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# The Average Consumer - legal fiction or reality?

A comparative study between European and  
American trademark law

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# Summary

Existing trademark law in both the European Union and the United States, allow courts to enlist the help of a representative consumer, in order to determine whether two trademarks are confusingly similar. This ubiquitous figure, which is said to represent the collective minds of the public, is central to the likelihood of confusion analysis, used to appraise the overall likelihood of confusion between two trademarks. Although, doctrinal differences exist in respective jurisdictions, this person represents a collective thought based on variations of the same theoretical foundation.

Under the European regime this representative consumer or (“average consumer”) is characterized on a presumptuous basis, as reasonably intelligent and rational. These assumptions form a normative approach, which enables judiciaries to take an aggravated view of consumers without seeking extrinsic factual support. By applying the doctrine as matter of law, as opposed to a factual matter, procedural efficiency is achieved. Union Courts do not have to indulge in fact finding missions in every potential infringement situation based on confusion. Although efficiency is achieved many uncertainties follow. It does not only fail to provide precision as to the characteristics of this amorphous person, it also rigs the litigation structure unfairly. It is held that the common sense rationale, which judiciaries rely on, may prevent the true perception of consumers from surfacing. As such, under the current doctrine, the average consumer merely signifies the formed expression of judiciaries, and not the public collective. It is argued in this *thesis* that the doctrine’s lack of precision and transparency under the European regime may be a product of possible defaults in underlying trademark theory, which is emphasized with the exclusion of empirical data. Therefore, this *thesis* argues for the re-evaluation of the current doctrinal development, and possible improvements to form a more coherent and predictable framework for dealing with these issues.

To achieve this, a comparative and critical analysis of average consumer doctrine is preformed. The comparative element is used to test the empirical approach, which is used by Federal Courts in the United States. In effect, this will establish whether the empirical approach to decipher consumer perception should be preferred, or whether similar issues arise when compared to the European approach. Furthermore, a critical analysis will follow pertaining to underlying trademark theory, and its effects on the doctrinal development and litigation structure. As a result, this *thesis* will uncover despite seminal doctrinal differences that both current configurations purport equal uncertainties and legal tradeoffs. It will be suggested that to diminish these uncertainties, the doctrine in general should include a fourth person, namely, the non-confused consumer. Additionally, it is also suggested that extrinsic evidence ought to be permitted in the overall likelihood of confusion analysis.

# Sammanfattning

Inom gemenskapsrätten idag, kännetecknas genomsnittskonsumenten såsom rimligen intelligent och rationell i sitt beslutsfattande. Dessa antaganden formar grunden för ett normativt angreppssätt, vilket gör att domstolar inte behöver använda sig av extern empirisk fakta, för att avgöra huruvida konsumenten uppfattar två varumärken såsom så snarlika, att risk för förväxling föreligger. Genom att tillämpa genomsnittskonsument i egenskap av formella kriterier istället för en fråga om bevisvärdering, uppnås processuell effektivitet och homogenitet. Europeiska domstolar behöver således inte i varje enskilt fall gå närmare in på hur enskildas köpförmåga påverkas. Även om effektivitet och homogenitet uppnås, så följer många osäkerhetsfaktorer med detta synsätt. Dels skapar detta ett problem angående förutsebarhet för varumärkesinnehavare då synen på hur konsumenter påverkas av varumärken kan skifta, vidare skapas en ojämn fördelning inom rättegångsstrukturen som vidrör frågetecken angående objektivitet. Då beslut rörande konsumentbeteende fattas på basis av sunt förnuft, istället för empirisk fakta, anser vissa att den sanna uppfattningen av vad konsumenter faktiskt anser aldrig kan avspeglas i de beslut som domstolar i Europa tar.

