Is the concept of ‘Genuine use in the Community’ for the purposes of a Community Trade Mark, capable of being assimilated to the definition of ‘Relevant Market’ in EU Competition Law?

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Summary

The relationship between intellectual property and competition law gives an excellent contrast into how competing legal principles may work harmoniously and need not be viewed in conflict. Consequently, applying principles from one field may benefit the application of another.

In respect of this and following the Court of Justice of the European Union’s recent ruling in *Leno Merken*, an application of the principles relating to the relevant market in competition law may aid the application, implementation and protection of Community Trade Marks. This paper examines the possibility of transposing a test for relevant market in competition law to the concept of genuine use on the market concerned for the purposes of a Community Trade Mark.
Preface

‘Her fetters burst, and just released from prison,  
A virgin phoenix from her ashes risen.’  
Lord Byron – In English Bards and Scotch Reviewers (1809)

A culmination of studies, a culmination of life experiences and of new friends and old relationships blossoming. It is with a mixture of relief, joy and sadness that I have finally completed my university education that I started almost ten years ago.

The time has come once again as so many times before to start upon a new journey and there are so many people to thank for the many years of support, comfort, advice through the good times and the bad.

To my family, friends, colleagues and teachers your support has been invaluable and made me the person I am today and I know I can count on your continued support and advice.

A special thanks also to Justin Pierce my supervisor, your candid to the point advice and interesting discussions were exactly what I needed to finish this work.

Lund, June 2014

Tatu Vehviläinen
## Abbreviations

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<td>CJEU</td>
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<td>CTM</td>
<td>Community Trade Mark</td>
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<td>IP</td>
<td>Intellectual Property</td>
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<td>OHIM</td>
<td>Office for Harmonisation of the Internal Market</td>
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<td>TFEU</td>
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1. Introduction

1.1 Overview

This paper discusses the recent decision of the Court of Justice of the European Union (CJEU) in *Leno Merken* relating to Community Trade Marks (CTM) in which the court made reference to a ‘corresponding market’ for identifying whether a trade mark has been put to genuine use on the market concerned. However, the CJEU offers little further guidance on how, in a 28 member European Union, it is possible to identify what and where the corresponding market is.

This paper addresses the issues raised and determines whether it is possible, within the scope of CTMs to apply a test for determining the corresponding market by using the same or similar test as already applied by the Commission in determining the relevant market for the purposes of competition law.

The thesis shall consists of eight chapters, the first chapter being the introduction followed by an introduction to the CTM, the decision in *Leno Merken* and the prior case law of the CJEU relating to genuine use on the market. Chapter 3 shall then give a brief overview of competition and IP law and the relative merits of utilising a similar system. Chapters 4 and 5 discuss the current state of competition law relating to the relevant market and the utilisation of market shares. Chapter 6 discusses the merits of combining both systems and how the relevant market test can be made relevant to the CTM and Chapter 7 continues this discussion in relation to determining market shares as an aid to such an interpretation. Chapter 8 concludes with a discussion of genuine use within the community on a holistic level and how the application of such a test would aid the current uncertainty following *Leno Merken*.

It is also important to point out that the use of Community as opposed to Union is due to the language used to discern trade marks under the Trade Mark Regulation and references to Community refer to Union as is now used following the signing of the Lisbon Treaty.

1.2 Research Questions

This thesis shall answer the following questions: Can a competition law definition of relevant market be applicable to CTM requirements of genuine use? What, if any,
problems may arise from such an application and how may they be modified or addressed to allow effective implementation of the principles stemming from competition law?

1.3 Delimitations

This thesis shall not examine individual national law or focus on other jurisdictions but will examine the law at a European Union level. Furthermore, international treaties are considered in as far as they are relevant to a discussion at European Union level only.

1.4 Method

This thesis shall be written in a legal dogmatic approach that entails firstly a descriptive approach to the current legal landscape followed by an assessment and discussion of the legal landscape when applied to the problem at hand and makes recommendations on how to proceed.
2. Community Trade Mark

A CTM is a trade mark registered at the Office for Harmonisation of the Internal Market (OHIM), which grants rights to the trade mark owner to enforce their rights in that trade mark across the entire European Union. The right is provided under Regulation 207/2009\(^1\) (Trade Mark Regulation) in which the principle aim, according to recital 2 and 8, is to create legal conditions so that products and services of an undertaking may be distinguished across the entire Community. The function, in particular, of the trade mark is to act as a guarantee of an indication of origin of the goods or services provided and any analysis of the trade mark system must continue to bear this point in mind especially given the extended territorial scope of a CTM.

Recital 4 further confirms the need for a CTM system due to the barriers presented by territoriality that cannot be effectively combated by the approximation of laws, in these particular circumstances through Directive 2008/95\(^2\) (Trade Mark Directive). Therefore, the need of a CTM is based on the premise that there is an additional need to protect rights on a European Union level within a twofold system. This involves firstly, approximation of the laws relating to national trade marks that may be granted and enforced within a member state, and secondly, a broader right in a CTM that affords protection to those undertakings that have an intra-Community element and thus require additional protection.

It should be noted from the outset that under article 1(2) Trade Mark Regulation the rights conferred under a CTM cannot be restricted to a certain number of member states, it has equal effect throughout the Community as a whole, or not at all. It therefore follows that granting of additional protection corresponds with the need to enforce rights at a Community level.

### 2.1 Use of Community Trade Marks

The requirement of use of a trade mark is a key principle reflected throughout trade mark law. Trade marks can in essence create a time immemorial right in the mark or sign that is registered. It is therefore important that that right is used and does not unjustifiably prevent the use of a mark or sign as is reflected in recital 10 Trade Mark

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Regulation and outlined in more detail in article 15 Trade Mark Regulation. Firstly, this provides for a five-year ‘grace period’ for use following the initial registration; and secondly, if the trade mark is not been put to genuine use within the Community for an uninterrupted period of five years then it may be subject to revocation.

The interpretation of article 15 therefore revolves around the definition of two concepts, ‘genuine use’ and ‘within the Community’. In order to ascertain definitions of these concepts it is necessary to examine the CJEU case law relating to article 15 Trade Mark Regulation as well as article 10 Trade Mark Directive as the concept of genuine use therein essentially serves the same function.3

2.1.1 Genuine Use

The CJEU has given guidance on what can be considered genuine use of a mark stating that the genuine use means an actual use of a mark that is consistent with the essential function of a mark, which is to guarantee the origin of the goods or services and the use on the market itself.4

It is therefore incumbent to assess all of the facts and circumstances to establish whether the commercial exploitation is real in maintaining and creating a market share taking into account the characteristics of the market and the scale and frequency of the use. The use need not always be quantitatively significant.5

Therefore, it can be seen that the use or genuineness thereof is a factual question to be judged based upon the circumstances of the case itself. There is in essence no de minimis requirement of use.6

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2.1.2 Use Within the Community

Trade marks must also be used within the territory in which they are protected. For a national trade mark it must be used in the member state where it is registered and similarly for a CTM it must be used within the European Union. However, the extent of use within the European Union is unclear. This is especially so given the continued expansion of the European Union. Previously, it was considered that the requirement was that use in one member state would be sufficient to meet the requirement of use within the Community and was reflected in OHIM’s guidance as sufficient to demonstrate use for the purposes of a CTM.

However, this state of affairs is not consistent with the unitary character of a CTM, nor does it sufficiently differentiate itself from national trade marks, which could in essence serve the same purpose. Due to the unitary character of a CTM it is a generally held view by national trade mark offices that the requirements for genuine use of a CTM such as scope, volume and extent are higher than that of national marks.

In fact, it could lead to CTM being granted when they are used in a smaller member state with a relatively small population and then denying the use of a similar trade mark across the rest of the Community. Similarly, as pointed out by Advocate-General Sharpston in her opinion in *Leno Merken*, that by limiting trade mark protection to marks that are genuinely put to use, prevents undertakings from seeking protection in marks in which they do not intend to use simply to deny competitors the opportunity to use that mark.

