can I communicate to consumers that my product is compatible with a razor marketed under a world-famous brand? If I sell articles of clothing and the name of my shop is identical to a mark that has been registered for clothes, do I infringe? What about toys: can I produce a replica of a famous car and use the manufacturer's registered trademark on my model car?

Sometimes truth can be stranger than fiction.

When such tricky questions arise, the national courts of EU member states may refer a case to the European Court of Justice (ECJ) to obtain guidance on how their harmonised trademark laws should be interpreted.

The ECJ has said that in such circumstances, use by a third party does not automatically infringe the brand owner's registered rights.

Gillette

In 2005, the European Court of Justice ruled – in response to a request for a preliminary ruling from the Finnish Supreme Court – that a trademark owner cannot prohibit a third party from using a registered mark if such use:

- Is the only way to inform consumers of the intended purpose of the third party's product; and
- Does not confuse customers or is not contrary to honest business practices.

This meant that a third party could inform consumers that its razorblades were compatible with its competitor's world-famous GILLETTE-branded razor. Such use is legal as long as consumers believe there is no commercial connection between two businesses. If the competitor sails too close to the wind and takes unfair advantage of the reputation of the earlier mark, the brand

owner may obtain an injunction against such use.

Many trademark experts have expressed concern about this ruling and at least one commentator has criticised the ECJ for "teaching" third parties how to use competitors' trademarks. However, such comments are somewhat unfair, as the 1989 Trademark Directive explicitly states that third-party use is to some extent permitted.

The ECJ ruling concerned a Finnish dispute between LA Laboratories and Gillette. In this case David fought Goliath and won the right to use a famous mark on its packaging for razors. Some lessons may be learned from the case. First of all, in hindsight it is relatively easy to conclude that this was not a classic case where consumers would be confused into assuming that there was a link between the two companies. It was rather a case where the aim of the small enterprise was to attract the consumer's attention by using conspicuous red stickers on its packaging. Perhaps the ECJ could have set some more precise legal parameters for assessments regarding what sort of use is fair, but this question was not referred to it by the Finnish court. It is unfortunate that this matter was not brought up, as it would have allowed the ECJ to give guidance as to whether the third-party reference should be sufficiently neutral rather than highly conspicuous in appearance. It is important that greater attention is paid to the ways in which third parties use registered earlier marks. For this reason, when litigating such matters, one should concentrate on challenging the way in which the allegedly infringing use has taken place, rather than the wording of the law.

It would also have been interesting to see what the outcome would have been had the plaintiff argued that there was confusion before the sale ("initial interest confusion", as the concept is known in US trademark law), rather than at the point of sale.

Adam Opel

The 2007 *Adam Opel* decision has caused significant controversy among trademark professionals. Three members of the ECJ ruled that the use of the OPEL logo trademark on toy replica cars did not automatically infringe an identical mark that had been registered for toys. If consumers do not regard the mark as a badge of origin that distinguishes the goods and if unfair advantage of the earlier mark's reputation is not taken, then there is no infringement. Perhaps the ECJ meant to say that a neutral decorative or otherwise non-trademark-like use does not infringe. The ECJ taught the national courts that application of trademark law is not equivalent to a mathematical formula whereby "identical goods + identical marks = infringement", and stated once again that a case-by-case approach is necessary.

Some trademark experts maintain that this ruling seriously undermines trademark protection. However, the ECJ actually used broad language that allows the brand owner to prevent all use in a trademark-like manner, as well as all forms of use that take unfair advantage of the reputation of a mark. Cases where the trademark owner is unable to act are therefore exceptional – although difficult borderline issues remain, especially in relation to the toy industry.

When a third party uses an earlier mark in a way that indicates that the owner of the earlier mark is involved or even linked to the production of the goods in question, there is infringement. Therefore, a third party is likely not allowed, for example, to attach the logo of a famous brand to the packaging of goods or to the goods themselves in a manner that suggests such a link exists.

Further, the ECJ said that in reality, this issue relates directly to the evidence that has been brought before the national court. In other words, the outcome of such cases probably depends greatly on the efforts of the litigators in charge, rather than on the theory which the ECJ has offered as a guideline to be applied by the national court. The ECJ

indicated that it is up to the national court to decide whether the evidence proves that consumers view the mark in a way that infringes the rights of the brand owner.

Céline

The ECJ's *Céline* decision of late 2007 concerned the issue of whether the use of a name Céline as a trade name – specifically, as the name of a clothing shop – infringed an earlier brand which has enjoyed French registration for clothes since 1948.

The plaintiff, Céline SA, has a long corporate history originating from 1928. Céline sells articles of clothing and its activities also include fashion design. It is the proprietor of the word mark CÉLINE, applied for on 19th April 1948 and registered, among other things, for "clothes and shoes".

Defendant Celine SARL claimed that it was the owner of the registered trade name Céline since 1992. This name was in use as the name of its shops, but not as a trademark for the articles of clothing that were sold in its shops. In other words, the defendant argued that no infringing use had taken place, as the goods were sold under different brands. The mere trade name of a shop cannot constitute trademark infringement, even if the goods offered for sale are identical to those for which the earlier mark has been registered.

In contrast, under the national law of certain EU member states, there is trademark infringement in such circumstances because the names and fields of operation are identical. The plaintiff won the first round in France, but the case was eventually referred to the ECJ in order to obtain guidance as to whether use as a trade name constitutes trademark infringement.

The ECJ's Grand Chamber delivered its judgment in September 2007. The court's task was to decide whether the concept of infringing use must be defined on a case-by-case basis or in a straightforward manner simply by comparing the names and fields of operation. As in *Adam Opel*, the ECJ decided that the mere use of a mark as a shop's



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trade name does not automatically infringe. There is infringement only when the allegedly infringing sign is used by the third party in such a way that consumers are liable to interpret it as designating the origin of the goods or services in question, or in a way that does not accord with honest practices in industrial or commercial matters.

Conclusion

According to the ECJ, the issue of whether infringement has occurred must be determined on a case-by-case basis. This has caused concern among many trademark professionals. However, the detrimental effects of the ECJ decisions have arguably been exaggerated. The test for trademark infringement remains extensive, as the owner of the earlier registration can prevent all kinds of use which indicate that a third party and

the owner of the earlier brand are economically linked, whether directly or indirectly. Brand owners can also prohibit use that takes unfair advantage of the earlier mark or that is detrimental to the reputation of the brand. The ECJ also advises litigators to argue and prove the cases sufficiently in order to convince national courts that infringement has taken place.

The real problem, however, is that often the ECJ's guidance on how national laws should be interpreted is not sufficiently accurate for the needs of the industry. This is arguably due more to the imprecisely formulated questions that are referred to the ECJ by national courts than to the ECJ's inability to give precise instructions to the national courts. In other words, the national courts should address clearer questions to the ECJ.