I denna uppsats, kommer det bl.a. att hävdas att denna brist på precision inom den Europeiska gemenskapsrätten, samt de osäkerheter som detta förmår är resultatet av felaktigheter i den underliggande varumärkesteorin. Dessa felaktigheter föranleder ett antal felaktiga antagande om hur konsumenter upplever varumärken i relation till de beslut som ligger till grund för deras beslut att köpa varor eller tjänster. Vidare, förstärks dessa felaktiga antaganden genom att empirisk fakta utesluts från värderingsprocessen. Med anledning av ovan, föreslås det i denna uppsats att grunden för användning av genomsnittskonsumenten ska utvärderas och problemområdena belysas. Vidare föreslås möjliga förutsättningar och förbättringar, som kan öka förutsebarheten och öka jämlikheten inom ramen för den processuella strukturen.

För att uppnå detta mål kommer en komparativ studie följt av en kritisk analys av underliggande varumärkes teori att företas. Det komparativa elementet används för att testa den empiriska metod som används av Federala domstolar i USA. I själva verket kommer detta att fastställa huruvida det är bättre att använda en empirisk faktametod för att dechiffrera konsumenternas uppfattning, eller om denna metod, återföljs av liknande svårigheter såsom den mer normativa Europeiska metoden. Från denna grund, kommer en kritisk analys att följa. Som ett resultat av denna uppsats det kommer det att föreslås olika åtgärder att för att minska ovan angivna osäkerheter. Bl.a. genom t.ex. införandet av ett ytterligt kriterium till den redan fastslagna potentiellt förvirrade genomsnittskonsumenten.

# Preface

The inspiration for the subject matter of this *thesis* was acquired during my initial one-year internship at the law firm Birch, Stewart, Kolasch & Birch LLP at their Virginia office in the United States. During this year, I worked as a trademark associate handling trademark prosecution and litigation matters, with special emphasis on likelihood of confusion issues in connection with registration proceedings.

Before proceeding, I would like to take the opportunity and extend my deepest appreciation to friends and colleagues, who have stood by me during the last couples of years leading up to this final element.

First and foremost I would like to extend me deepest gratitude to my close friend and mentor Mr. James Slattery and Mrs. Binli Guan and all other Attorneys and support staff at Birch Stewart, Kolasch & Birch LLP for sharing your knowledge and believing in my capabilities.

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Sincerely,

Niclas Hannerstig

# Abbreviations

A.G	Attorney General
C.A.F.C.	Court of Appeals Federal Circuit
CONG	Congress
CFI	Court of First Instance
CTM	Community Trade Mark
CTMR	Community Trade Mark Rights
CIR	Circuit
EC	European Community
ECJ	European Court of Justice
ECR	
E.R.P.L	European Revue of Private Law
EU	European Union
FED	Federal
IPR	Intellectual Property Rights
IPQ	Intellectual Property Quarterly
L.J.	Law Journal
OHIM	Office for Harmonization in Intellectual Matters
OJ	Official Journal
PARA	Paragraph
PC	Paris Convention
PROP.	Property
REG	Regulation
REV.	Revue
U.S.	United States
U.S.C.C	United States Code of Commerce
USPTO	United States Patent & Trademark Office
TMEP	Trademark Manual of Examining Procedure
TRIPS	Trade Related aspects of Intellectual Property Rights
WIPO	World Intellectual Property Organization
WTO	World Trade Organization



# 1 Introduction

## 1.1 Background

The consumer is central to the utilitarian rationales that dominate trademark law today.<sup>1</sup> A company's goodwill is inextricably linked to its trademark and the information it conveys. Effectively, if trademarks do not impact the consumer it cannot simply exist. Consumer perception is therefore fundamental to the creation, possible infringement, and the very scope of rights it represents.<sup>2</sup>

Fundamental to trademark infringement based on confusion is the question; is the defendant's trademark, because of its similarity to the plaintiff's trademark, causing or likely to cause confusion amongst consumer as to the true source of the defendant's goods or services?<sup>3</sup> Naturally, it would be impossible, in every particular case to ask the consuming public their opinion. By adopting a generalized doctrinal standard, judiciaries are able synthesize a projection of the collective consumer mind, which effectively can be used to measure the level of confusion in an alleged infringement claim. The employment of a general figure, which represents the public interest, is not something that is merely confined to trademark law. There are many examples of other areas of law, where a single figure is said to represent the wider public. Most prominent would of course be consumer law and perhaps tort law. Furthermore, outside the legal hemisphere, it is not uncommon for macroeconomic models to employ a single representative as a proxy for consumers in general.