In this light, the CJEU received a request for a ruling stemming from the Benelux Office for Intellectual Property asking very precisely whether use in one member state would

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7 Article 10 Trade Mark Directive.
8 Supra n. 3, *Leno Merken*, para. 33.
be sufficient in itself to represent use within the Community for the purposes of a CTM.\textsuperscript{11}

Advocate-General Sharpston in her opinion in this case, \textit{Leno Merken}, made a detailed analysis of the requirements of genuine use within the community advocating an approach that makes the concepts of “genuine use” and “within the Community” as indivisible concepts that must be examined together. Drawing on the Courts previous case law, the territorial scope of the use is but one of several factors that must be examined in order to ascertain whether there has been genuine use within the Community.\textsuperscript{12}

The CJEU largely followed the Advocate General’s opinion in disregarding any requirement of genuine use that allows examination of the genuineness of that use with respect to geographical borders.\textsuperscript{13} The genuineness of the use of a trade mark, for the purposes of article 15 Trade Mark Regulation, may be enough when it falls within a relatively small geographical area or in a larger area that covers a number of member states. The key aspect relates to the key function of a trade mark itself, whether the use of that trade mark is sufficient as a means of creating or maintain market share for the goods or services protected by the mark.

In this context the CJEU has laid down what appears to be a market examination approach to determining the genuine use of the trade mark. As there is no \textit{de minimis} rule laid down it falls to undertake an examination of the facts and circumstances of the case in particular ‘the characteristics of the market concerned, the nature of the goods or services protected by the trade mark and the territorial extent and the scale of the use as well as its frequency and regularity’.\textsuperscript{14}

In their judgement, the CJEU on a number of occasions focused on a market assessment test and the creation or maintenance of market shares in determining whether the use is genuine. Furthermore, the CJEU states that the genuineness of the use will to an extent

\textsuperscript{11} Supra n. 3, \textit{Leno Merken}.
\textsuperscript{12} Supra n. 10, AG Opinion \textit{Leno Merken}, para. 38.
\textsuperscript{13} Supra n. 3, \textit{Leno Merken}, para. 44.
\textsuperscript{14} Supra n. 3, \textit{Leno Merken}, para. 56.
relate to the characteristics of the product or service on the ‘corresponding market’. As such, in assessing the genuineness of the use, the assessment relates to the effect of the trade mark on the ‘corresponding market’.

2.2 Assessing Genuine Use

Currently, there appears to be a lacuna in this area in relation to guidance from both the CJEU and OHIM on what is considered the corresponding market. The result is an uncertainty as to when an undertaking may consider that they have put to use their trade mark within the Community. In relation to the Trade Mark Directive and national trade marks the matter is relatively straightforward. However, when we are assessing a CTM due to the size and expansion of the EU it is unclear when a trade mark will be considered genuinely used within the Community.

Therefore, to what extent can the corresponding market definition be assimilated to the definition of ‘relevant market’ within competition law in order to give guidance and clarity on what remains a difficult concept to pin down? Furthermore, would using a corresponding definition such as ‘relevant market’, given the complimentary and competing natures of trade mark and competition law, give an effective balance to the aims of the CTM of allowing undertakings to adapt their activities to a Community wide scale?

\[\text{Supra n. 3, } Leno Merken, \text{ para. 54, the case law relating to CTM is limited, however, a direct comparison can be drawn from cases decided under the provisions for } \text{'genuine use' article 10 Trade Mark Directive, most notably Supra. n. 4 }\text{ } \text{Ansul at para. 39 and } \text{La Mer at para. 27 and } \text{C-416/04 P, Sunrider v OHIM [2006] ECR I-04237, para. 40.}\]

3. EU Competition Law

Considering the guidance given by the CJEU in *Leno Merken*, it appears as though a complimentary test already exists in competition law that assesses the relevant factors in the determining whether there has been a genuine use such as the ‘characteristics of the market, the nature of the goods and services and the territorial extent’.

Whilst the considerations of the ‘relevant market’ test relates to determining within competition law the market upon which anti-competitive practices may be taking place, this test may also be used conversely to determine the corresponding market that the trade mark is present upon. In turn an assessment can be made as to whether given the market position and the unitary protection of a CTM, whether the continued protection granted under the CTM system is warranted. Further consideration may, if necessary, be given to reverting protection to a national trade mark under the provisions of the Trade Mark Directive and using the complimentary systems to their full potential.

3.1 Economic Considerations of Competition Law

Competition policy in free market economies is, in essence, about the allocation of resources and in particular, allocating those resources in the most efficient manner possible in order stimulate efficiency on the market.\(^17\) Competition law acts as an ‘invisible hand’\(^18\) to allocate scarce resources in accordance with consumer choice.

The guiding principle has been long seen as efficiency,\(^19\) why would a consumer buy a product at an inflated level if it were available at cost. Furthermore, of concern is the wasting of resources on acquiring and maintaining market power. Enforcing agreements and lobbying to regulate industries is not an efficient use of resources.\(^20\)

3.1.1 Aims of European Union Competition Law

When analysing competition law in the European Union, as well as achieving efficiency, there are a number of additional objectives to be achieved and these can be

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seen as both complementing and conflicting with the inherent principle of efficiency in free market economies.

One of the objectives of competition regulation is to further support market integration within the EU, which involves the removal of barriers to trade\textsuperscript{21}然而, this brings the potential risk that small and medium sized firms may find it more difficult to compete with larger multi-national firms that now have access and resources to reach larger markets. Whilst, this may potentially improve the short-term efficiency of the markets, unregulated it may also have the opposite effect of concentrating market power and potential closure of the market to potential future competitors.

As such a balanced approach to the market and the need for efficiency in encouraging the growth of large firms whilst ensuring that those firms are not unrestricted in their market power, in principle should ensure fair competition on a free market.

3.1.2 The Function of IP and Trade Marks in an Effective Competition Law Environment

Intellectual Property (IP) rights have historically raised certain problems for the enforcement of competition law. It was considered that there was a tension on the one hand when a system of regulation grants a legal monopoly and conversely, there is a system designed to ensure free competition. IP rights allow the owner to exclude all others from the use of such a right whether it is a patent, trade mark, design or copyright or to allow the exploitation by others under licence usually for a payment of royalties.

However, the current view on granting of IP rights is seen as inherently pro-competitive. Whilst when taking an \textit{ex post} analysis of IP rights, it may be deduced that IP rights constitute barriers to entry onto a market for firms that do not have access to certain technology or are not able to gain a licence to such a right.

However, perceived \textit{ex ante}, a firm has made a conscious decision to invest in innovation or reputation in the expectation that they would receive benefits from those investments. Preventing so-called \textit{free-riding} promotes and gives incentives to business to invest and overall improves efficiency in the market.

Whilst this view has not always been prevalent, such as the requirement of compulsory licensing of IP rights within the EU, and a view undertaken by many Harvard economists that such rights create a barrier to entry, it should in fact, based on an *ex ante* assessment, be considered that IP rights are inherently pro-competitive. Chicago economists would state that large capital requirements in themselves are not a barrier to market entry, simply because the initial capital requirement would have been invested by the firm that is already present in the market. Furthermore, if a market is profitable then other large firms may be able to enter it. Similarly, large capital investments made in IP should also not be considered a barrier to entry or anti-competitive as the initial investment should be rewarded in itself as ultimately benefiting society and efficiency in the market.

A company will establish and invest in a trade mark and will acquire benefits in that investment through a guarantee of quality, innovation or style whatever may be the selling point of the particular product. As such, the guarantee is what is protected; products that bear the mark of that particular establishment will conform to a particular standard that has been consistently provided.

In line with competition objectives, this encourages a company to establish best practices and innovation in providing its customers with the best possible product at the most efficient price. This is rewarded by protection of the mark that is associated with those products and that company.

Allowing *free-riding* on such a mark would in fact be detrimental to the efficiency objectives of competition law as it would give an incentive to other companies to make an inferior product and pass it off as one of a higher quality at a cheaper price. In such a case the consumer is the ultimate loser as he receives an inferior product and the owner of the trade mark may no longer be able to operate as efficiently as before due to an unfair use of his reputation and is thus forced to raise prices.

Whilst the prevailing view is that IP rights do not give rise to competition law concerns, there are certain circumstances where under article 102 TFEU, IP rights may, due to a

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22 Supra n. 18, Valentine, p.240. However, a less formalistic approach is now being taken by the Commission in encouraging innovation and competition, see Press Release IP/00/1376 (29 November 2000).

dominant position, give rise to competition concerns. This in particular relates to the market share levels of an undertaking and in a series of cases culminating in Microsoft, the Commission determined that where an undertaking holds a dominant position and refuses to licence IP rights, that refusal may be abusive and lead to competition law concerns. These concerns will arise when three cumulative conditions are met, namely that a refusal to license prevents emergence of a new product on the market for which there is potential customer demand, it is unjustified, and is such as to exclude competition on the secondary market.\textsuperscript{24}

Whilst a dominant undertaking may refuse to supply a new customer on the basis of an objective justification\textsuperscript{25} and this cannot in itself be an abuse of a dominant position\textsuperscript{26} the justification must conform to the Microsoft criteria and not impede effective competition which becomes more difficult to reconcile when an undertaking holds a dominant position and requires licensing of its IP. Thus the market share of an undertaking is also an important part of identifying how the exercise of IP rights may effect competition and furthermore how important the identification of the relevant product/service market is to the outcome.

The protection of trade marks is therefore an important and complimentary aspect to the effective enforcement of competition law and in terms of EU competition policy, in that EU policy has much wider considerations than purely economic efficiency,\textsuperscript{27} contributes to \textit{inter alia} the consumer welfare objectives of the internal market.\textsuperscript{28}

Within an EU context the regimes relating to protection of trade marks (whether at a national level under the Trade Mark Directive or Community wide under the Trade

\begin{footnotesize}
\begin{enumerate}
\item Supra. n. 24, \textit{Microsoft} para. 330, \textit{IMS} para. 34.
\item For example, article 137 TFEU on Social Policy or article 169 TFEU on Consumer Protection, Consolidated version of the Treaty on the Functioning of the European Union, OJ C 326.
\end{enumerate}
\end{footnotesize}
Mark Regulation) and the competition provisions are intrinsically related and cannot be viewed in isolation. Given the above considerations and the recent rulings of the CJEU in *Leno Merken* and the repeated references to the ‘corresponding market’ it may be beneficial to adopt similar approaches to assessment of ‘corresponding market’ with the competition law concept of ‘relevant market’ when assessing the genuine use criteria for a CTM.
4. The Relevant Market Definition

The concept of a relevant market definition is as ‘a tool for aiding the competitive assessment by identifying those substitute products or services which provide an effective constraint on the competitive behaviour of the products or services being offered in the market by the parties under investigation.’ In essence, whilst a company may have a monopoly over a market, it does not follow that this will necessarily be anti-competitive due to, for example, the substitutability of another product. Therefore, the guiding principle, relates more to the benefits that may be established from monopolising a market taking into account effective substitute products and services.

If there is no benefit from for example raising prices due to the substitutability of the product or the presence of other competitors, then it follows that there is no anti-competitive effect. However, the assessment of the relevant market is a vital step in establishing this premise.

In cases relating to an abuse of dominance under article 102 TFEU and assessment of mergers under the Merger Regulation, an assessment of the relevant market is a necessary step in determining whether there has been either an abuse of dominance or whether the proposed merger would comply with EU law. In cases involving article 101 TFEU, the relevant market test is also a key stage in assessing anti-competitive practices although in practice is differentiated to an extent from the assessments of article 102 TFEU and mergers.

The main purpose of the market definition is to ‘identify in a systematic way the immediate competitive constraints faced by an undertaking. The objective of defining the market in both its product and geographic dimension is to identify all actual competitors of the undertaking concerned that are capable of constraining its activities.’

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behaviour.” The appropriate definition of the product and geographic markets is the starting point for determining the existence or extent of a competition infringement.

4.1 **Product Market**

According to the Commission’s Market Definition Notice the relevant product market consist of identifying the competitive constraints on the undertaking, the demand substitutability, product substitutability and potential competition. For the purposes of this paper, potential competition shall not be examined as potential competition is not usually concerned with an analysis of defining the relevant market.

4.1.1 **Demand Substitutability**

The substitutability or interchangeability of the product in question is a key determining factor in assessing the relevant market. As stated in the Commission’s Market Definition Notice, a firm or group of firms cannot have a significant impact on the prevailing conditions of sale if the customer is in a position to easily switch to an available substitute product.

Thus, when considering the substitutability/interchangeability of a product, the Commission shall generally use a quantitative SSNIP test which considers whether a 5-10% increase in the price of a product would cause purchasers to purchase another product and thus make the price increase unsustainable.

Identifying whether a product can be substituted will depend on the characteristics, price and intended use of the product in question. However, defining the characteristics, intended use and price in assessing substitutability is not always a straightforward

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33 Commission Notice on the definition of the relevant market for the purposes of Community Competition law, OJ C 372/03, para. 1. It is of course relevant to point out that these guidelines are without prejudice to the definition given by the CJEU or General Court as stated in para. 6, of the notice. On the meaning of relevant market the CJEU noted in *AstraZeneca* (cited below n. 40.) The concept of relevant market is different from other definition of market. Also of interest is Veljanovski, *Markets without substitutes: substitution versus constraints as the key to market definition* [2010] ECLR 31(3) 122-124, indicating that the proper test for market definition is competitive constraint rather than substitution.


exercise and poses a number of difficulties itself as evidenced by the CJEU case law on this matter.

In the United Brands case, the CJEU held that bananas formed their own market that was differentiated from that of other fruits and that there are a large number of consumers not able to switch to other seasonal fruits. Therefore the relevant product market was limited to bananas and did not include other fresh fruits. It is likely that given the change in the markets and the availability of fruits all year round, not just bananas, the same decision would not be reached. However, the key here was interchangeability. At the time of this decision, due to the seasonal nature of the fruit market, other fruits could not be easily interchanged with bananas for certain key consumer groups.

This definition of product characteristics and interchangeability is key when assessing the relevant market and admittedly it was not particularly clear in the CJEU’s reasoning in United Brands why bananas should form a separate group. Nonetheless, the principle remains and in Airtours the General Court accepted the significance of marginal customers in finding distinct product markets for long and short haul package holidays. Just because products may have a similar or identical functions or characteristics, it does not mean that they form part of the same relevant market. The focus is also on interchangeability of the product itself if there was a small but relative increase in the price.

This idea can be seen in the Commission’s appraisal of the Nestle/Perrier merger. In this case the Commission decided that bottled waters, teas and milk, whilst all serving the purpose of ‘quenching thirst’ could not be held to be in the same market as they were not sufficiently close alternatives.

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37 T-342/99, Airtours v Commission [2002] ECR I-02585, para. 47, in which the General Court confirmed the Commission’s decision to differentiate the market of long-haul v short-haul holidays due to the price difference, durations and consumer preferences.
38 Supra. n. 33, Commission Notice on the Relevant Market, para. 36.
39 M. 190, Nestle Perrier, OJ 1992 L356/1, para. 9. See also Airtours above n. 32. Whilst these two cases refer to the merger regulations, they do reflect the manner in which the Commission utilises the relevant product market definition to determine the scope of substitutability.
In general, the Commission’s decisions in relation to the relevant product market has been to err on the side of a narrow definition of the relevant product market which results in higher market shares thus enabling the Commission to exercise control over behaviour which it objects to. Conversely, the opposite is true of the parties to a transaction as they would prefer a wider market definition and thus smaller market shares therefore meaning the parties’ behaviour is less likely to be caught by competition regulations.

This point can be seen, albeit in a rather complex case, in *Astra Zeneca* in which the General Court firstly confirmed the margin of discretion that is available to the Commission in coming to its decision.\(^{40}\) Furthermore, on appeal, the CJEU upheld the Commission decision in finding a narrow definition to the relevant market of two anti-ulcer medicines with essentially the same function due to differences in their effectiveness and stage of use in treatment.\(^{41}\)

Consequently, identifying the relevant product market involves an analysis based on the inherent substitutability of one product with that of a competitor. The extent of substitutability takes into account a number of various market considerations that serve to accurately identify the relevant market and its size. This definition would be equally relevant for determining a relevant product market for trade mark law although how wide and how strict substitutability should be determined perhaps should not be as strict as the Commission holds in a competition law assessment, this is discussed below 6.1.1.