However, despite the necessity to decipher the minds of the consuming public in trademark infringement cases, there exist controversies regarding the formulation of such standards, and whether existing formulations accurately and objectively project consumer perception and market structures.<sup>4</sup> Generally, these standards are presumptuous in nature, and neither courts<sup>5</sup> nor commentators have made any serious attempt to develop a framework for understanding the conditions that may affect the consuming

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<sup>1</sup> G. Dinwoodie & M. Janis, *Trademark Law and Theory; A Handbook of Contemporary Research* (2008) at p. 373.

<sup>2</sup> *Id.* at pp. 374-375.

<sup>3</sup> B. Beebe, *Empirical Study of the Multifactor Tests for Trademark Infringement*, 94:6 *California Law Review* (2006), pp.1581-1654 at 1582.

<sup>4</sup> J. Davis; *Locating the Average Consumer: His Judicial Origins, Intellectual Influences and Current Role in European Trade Mark Law*, 2 *Intellectual Property Quarterly* (2005) pp. 183-203 at p. 200.

<sup>5</sup> Although the terminology introduced by the Treaty of Lisbon replaced the former Court of First Instance ("CFI") with the name "the General Court", the former denotation will be used and the European Court of Justice ("ECJ") is referred to as "the Court" or ECJ, even in relation to case law predating the Treaty of Lisbon.

public.<sup>6</sup> Existing definitions in relation to both European Community<sup>7</sup> and statutory American<sup>8</sup> trademark law is ambiguous at best, and very little clarity as to how courts actually decipher consumer confusion exists in case law.<sup>9</sup> Commentators frequently argue that current standards do not reflect the minds of the consumers. Instead they are skewed by moral and subjective prejudice unintentionally projected by judiciaries. In other words, it is not whether the consumer is confused, it is whether the preceding judiciary is likely to be confused. Furthermore, it has been held that the current doctrinal standards are currently configured to promote the interest of senior trademark holders, and effectively, this fuels the expansion of trademark rights towards a more monopoly-based right, similar to the traditional copyrights and patents.<sup>10</sup>

As will be argued, the current doctrinal development raises concerns regarding the justification surrounding the elaborate assumptions courts currently undertake about the nature, and expectations of the average consumer, without support of external and objective evidence. These uncertainties may very well be deleterious to trademark proprietors, since potentially it limits their ability to predict, not only the registrability of trademarks, but also the rights they ensure.

The hypothesis that uncertainties will diminish by merely including empirical facts, have never been fully elaborated. By comparing the European normative approach with its American equivalent and explore the entire spectra, which includes; a critical analysis of underlying trademark theory and the effects it has on the parties involved *i.e.*, from a litigation perspective, it is possible to unveil doctrinal defects and propose potential solutions.

For the forgoing reason, it is imperative to create awareness and a foundation, where knowledge attained from comparing doctrinal differences and similarities of the same concept can be used to facilitate a possible solution.

## 1.2 Purpose

Whenever a trademark infringement action based on source confusion is brought before a court, the court must conduct a determination as to whether

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<sup>6</sup> T. Lee, G. Christiansen & E. DeRosia, *Trademarks, Consumer Psychology, and the Sophisticated Consumer*, 57 *Emory Law Journal* (2007-2008) at 575.

<sup>7</sup> European Community trademark law refers to relevant provision Directive 2008/95/EEC of 22 October 2008 to approximate the laws of the Member States relating to trade marks (OJ L 299, 8.11.2008 p. 25–33) (the Directive or TMD), and the Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark (OJ L 78, 24.3.2009, p. 1–42) (the Regulation or CTMR) respectively.

<sup>8</sup> American Statutory trademark law refers to Federal trademark law and the statutory provision of the Lanham Act title 15 chapter 22 of the United States Code.

<sup>9</sup> See *e.g.*, J. Davis *supra* note 4 at 184; See also Beebe *supra* note 3 at 1584.