### 4.1.2 Supply Substitutability

Supply Substitutability allows the relevant market to take into consideration the fact that whilst a consumer may not be able to change products due to an increase in price, a supplier may be able, with minor adjustments, to adapt their own manufacturing to produce products whose price has risen. This would then render the price increase unprofitable in the absence of any demand substitutability. The CJEU has held this type of analysis as an essential element of market definition.\(^{42}\)

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\(^{42}\) Supra. n. 31, *Continental Can*, para. 32.
The Commission Notice on the Relevant Market uses paper as an example, due to the different gradings and qualities available and the lack of interchangeability of paper for different functions. However, a supplier of paper would with limited effort and resources be able to modify their output in order to meet demand and compete for different qualities. Therefore, different qualities of paper would be included in the same relevant market.\(^{43}\)

However, there are two important constraints when using Supply Substitutability, because firstly, suppliers must be able to switch their production facilities in the ‘short term’; and secondly, suppliers must be able to switch without incurring significant additional costs or risks.\(^{44}\)

Whilst the requirement of ‘short term’ is not necessarily fixed, in *Michelin* the CJEU decided that to change production of tyres from light vehicle to heavy vehicle tyres would involve considerable time and investment. Therefore there was not a sufficient relationship between the categories to justify inclusion within the same market definition.\(^{45}\)

Whilst supply substitutability is a key element in assessing the relevant market, its application to a corresponding market for the CTM may not be completely logical. The justification of a CTM relates to the ability of a trade mark owner to distinguish their products from those of other products on the market. The nature of supply substitutability is in the author’s opinion to hypothetical to be transferred to a corresponding market definition. Consumers are not likely to consider that in the future there may be a new branded or non-branded product on the market but consider what is already available and known. As such, the focus should remain on the demand substitutability side of the relevant market definition.

### 4.2 Geographic Market

The geographic market has been defined by the CJEU as ‘the area in which the undertakings are involved in the supply and demand of products or services, in which the conditions of competition are sufficiently homogenous and which can be

\(^{43}\) Supra n. 33, Commission Notice of the Relevant Market, para. 22, the example cited is based on M. 166, *Torras/Sarrio* 24 February 1992, para. 18.

\(^{44}\) Supra n. 33, Commission Notice of the Relevant Market, para. 20.

distinguished from neighbouring areas because, in particular, the conditions of competition are appreciably different in those areas.' In *United Brands* it was determined that France and the UK did not constitute part of the relevant geographic market for bananas because of the special relationship that they had with the supply of bananas from their former colonies.

The case law of the European courts has determined that the geographic market may extend to a single member state due to national regulations such as in *AKZO* or as a result of high transport costs or as the internal market is completed it may be expected that markets will become broader and even EU-wide.

However, it is important that the geographic market is not drawn too narrowly to only reflect the market that the product is being sold on. This kind of definition as was implemented in *Michelin* does not take into consideration the fact that there may be other avenues of supply open to a buyer if the price of the product were to be raised. It does not take into account the market power of the buyer and customers who would not agree to such exploitation when they could buy directly abroad, in the *Michelin* case from Germany or Belgium.

As such similar conditions of demand substitutability and supply substitutability are considered when assessing the relevant geographic area of the market.

### 4.2.1 Demand Substitutability for the Geographic Market

In terms of Demand Substitutability when assessing the relevant geographic market there are a number of considerations that may be relevant in determining whether a particular geographic area should be considered part of the relevant market. This includes *inter alia* transport costs, pricing data, national and cultural preferences, geographic purchasing patterns and shares of supply.

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46 Supra n. 36, *United Brands*, para. 11.


49 Supra n. 44, *Michelin* para. 28.


51 Supra. n. 33, Commission Notice of the Relevant Market, para. 50.

52 Supra. n. 33, Commission Notice of the Relevant Market. para. 45.
Transport Costs

Transport costs are important when assessing the relevant geographic market as demonstrated in the *Irish Sugar* case. Under the circumstances, the geographic market could not be extended further than Ireland to include France, Germany and the Netherlands because the cost of freight and transport was a significant barrier to trade.

Therefore, should a rise in prices still not allow a customer to change suppliers due to prohibitive transport costs, there cannot be an appropriate demand substitute and it is not appropriate to extend the geographic area in such a manner.

Pricing Data

Pricing data may be indicative of a number of factors, however, a higher price could in particular indicate that the product is part of a larger geographic market as customers would be prepared (juxtapose to an increase in transport costs) to travel further to find a cheaper supplier.

However, this must also be contrasted with the fact that should prices be materially different, it suggests that there may in fact be two distinct geographic markets. This reasoning was used by the Commission in *Michelin II* to support the conclusion that due to the material price differences, the geographic extent of the market was confined to the national market.

However, pricing data in itself is not conclusive and would need to be examined in the larger context of the market, for example, what is the material reason for the price differences? Are the price differences relating to objective differences in the competitive structure or are they artificially created from distortions to competition.

National and Cultural Preferences

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53 Supra. n. 33, Commission Notice of the Relevant Market para. 46.
54 Supra. n. 33, Commission Notice of the Relevant Market para. 48.
55 Supra. n. 33, Commission Notice of the Relevant Market para. 48.
58 This can be seen in two cases involving difference in prices but were to an extent affected by the anti-competitive practices of the undertakings themselves: *Soda Ash – Solvay*, OJ 2003 L10/10, appealed T-66/01, *Solvay v Commission* [2010] ECR I-02631, paras. 238-245, in which the General Court upheld the Commission’s findings on the relevant market, and T-30/89, *Hilti v Commission* [1991] ECR II-01439, para. 81.
Such barriers may include linguistic requirements,\(^{59}\) consumer led standards or more general requirements related to local or national preferences. This was also demonstrated in \textit{United Brands} in which the Commission excluded three member states (namely France, UK and Italy) on the basis that they had their own peculiar arrangements in relation to the importation of bananas and therefore could not reasonably be included within the relevant geographic market.\(^{60}\)

\textit{Geographic Purchasing Patterns}

Existing purchasing patterns can be useful but by no means conclusive in determining whether the relevant geographic market is to be considered narrowly or broadly. The absence of trade flows is not determinative as on the basis of an SSNIP analysis, should there be a small increase in price then consumers may begin to purchase from another locality. The issue relates as to whether there is a barrier to trade.\(^{61}\)

\textit{Shares of Supply}

If a supplier is able to maintain high and stable market shares for a long period in one particular geographic area, it indicates that they may not face substantial competition in that particular area meaning that the relevant geographic area should be drawn narrowly.

\textbf{4.2.2 Supply Substitutability for the Geographic Market}

As stated above (4.1.2), as well as in the Commission Notice of the Relevant Market,\(^{62}\) Supply Substitutability will be taken into consideration when the effects of Supply Substitutability are effective and immediate. Therefore, in general practical terms, transportation of products may simply involve transporting them further, unless they are particularly specialised or difficult to transport.\(^{63}\)

Demand and supply substitutability for the geographic market allow a thorough analysis of the geographic scope of the competitive environment. Consequently, such an analysis for trade marks would give a comprehensive analysis of the extent of the use of the


\(^{60}\) Supra. n. 36, \textit{United Brands} paras. 36-37.

\(^{61}\) Supra. n. 33, Commission Notice of the Relevant Market, para. 50.

\(^{62}\) Ibid. para. 20.

trade mark. Unlike the demand substitutability for the product market, the extent of the geographic market may in fact be wider than where the product has been placed on the market. Thus any assessment must also consider whether, despite not placing products on the market, is the trade mark, by virtue of parallel trade or some other means, known on the market and thus fulfils its function as identifying the origin of certain products or an undertaking.

4.3 Substitutability and Trade Mark Branding

In relation to product or service substitutability, branding plays a key role in consumer choice and whether one product would in fact be substitutable by another. Consequently, an investment in branding will be a competitive advantage and the investment in trade marks and branding is one that undertakings invest heavily in.

In the context of competition law, branding and the use of trade marks in license agreements or in tying in consumers has been anti-competitive.\textsuperscript{64} Whilst the use of branding is not anti-competitive in itself, and in fact can encourage competition and benefit the consumer through providing better quality products, it can be used in an anti-competitive manner to isolate markets (see above 3.1.2.).

Furthermore, consumer choice will be affected by brand strength. Branding has an effect on the supply substitutability of a product and the clear link between relevant market, branding and CTM is easily established. This is most relevant in the case of luxury branded goods where the supply substitutability of a product will fall as consumers are less likely to accept a non-branded or differently branded product as a substitute. Therefore, the relevant market definition in a competition assessment will focus upon whether the ownership of an IP right allows the owner to impede effective competition.\textsuperscript{65}

The Commission takes into consideration the potential effect of branding in its guidelines on vertical restraints in particular that vertical restraints for branded products will be more harmful for competition than vertical restraints for non-branded products.\textsuperscript{66}

\textsuperscript{64} Supra n. 22, Consten & Grundig, see also relating to Single Branding, Commission Guidelines on Vertical restraints, OJ 2010 C130/01: paras. 129-135.


However, this consideration is also reflected in the block exemptions discussed below 7.2, which takes into consideration the fact that agreements that fall below the 30% market share allowance will not impede effective competition. Furthermore, due to the luxury nature of a product itself there may in fact be legitimate reasons to limit the supply and distribution of the product to maintain its exclusivity.

The effect a brand can have on supply substitutability was recognised in *SCE/Metsä Tissue* in which the Commission recognised separate markets for branded and own label products. Thus whether a non-branded product can be considered to be part of the same market will depend to an extent on the end consumer as also stated in *SCA/Metsä* where the Commission identified the ‘away from home market’ as not being influenced by the brand of the product but the quality.\(^{67}\)

Whilst branding is an element of consideration within the competition law definition of relevant market, it will perhaps not be as important for defining the ‘corresponding market’ due to the fact that the trade mark itself must be recognisable in the first place as an indicator of origin of the product or service concerned. The assessment itself of corresponding market itself is based upon assessing the relative strength of the trade mark which corresponds to a large extent with brand strength. Therefore, the author considers that it is not relevant to consider brand strength as a determinative factor for assessment of the corresponding market. Brand strength relates to an extent to supply substitutability and as discussed in 4.2.2. is too hypothetical to enable an accurate assessment for the purposes of a CTM corresponding market.

\(^{67}\) M. 2097, *SCA/Metsä Tissue* OJ 2002 L57/1, paras. 23-28 and 33.
5. Market Shares

Once the relevant market has been determined based on the product and geographic dimensions, the market share can be calculated. This is usually easily attainable by reference to sales figures from each supplier in the relevant market.\textsuperscript{68}

Calculating market shares with reference to competition law assessments is particularly relevant when considering cases under article 102 TFEU and the assessment of any abuse of a dominant position, and in the application of the Merger Regulation.\textsuperscript{69} Market shares are generally regarded as a useful indicator of the relative strength of an undertaking on the relevant market.\textsuperscript{70}

Under an assessment of article 102 TFEU, a high market share is an important factor in establishing dominance (even though it will not be determinative of abuse or dominance). A low market share will determine that an undertaking is not dominant. In relation to IP rights see above 3.1.2. it is necessary to state that IP rights cannot in themselves create dominance, however, use of those rights to extinguish competition of impede competitors may in certain circumstances lead to a finding of an abuse of a dominant position. Nonetheless, in an assessment of market shares the relevant product market assessment and not the IP right is determinative.

Furthermore, in relation to merger controls, if a merger were to create or strengthen a dominant position on the market, which would impede effective competition, then that merger must be declared incompatible with the internal market.

Under the operating of article 101 TFEU, market shares are also relevant in determining whether other forms of behaviour may be considered anti-competitive and certain guidelines are given in relation to when the Commission shall take action, for example within the scope of the application of vertical agreements or when an agreement will be considered of minor importance (\textit{de minimis}).\textsuperscript{71}

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{68} Supra. n. 33, Commission Notice of the Relevant Market, para. 53.
\item \textsuperscript{70} Guidelines on the assessment of horizontal mergers under the Council Regulation on the control of concentrations between undertakings OJ C 31, para. 14.
\item \textsuperscript{71} Commission Notice on agreements of minor importance which do not fall within the meaning of [Article 101 TFEU], OJ 2001 C368/13, see also: Commission Regulation (EU) No 330/2010 of 20
\end{itemize}
\end{footnotesize}
The application to the issue raised by this paper relates mainly to the relevant market as applied to article 102 and 101 TFEU, nonetheless, it is worth pointing out for the purposes of this paper the use of market shares in an analysis of merger agreements.

5.1 Assessment of Market Share Article 102 TFEU and Merger Regulation

The assessment of market shares as part of the method of appraisal under a competition law investigation takes differing focuses however; they are most relevant under an assessment based on a prospective merger, or a claim based on an abuse of a dominant position.

5.1.1 Market Shares Under Article 102 TFEU

A dominant position has been defined by the CJEU as a position of economic strength of an undertaking that allows it to impede effective competition on the relevant market by acting independently of customers, competitors and ultimately consumers. Determining dominance involves an assessment of the market share on the relevant market.

Commission guidance again gives an idea of the levels of market share that may contribute to a finding of dominance. Percentages that are significantly and consistently above 50% are likely to be strong indicators of dominance. Furthermore, market shares of above 40% would be regarded as significant and relevant in the assessment of dominance.

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72 Supra. n. 45, Michelin para. 30.
73 Commission guidelines on market analysis and the assessment of significant market power under the Community regulatory framework for electronic communications networks and services, OJ C 165, para. 75. The CJEU in C-85/76, Hoffmann-La Roche & Co. AG v Commission [1979] ECR I-00461, paras. 41-44, determined that high market shares are in themselves evidence of a dominant position.
74 Ibid. Commission guidelines. However, consider that in Irish Sugar Supra n. 56, para. 70, the CJEU was prepared to accept that a presumption of dominance even with a 90% market share could be rebutted by evidence of the presence of effective competitive restraints.
The CJEU did determine that market shares of 10% or less are too small to establish a dominant position, but it remains open as to whether market shares between 25-40% can be capable of establishing a dominant position.

Nonetheless, whilst not determinative in themselves, market shares can play a key determinative role in ascertaining whether an undertaking is in a dominant position within the relevant market.

It is further important to consider the extent to which an IP right can create a situation of dominance. As stated above 3.1.2. and in accordance with Microsoft and IMS Health rulings of the CJEU, IP rights do not in themselves give rise to dominance and a dominant undertaking is at liberty to license its IP as it sees fit provided that the refusal to license is objectively justifiable and does not in fact fall under the prohibited requirements laid down in Microsoft. Therefore, the fact that an undertaking has an IP right does not create a market share itself. Instead the market share is to be determined by the relevant product markets.

Therefore, any assessment of the impact of IP rights on market share remains intrinsically linked to the relevant product market and not to the nature of the IP right. An IP right cannot grant a dominant position but the market share of the undertaking on the relevant market may be such that when combined with an exercise of an IP right leads to an impediment to effective competition within the EU.

5.1.2 Market Shares Under the Merger Regulation

In order to make an assessment of the substantive effects of a concentration, reliance is placed upon the parties’ market shares that are after the merger under the control of the undertaking.

For these purposes there are presumptions made by the Commission based on a minimum level of market share that is controlled by the undertaking, less than 25% of the relevant market share, will be presumed to not impede effective competition.

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76 Supra n. 69, Merger Regulation, article 3(2).
77 Supra n. 69, Merger Regulation, recital 32. See also T-221/95, Endemol v Commission [1999] ECR II-01299, para. 134. See also Supra n. 57, Horizontal Merger Guidelines, para. 18.
Furthermore, the Commission’s Horizontal Guidelines gives additional guidance on the market share levels that will be considered to create a level of dominance and therefore impede the existence of effective competition. The guidelines state that a market share of 50% or more may be evidence of the existence of dominance on the market whilst still reflecting that smaller competitors may have a constraining influence on the dominant undertaking.78

Concentrations that will lead to a market share of between 40-50% may still be liable to create a dominant position on the market taking into account additional factors such as the competitive constraints present from other parties.79

High market shares will generally trigger a Phase II investigation, however, this does not mean that there is in practice a restriction on effective competition but is used as an indicator of when further investigation may or may not be required.80

The use of market shares is in merger cases is also demonstrative of the impact and importance placed by the Commission upon market shares in making its assessments.