<sup>10</sup> M. Grynberg, *Trademark Litigation as Consumer Conflict*, 83:1 *New York University Law Review* (2008) pp. 60-119 at 61, 64-65.

the alleged infringing mark is likely to cause confusion. Central to this determination process is the so-called “likelihood of confusion analysis”, which is used in both European and American trademark law. Although, there are many layers to the factual process included in the overall analysis, no other factor have such a decisive roll in the outcome than the established mindset of the average consumer. Before proceeding, it should be observed that European Community trademark law currently use a normative<sup>11</sup> method for defining its average consumer, where as American Federal trademark law use an interpretative normative<sup>12</sup> and empirical method.

The aim of this *thesis* is to comparatively examine the notion of the “Average Consumer” in the context of infringement claims based on source confusion as applicable to EU and U.S. trademark law, and to identify doctrinal divergences between the two jurisdictions’. The purpose of this is two-fold:

The first is to establish why these differences exist by reviewing and analyzing central elements of the likelihood of confusion analysis as expressed by Union Courts and U.S District Courts. In order to determine the average consumers doctrine’s coherence with the confusion analysis in respective jurisdiction, it is necessary to trace its origin and development, and establish a foundation upon which the intrinsic characteristics of the average consumer and potential variations thereof, can be explored, compared and evaluated.

The second is to comparatively explore the results of these definitional and configurative<sup>13</sup> differences. This includes analyzing the effects regarding the doctrine’s development in relation to its entrenchment in underlying trademark theory. This will be done mainly from a critical perspective with specific focus on the economical structure behind trademarks, and its affect on judiciaries’ perception of the average consumer in the context of confusion. As will be argued in chapter 5, the current doctrinal configurations are possibly based on defaulted theories of consumer behaviorism, which promote ad hoc and impressionistic decisions. As such, the defending party is generally both qualitatively and quantitatively subordinated the party seeking remedies due to possible infringement. This *thesis* aims to suggest that the current doctrine, both in relation to European and American trademark law, does not currently live up to the widely recognized standards’ of legal predictability and legal certainty. To deal with these issues specific problems are highlighted, followed by suggestions on how to increase the doctrine’s coherence with said standards.

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<sup>11</sup> Normative method refers to seeing the average consumer as legal construct *i.e.*, as a matter of law, instead as a matter of fact.

<sup>12</sup> Interpretative normative method refers to a mixture of legal and factual construction. Under U.S. trademark law the average consumer or “sophisticated buyer” as the doctrine is called, is arranged in tiers, which regard the consumers from unsophisticated to sophisticate.

<sup>13</sup> The term configurative is used to indicate different methods of perceiving the average consumer *i.e.*, from normative to interpretative normative.

## 1.3 Method

For the purposes of this *thesis* three methods are used: traditional dogmatic method, comparative method and critical law studies<sup>14</sup>.

With the traditional dogmatic method, the primary focus will be directed towards European Community trademark law, and American Federal trademark law. This excludes national substantive trademark laws and procedures specific to Member States of the European Union. Furthermore, this also excludes references to American State Common laws and procedures dealing with trademarks. Thusly, the case law reviewed, will emanate mainly from Union Courts and U.S. District Courts on the Federal Circuit. Case law material is complemented by relevant sources of law and legal doctrine and Law Reviews.

Following the first method described, the results will thereafter be analyzed partly from a comparative, and in part from a critical perspective. Thus in chapter 4, subchapter 4.4, a comparative analysis between European and American trademark law is preformed that focuses on similarities and dissimilarities regarding the likelihood of confusion analysis. In subsequent subchapter the configurative differences regarding the average consumer is also compared. Consequently, these parts fall outside of the traditional dogmatic method. In chapter 5, the underlying economical theory determinative to the doctrinal development in both jurisdictions' is analyzed from a critical perspective. Here, the most prominent concerns in reference to relevant doctrinal and Law Review commentary will be presented and analyzed. Furthermore, in chapter 6, the results from critical perspective is analyzed and comparatively evaluated.