5.2 Article 101 TFEU

Article 101(1) TFEU prohibits agreements between undertakings that have an effect on trade between EU member states and restricts competition. This can be an actual or potential restriction of competition. In the light of this article 101(3) TFEU provides that certain agreements may escape this prohibition if the agreement nevertheless creates a benefit for the consumer and these benefits outweigh the anti-competitive effect.

In the light of this the Commission has from time to time published block exemptions and notices on when and to what extent an undertaking or agreement will fall within article 101 TFEU and circumstances in which it will be presumed that the agreement does not have an anti-competitive effect.

The analysis of block exemptions and notices uses market shares to initially determine when an agreement between undertakings will be caught by article 101(1) TFEU and when it will not.


79 Ibid.

5.2.1 Notice on Agreements with Minor Importance (De Minimis)

The Commission’s De Minimis notice addresses when an agreement will have an ‘appreciable’ effect on trade between member states and on competition within the EU. The notice sets out levels of market share in order to determine whether or not an agreement may have an appreciable effect on trade. For horizontal agreements, the combined market share of the undertakings must not be greater than 10%, and for vertical agreements the combined market share must not be greater than 15%. Consequently, the use of market shares is a useful tool in assessing whether or not the Commission will take action and allows a streamlining of the competition enforcement proceedings. The Commission has given notice and undertakings can now work within these guidelines with a larger degree of certainty.

5.2.2 Block Exemptions

Block exemptions operate in a similar manner but are exemptions under article 101(3) TFEU to agreements that have been caught by article 101(1) TFEU. As such they provide an additional level of guidance for undertakings when concluding agreements.

Block Exemptions are contained in regulations issued by the Commission (or sometimes Council), which reduces the burden on both undertakings, and the Commission. If an agreement meets the requirements set out under the Block Exemption it is automatically exempted from article 101(1) TFEU and the need to notify the Commission. This appears after the Expedia ruling to be a key difference between exemption under a block exemption and relying on the De Minimis Notice.

A block exemption will notify the category of agreement it covers (e.g. Technology transfer or motor vehicle distribution), contain a statement that provided the certain agreement does not contain any of the black listed conditions or that it does not fall within one of the specifically listed circumstances which the Commission reserves as its

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81 Supra. n. 70, De Minimis Notice.

82 Ibid. Notice on Agreements of Minor Importance, para. 7. It is also important to state that combined market shares do not mean that the agreement is contrary to article 101(1) TFEU, rather that it does not benefit from the notice. Furthermore, the CJEU determined in C-226/11, Expedia that even if the market shares fall below the guidelines the agreement may still be caught by article 101(1) TFEU emphasizing the nature of the notice as guidelines.

83 C-226/11, Expedia Inc. v Autorité de la concurrence and others [2012] not yet reported, para. 38.
right to take action upon. In these circumstances, the agreement will not be caught by article 101(1) TFEU and there will be no need to notify the Commission.

Block exemptions also rely on market shares for example the block exemption on vertical agreements only applies if the buyer and seller’s market shares are below 30%. The block exemption on specialisation agreements only applies when the combined market share does not exceed 20% and when the agreement is entered in to does not exceed 25%.

5.3 Applicability to a Trade Mark ‘Relevant Market’

Market shares are a key aspect once the relevant market has been determined and enable the Commission to streamline their actions and work in order to assess whether there is likely to be an anti-competitive effect based on either position within the market, a proposed concentration or an agreement that falls under article 101 and 102 TFEU.

The usefulness of market shares in assessment of competition law is clearly an important factor that allows flexibility and streamlining of what can be difficult and time-consuming assessments.

Consequently, the use of market shares is relevant to any consideration of the practical application of the concept of relevant market within the scope of competition law. Therefore, the potential application of a relevant market concept to defining the relevant market for genuine use of a trademark would also need to utilise in a similar manner the market share on the relevant market.

The use and application of thresholds in market share after the relevant market has been ascertained can also allow for the same benefits of streamlining the review system of OHIM when determining whether a genuine use has been made of the trade mark. It would further allow parties challenging a trade mark on the basis of genuine use to adapt their conduct when challenging a trade mark, should any similar assessment be assimilated for the purposes of establishing genuine use of a trade mark.

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6. A ‘Relevant Market’ for Trade Marks

Having examined the current state of law for CTM and the relevant market in competition law, the following section shall analyse the possibility of exporting the analysis of relevant market from competition law to an application of assessment of genuine use within the market concerned justifying the continued protection of a CTM.

As stated above there are two limbs to examine, firstly, the concept of relevant market and how this may be assimilated for the purposes of CTM; and secondly an examination of how markets shares on the relevant market can be utilised in an effective manner similarly to that of competition law as detailed above.

By assessing the relevant market and determining a market share, it then becomes possible, in the light of such an analysis, to determine whether the trade mark has been put to genuine use on the market concerned.

The CJEU has outlined a number of factors that need to be considered for the purposes of genuine use within the community and these shall now be examined in the light of a competition law analysis of relevant market. These factors include the characteristics of the market, the nature of the goods or services, the scale of use and frequency and finally the territorial extent.86

The author is of the opinion that, whilst supply substitutability is a key aspect of the competition law assessment and needs to be mentioned, due to its hypothetical nature it is not a relevant consideration for the purposes of genuine use of a CTM and shall therefore not be considered further. The genuineness of the use of a trade mark does not rely on the hypothetical nature that a supplier may materialise onto the market.87 The importance of assessing the relevant market is to assess those products and services that are already present to determine whether, given the strength of the trade mark, it deserves continued protection under the CTM.

86 Supra n.3, Leno Merken, para. 56. See also Supra n. 16. Gielen pp. 53-54 for a discussion on territorial extent and Bereskin, Alexander and Jacobson, Bona Fide Intent to Use in the United States and Canada (2010) 100 TMR 727 for a discussion on genuine use and a more far reaching proposal for scope of use in Duran, ‘Geographical Scope of the Use Requirement for Community Trade Marks’ in Harmonisierung des markenrechts, Festschrift fur Alexander von Muhlendahl, p.333.

87 Supra. n. 4, Ansu paras. 35-36, See also Ilanah, Simon, OHIM Board of Appeal applies genuine use criteria to small scale usage Journal of Intellectual Property Law & Practice; March 2006, Vol 1 Issue 4, pp.237-239.
6.1 Relevant Market

For these purposes, the author considers that the relevant factors can be assimilated in the following manner. The characteristics of the market, nature of the goods and service, and use and frequency can all be assimilated to the ‘relevant product market’. The territorial extent can be assimilated to the ‘relevant geographic market’. The scale of use appears to be a more direct reference to the market share created or maintained and therefore would fall under the assessment of market share examined below in Chapter 7.

6.1.1 Relevant Product Market

The first stage is to identify all of the products on the market that can be considered to be in competition with the product or service itself. The SSNIP test is a useful means of identifying the competing products and services that may be substitutable for the product as stated above 4.1.1.

This test is relevant as it takes into account the considerations laid down by the CJEU in *Leno Merken*\(^88\) in identifying not only the characteristics of the market, but also the nature of the goods and services themselves. Similarly, in an assessment for relevant product market the Commission will consider the nature and characteristics of the goods and services in order to assess potential substitutability (see above 4.1.1).

In principle this assessment and comparison seems to hold no difficulties, however, it is important to state that this kind of definition is not without its controversies as already mentioned above 4.1.1. Of particular importance here is deciding how wide to draw a particular relevant product market.

The Commission has taken an approach that has generally erred on the side of drawing a narrow market definition and therefore higher market shares. The extent of the definition will directly determine whether a product has a larger or smaller market share, which will, in turn, directly affect the continued granting of a CTM. For example, in contrast to the *Nestle/Perrier*\(^89\) case mentioned above, for competition purposes it may not be appropriate to draw a wider market based upon the products purpose of quenching thirst. However, given that all of those products may have the ‘Nestle’ trade

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\(^{88}\) Supra. n. 3, *Leno Merken*, para. 56.

mark attached to them, for the purposes of a CTM it would be necessary to include all of those products in a wide market definition.