## 1.4 Sources

As stated, in reference to EU Community trademark law, the case law of the Union Courts is central to this part. In reference to case law pertaining to the United States, only Federal case law has been enlisted. This includes precedential case law from U.S. District Courts, C.A.F.C. (Court of Appeals on the Federal Circuit) and T.T.A.B. (Trademark Trial and Appeal Board). It should be noted that there exist a Circuit divergence amongst different U.S. District Courts *i.e.*, on how likelihood of confusion is measured and applied, which consequently affects the doctrine of the hypothetical consumer. Therefore, in order to present a congruent picture of the doctrinal approach under American trademark law, I have strived to accentuate precedential decisions rendered by the T.T.A.B. and C.A.F.C, which apply in relation to Federal Registration matters. It should be noted that some District Courts review infringement based on likelihood of confusion *de novo*, and are not legally bound by decisions rendered by T.T.A.B. and C.A.F.C. Nevertheless, U.S. District Courts typically still tend to follow the

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<sup>14</sup> Commonly referred to as the "CLS" method.

development, and in principle apply the same rationales in relation to the doctrinal approach of the “sophisticated buyer”, as expressed by the precedential case law from the T.T.A.B. and C.A.F.C. However, inconsistencies between Circuit District Courts dealing with Federal trademark matters and C.A.F.C and the T.T.A.B., will be duly noted where found.

Doctrine and relevant Law Reviews complement case law. Furthermore, Examination guidelines of both OHIM and USPTO have been used. Guidelines have an informative value since it reflects recent developments pertaining to the subject matter.

In reference to the historical and International background a number of International and regional legal instruments have been reviewed. Furthermore, certain bilateral agreements entered into by the EU and United States have also been researched and reviewed. The legislative focus is specifically devoted at Community level, and is comprised of Regulations and Directives issued by Council of the European Union and the European Parliament. As for the United States, only relevant statutory Acts’ and Federal Common Laws adjacent to the subject matter have been reviewed.

## 1.5 Delimitations

Before proceeding, it should be observed that the notion of the seminal “average consumer” in trademark law is from a legal perspective a very broad topic, even when confined to likelihood of confusion in infringement cases. The presence of a single individual, whom collectively represent the public interest is commonly employed in other areas of trademark law, as well as civil law. As such, the true heritage of the “average consumer”, as applied in the context of infringement shares many features and consequently interrelates with other fields of law. Therefore, it is appropriate to mention that one of the main difficulties faced in this *thesis* naturally involved making necessary delimitations, in addition to identifying relevant case law. In reference to European trademark law, the process has been especially prolix since the doctrinal development is inextricably connected to other areas of trademark law and competition law, for example, misleading advertisement and unfair competition in general. For pedagogical reasons references are therefore made to other doctrinal developments that is relevant for the conceptual understanding of the “average consumer” as applied in infringement cases based on likelihood of confusion.

In order to present a comprehensive comparative picture of the judicial concept of the hypothetical average consumer, this *thesis* will only research the doctrine as applied in infringement cases based on a likelihood of source confusion. As mentioned previously, the utility of a hypothetical average individual is widespread. From a European perspective, the hypothetical average consumer, as used in trademark infringement situations, for

example, originates from unfair competition and misleading advertisement practices. Notwithstanding these connections, the doctrinal development relating to unfair competition and misleading advertisement will not be discussed, except when warranted for pedagogical or otherwise analytical reasons. Although, it may be of relevance to include unfair competition and misleading practices. However, for the purposes of this *thesis* there exist several reasons not to include these doctrines. Whereas, the following can be perceived as one of the main reason thereof: misleading advertisement, unfair competition and dilution generally turns on murkier concepts such as “blurring” and “tarnishment” of trademarks. In addition, a prerequisite included in these situations is typically deceptive behavior, and does not require consumer confusion.<sup>15</sup> As such, it is unlike the traditional trademark infringement situation as depicted in this *thesis*.

Moreover, other doctrinal approaches including descriptiveness, genericness, and functionality fall outside the scope of this *thesis*. However, case law pertaining to other doctrinal approaches may in some instances be relevant for the conceptual understanding of the average consumer, as applied in an infringement context. Consequently, references to other doctrinal approaches will only be discussed where relevant to the main purposes of this paper.