Furthermore, addressing what the market is will pose problems when the provider of services offers a number of different linked services as demonstrated in Google. In that particular case a reference was made as to whether or not Google could be held liable for contributory infringement of a trade mark through its provision of Adwords service. However, in these circumstances it is difficult to determine which service was being provided, was it Google’s provision of an internet search engine or its offering of the Adwords service to allow business to be found through the search engine. Under article 14 ECommerce Directive Google would not be liable for their passive involvement as a search engine, however, in utilising the Adwords service, should they help their customers in choosing keywords then they could no longer be passively involved and benefit from the defences in article 14 ECommerce Directive.

Defining which particular market thus can pose a difficult problem for determining the relevant product market. The all-encompassing nature of trademarks and their ability to distinguish a number of different products through different services means that an approach to establishing a relevant market for trade marks poses differing challenges to competition law. Whilst the approach to relevant market must in principle be similar, the result will often need to play out in the converse manner to what it would in a competition law assessment resulting in wider product definitions. This is not altogether surprising given the somewhat competing nature of the rights involved.

To an extent therefore, an adjustment of the test for relevant product would be required. It is the author’s opinion that this can be achieved by transposing the Nice Classification

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91 Joined cases C-236/08 to C-238/08, Google France SARL and Google Inc. v Louis Vuitton Malletier SA (C-236/08), Google France SARL v Viaticum SA and Luteciel SARL (C-237/08) and Google France SARL v Centre national de recherche en relations humaines (CNRRH) SARL and Others (C-238/08), (2010) ECR I-02417, paras. 91-95.
system of trade marks, as adapted by OHIM,\(^{92}\) and utilising the fact that the trade mark will have been registered under this system for a particular class of products.

Whilst, it is not entirely appropriate to use the Nice Classification system as the sole basis for determining the relevant product market, the classification is far too broad, it would give an additional element of guidance in order to more effectively breakdown the relevant product markets.

### 6.1.2 Relevant Geographic Market

The territorial extent as described in *Leno Merken*\(^ {93}\) can be assimilated to the relevant geographic market. As detailed above the relevant geographic market is the area in which the undertakings are involved in the supply and demand of products and services in which the conditions of competition are sufficiently homogenous and which can be distinguished from neighbouring areas (see discussion above 4.2.).

Historically, the geographical extent of the market concerned has posed difficulties. In the context of trade mark law the genuine use must be within the community and the territorial extent is one factor. As there is no *de minimis* rule,\(^ {94}\) the purposes of the test itself must be to ascertain, given all the circumstances, whether the trade mark protection is still warranted.

By using the same test to ascertain the relevant geographic market, an assessment can be made, in coordination with the relevant product market, as to the size of the market share and extent of the operation and scope of the trademark.

Therefore, using the demand substitutability test for the relevant geographic market, including assessing *inter alia* transport costs, pricing data, national and cultural preferences as discussed above under 4.2.1. it is possible to determine the relevant geographic market in which the goods or services are provided.

*Transport Costs*

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\(^{92}\) For the current Nice Classification list see: [http://www.wipo.int/classifications/nivilo/nice/index.htm](http://www.wipo.int/classifications/nivilo/nice/index.htm) however, the OHIM class system is a modified version that harmonises offices community wide but reflects updates stemming from the Nice Classification system.

\(^{93}\) Supra. n. 3, *Leno Merken*, para. 56.

\(^{94}\) Supra. n. 3, *Leno Merken*, para. 55.
The extent to which a trade mark may have access to or become known on another geographic market will depend on criteria such as transport costs. If like in the *Irish Sugar* case\(^{95}\) transport costs would present too costly a barrier to access to the market then it is unlikely the trade mark would be known in that particular region. Whilst this would not hold strictly true for trade marks,\(^{96}\) it is a good indicator in defining the relevant geographic market but cannot be held strictly true as the use of trade mark may take another form than on the labelling or packaging of a product.\(^ {97}\)

*Pricing Data*

As stated above, differences in pricing can indicate whether the undertaking is able to compete on a particular geographic market should they be so inclined. Again, in establishing the potential scope of the relevant geographic market, the presence of the trade mark on the market or potential presence would indicate what market should be taken into consideration.

*National and Cultural Preferences*

National and cultural preferences will also play a key role in market access including individual national regulatory requirements or consumer preference.

*Geographic Purchasing Patterns*

As stated above 4.2.1. this is an indicator of the potential breadth of the geographic market as it will determine where consumers are prepared to source their goods or services from. Therefore, the existence of potential market access again gives an indication of the relevant geographic market.

Using the demand substitutability model for the relevant geographic market allows the relevant geographic area to be determined which has two particular benefits. Firstly, it concludes the second part of the relevant market test; and secondly, it immediately indicates whether, given the geographic scope of the market, whether a CTM is necessary or whether a national trade mark would provide the same protection.

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\(^{95}\) Supra. n. 59, *Irish Sugar* para. 95.

\(^{96}\) A trade mark does not need to be attached to a good for it to be considered put to use. The use may be in another form or manner and is not tied to the sale of a product itself.

This test has an additional benefit to simply considering where the trade mark has actually been used. On a single free market, the use of a trademark in one area, and the fact that the undertaking for whatever reason has not accessed other market areas does not mean that the trade mark cannot or does not serve the same purpose in that area. It may be that the trade mark is known in areas other than where it has been actively put on the market and may in many cases be known by a large competitor who operates on the same market but in a different geographical locality. This does not prevent the trade mark from still serving its main purpose, i.e. of identifying the origin of the goods involved.

This could be extremely detrimental to an undertaking that is well-known on the market but has not placed their products in that particular geographic region (but could be considered within the relevant geographic market) and another undertaking were to start selling counterfeit goods or free riding on the good will of the trade mark. By undertaking a more holistic approach as envisaged by the competition assessment of relevant market this type of situation can be taken into consideration.

Furthermore, to deny protection would potentially deny an undertaking from breaking into new markets which would mainly be to the detriment of small and medium enterprises looking to expand.

Therefore, by taking an approach that takes into account the geographical/territorial extent in such a manner as to place emphasis on potential competition actively encourages integration of the internal market. It acknowledges firstly that the product, whilst not on a particular market, the brand may be well known, and has the secondary benefit of allowing for potential expansion on to those and future markets by not disproportionately limiting the scope of the trade mark or arbitrarily drawing lines in the sand.\(^\text{98}\)

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\(^\text{98}\) Supra n. 3, Leno Merken para. 55. No de minimis requirement of genuine use in respect of territoriality.
7. Market Share

Having established the relevant market it then becomes possible to determine the market share of the undertaking upon the relevant market. This is as stated above, Chapter 5, as a means of gauging the market strength of an undertaking.

7.1 Market Shares: Application

As the CJEU stated in *Leno Merken*\(^9^9\) genuine use of a trade mark will involve the commercial exploitation of that mark to create or maintain market shares and that the scale of use is an important factor in assessing whether or not genuine use has been made of a CTM. Therefore, as the first preliminary point, if after the grace period\(^1^0^0\) an undertaking has not created a market share upon which that trade mark would be used then it is clear that it has not been put to genuine use and should no longer benefit from protection.

The key question would remain however, when the mark has been put to use on the relevant market, how does an assessment of market shares help further this analysis?

Given the CJEU’s decision in *Ansul*,\(^1^0^1\) that for genuine use to be made of a mark the use need not be quantitatively significant, the requirement of any market share on the relevant market would appear to be enough to establish a genuine use of the mark. This approach would give an element of certainty to trade mark owners clarifying that internal use is not enough for continued protection,\(^1^0^2\) but use of the trade mark must also involve the creation or maintaining of market shares.

Furthermore, the aim of trade mark is to guarantee the origin of the goods on the market concerned. Consequently, even a small market share can guarantee this, in the cases of for example, luxury goods providers, guaranteeing that the good/product has come from that provider and not another.

Finally, by providing that any market share would be sufficient to demonstrate the genuine use of the mark, it would meet the goal of allowing potential expansion of small

\(^9^9\) Supra n. 3, *Leno Merken* para. 55.
\(^1^0^0\) Article 15, Trade Mark Regulation.
\(^1^0^1\) Supra. n. 4, *Ansul*, para. 39.
\(^1^0^2\) Supra. n. 4, *Ansul*, para. 37.
and medium business into larger markets and to establish and maintain themselves on that market through brand recognition.

However, more recently, the CJEU in *Leno Merken* placed emphasis that genuine use of a trademark involves use in accordance with its essential function and for the purpose of maintaining or creating market share. In light of this statement should such a large and far reaching right such as a CTM be granted to an undertaking that perhaps has only 0.1% share of the relevant market? Whilst it is possible to restrict the application at an earlier stage through the relevant geographic market, should it also be possible to limit the application of a CTM on the basis of an insignificant market share? This may be a wiser course of action given the potential to maintain protection through a national trade mark and would further clarify the diverging roles of the CTM and national trade marks within the EU trade mark system.

This may be a matter of individual circumstances, it may be that in some circumstances a small market share would potentially be justified in maintaining a CTM on the basis that there is large growth potential for the undertaking and there is a justification for maintaining a CTM.

Whilst use of market shares to determine whether a CTM should be granted continued protection is at heart a strange concept, it is worth pointing out the combined nature of the trade mark systems within the EU. The difference between the national trade mark systems and the CTM reflects a different approach in terms of scale of use. Therefore, it is reasonable for the scale of use to conform to some form of minimum use in order to ensure effective use of the two competing systems. Whilst a rigid enforcement of market shares would not be recommended, a system such as that enforced by the Commission in competition law allows a thorough examination of the individual circumstances whilst using market shares as a guiding principle.

In light of these difficulties, it may prove useful to provide guidance notices similar to those provided in block exemptions or a *de minimis* notice.

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103 Supra n. 3, *Leno Merken*, operative decision.
104 Article 112, Community Trade Mark Regulation.
7.2 Market Shares: De Minimis/Block Exemptions

As discussed earlier, block exemptions and the *de minimis* notice provide guidance and regulation to areas of particular concern or difficulty. In essence, they provide for minimum criteria and defined market shares that address situations that would otherwise be of concern for effective competition within the EU. Such a system for trade marks could be beneficial if OHIM were to provide similar guidance documents and exemptions.

Consequently, the author proposes that a similar system may benefit the application of genuine use within certain areas. It may be the case that a small market share may not be enough to warrant protection under a CTM or conversely that a small market share would in fact be enough. Guidance could be achieved either through an industry wide recommendation perhaps based on OHIM’s trade mark classification system that is in effect throughout the community.\textsuperscript{105}

However, the practical elements of such a situation are difficult to implement and most likely unfeasible. Should the situation be implemented *vis-à-vis* a notification system similar to what was in place prior to the system introduced by the block exemptions, a notification to the Commission, in the case of trade marks a notification to OHIM, the amount of resources required would have to expand greatly. Practically the system created too much work for the Commission to cope and involved substantial difficulties. There is every reason to suppose that such a system would impose similar large demands on OHIM with no substantial benefit.

Such an application for exemption would also result in differing opinions on the relevant market depending on the applicant’s preference or in the case of a challenge, from the undertaking challenging the application. Without effective policing a system would not in reality allow any streamlining of the system relating to application and challenges.\textsuperscript{106} Furthermore, the legislative and enforcement capabilities of OHIM are

\textsuperscript{105} Supra. n. 90, *OHIM classifications*.

\textsuperscript{106} Currently, the Commission has a considerable power to fine undertakings in breach of Competition regulations up to 10% of the turnover for the previous business year. See Commission website relating to fines on undertakings for breach of competition rules: http://europa.eu/legislation_summaries/competition/firms/l26092_en.htm (Accessed 8 May 2014).
not the same as the Commission and therefore implementation of such a system would involve a constitutional change to OHIM’s mandate.\textsuperscript{107}

Furthermore, the application of such a system may undermine the CTM system in allowing it to be benefited primarily by large companies to the detriment of small and medium sized business.

For these reasons the author considers that the application of \textit{de minimis} or block exemptions to establishing genuine use on the market through a relevant market style test is not feasible.

\textbf{7.3 Market Shares: Concluding}

Given the unitary nature of the CTM and the evident distinction that should be maintained between the national trade mark system and the CTM,\textsuperscript{108} there should be a greater requirement of use to justify maintaining ownership of a CTM. The use of market shares akin to competition law would be one way to effectively manage the granting of trade marks in the CTM system.

Deciding on the boundaries and limits of such market shares however poses difficulties in relation to what the market share should be and furthermore, given the dependence of market share on the relevant product it becomes a very open concept. Therefore, an application of rigid market shares is not appropriate. Currently a flexible approach is undertaken by the Commission in its relevant market definition and should a similar system be applied to trade marks it should mirror the Commission’s current approach.

The author considers that application of \textit{de minimis} or block exemptions is not, given the current situation relating to OHIM and past practice relating to applications for exemptions, feasible. Instead the test should relate to market shares as a whole stemming from the definition of relevant product based upon evidence provided through sales figures or other means as appropriate.

\textsuperscript{107} OHIM is established under Council Regulation 207/2009. See recital 12 and article 2, in particular stating the need for administrative measures giving no power of legislating to OHIM.

\textsuperscript{108} Supra. n. 9, Max Planck Institute for Intellectual Property and Competition Law Study.
8. Conclusion: Genuine Use Within the Community

Is the relevant market test for competition law capable of being assimilated and applied to the concept of genuine use for a CTM?

The competition law test undertakes a full analysis of the product and geographic markets and from there determines a market share. These criteria are very similar criteria to those established in *Leno Merken* by the CJEU.

The relevant market test allows for the purposes of trade marks, for the appropriate territorial and other factual criteria to be determined in order to accurately establish whether a trade mark has been put to genuine use. It is only by assessing where and on what market, whether or not a trade mark has as its function the purpose of creating or maintaining a market share.

After determining the relevant product and geographic market and consequently identifying the market share held, it becomes a relatively simple task of determining whether or not a trade mark has been put to genuine use.

*Relevant Product Market*

Identification of the relevant product, competitors and substitute products on the market allows an assessment to be made of the impact of the product, its place on the market and the extent to which its brand confers recognition and a guarantee of origin for the consumer.

In contrast to a competition law assessment the focus may not be on one particular product but on a group of products. The nature of trade marks is such as that they may be attached to a number of products within a number of classifications of products. It would be for the relevant product market to take into account the classification for which the product is registered and then the type of products to which the trade mark has been utilised.

This represents an extra step in the assessment for trade marks but a necessary one. It would also be possible in this examination to delimit products due to the classification system used for trademarks by OHIM. Furthermore, the focus of products markets would be wider than that currently used by the Commission in a competition assessment because of the above reasons but also, the system of trade marks should not unduly rely on large scale use to the detriment of small and medium sized enterprises.
**Relevant Geographic Market**

Assessment of the relevant geographic area, including the identification of areas of expansion and potential competitors in other areas allows for an immediate assessment of whether there is a community element to the trade mark and therefore whether the appropriate protection is as a CTM or a national trade mark.

The CJEU has left open the possibility that use in one member state may be sufficient but for all intensive purposes, a use in a greater geographical area than one member state should be required. Again similarly to the relevant product market, taking a wide definition for the relevant geographic market should overcome difficulties associated with use in only one member state. Generally speaking the continued integration of markets will mean that a relevant geographic market would encompass potential competitors from neighbouring states or further which meets a combined goal of use in more than one member state and allows potential expansion for small and medium sized business to be taken into consideration.

**Market Shares**

Identification of the product and geographic market allows an assessment of market share to be made. This assessment will usually be determinative of whether there has been a use of the mark on the relevant market.

Consequently, the application of a relevant market test in a modified format to take into account the contrasting objectives and individual peculiarities of trade mark rights allows an effective examination of whether a trade mark has been put to genuine use within the Community.

It is not appropriate to use similar mechanisms such as *de minimis* notices or block exemptions in a trade mark context and it is equally important to recall that the relevant market shares are in relation to the relevant product market not to the trade mark that is registered as IP rights cannot in themselves create dominance or market shares.

**Supply substitutability**

As mentioned and identified above, the hypothetical nature of supply substitutability has no place in a trade mark definition of the relevant market as the use of a trade mark is required, not a hypothetical use and therefore is not capable of being assimilated to the current test.
A modified test as outlined above that takes the essential elements of the relevant market test and accommodates the peculiarities of trade mark law would be an effective way of bringing an element of certainty and clarity to the continued protection of CTM in the future following the *Leno Merken* ruling.
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