In reference to the legal framework, it should be emphasized that only Federal Statutory provisions and emerging Federal Common law will be reviewed, and in reference to EU law only regional community instruments have been reviewed. Consequently, State common law and national legislation from EU Member State have been excluded from this *thesis*.

## 1.6 Disposition

Part 1, which includes Chapter 2 and 3, provides background. It briefly reviews the International trademark framework, the International harmonization process and its effects on the likelihood of confusion analysis. Moreover, Chapter 3 reviews the common origin of the likelihood of confusion analysis for respective jurisdiction, which includes looking at the development of the current legal framework relating to trademarks from both a legislative and a case law perspective.

Part II, which is made up of chapter 4, explores in depth the doctrinal development of the hypothetical average consumer, and the principles determinative for the presumptions underlying the factual inquiry. Furthermore, it establishes that the doctrinal approach in regard to European Community trademark law have taken a more rule like approach, strongly influenced by the doctrinal development in misleading advertisement

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<sup>15</sup>Compare Directive 2005/29/EEC of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market with U.S Trademark Dilution Act 15 U.S.C. section 43, which similarly to Directive 2005/29 EEC deals with misleading advertisement and other unfair competition practices.

practices. As for the American perspective, the doctrinal development has remained interpretively construed, thus highly dependent on both empirical facts and by an accurate evaluation of the relevant class of consumers. In the last sub section of this part, the systematic similarities and dissimilarities are comparatively analyzed in order to determine the impact of normatively respectively interpretively defining the hypothetical average consumer.

Part III, which includes chapter 5 and 6 focuses on the function and applicability of the doctrine. I aim to critically review certain aspects of underlying trademark theory, thereby testing its applicability and its coherence to such theory. As will be discussed, current theory may pose questionable justification for enlisting such a hypothetical consumer as defined today by judiciaries in both jurisdictions. Moreover, concerns have been raised which not only accuse the doctrinal development to expand trademark rights beyond its intended purpose, but also, seen from the traditional “seller narrative”<sup>16</sup>, the current configuration may very well rig the litigation process unfairly. Chapter 6 analyzes the function and applicability of the doctrine in respective jurisdictions. By comparatively looking at strengths and weaknesses connected to the theoretical concerns raised, it becomes possible to validate whether these concerns have merit and determine the doctrine’s overall performance.

Finally, Chapter 7 concludes the aforementioned presentation with some final words where some of the issues discussed will be briefly highlighted.

## 1.7 Terminology

The American term for “trademark” as opposed to the European term “trade mark” is used throughout the *thesis*. The term “mark” is used to indicate signs, words and phrases etc., *i.e.*, any subject matter capable of being registered as a trademark.

Italics are used for emphasis, Latin expressions and for key linguistic terms, and word-marks derived from case law. Moreover, capital letters are used for abbreviations and also for own examples of word marks, in order to distinguish this use from other uses.

In addition, since I have mainly worked with U.S. trademark law in the United States, this may be reflected in certain terms and/or language used in this *thesis*.

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<sup>16</sup> The term “seller narrative” refers to the parties of an infringement situation, and should be understood as seller vs. seller.

## 2 Protection of trademarks – A Global Affair

### 2.1 Trademarks and the rationale for their protection

To fully comprehend the role of the “average consumer” in trademark law, specifically in connection to the likelihood of confusion analysis, the basic principles of trademark law and the rationale for their protection must be explored.

Names, signs and shapes have always been used to differentiate and identify different things. In its barest form, this is exactly what trademarks do. As such, the primary purpose of a trademark is to distinguish the goods or services of one user from those of others. However, besides functioning as an indicate of source, a trademark also serves to indicate the quality of the goods and/or services, which by virtue of their recognition will induce consumers to repeatedly purchase said goods and/or services. In effect, this confers an additional intangible attribute to the trademark, on which substantial value in form of goodwill is allocated.

Trademarks have been held to be the foundation of competition in market economy.<sup>17</sup> To facilitate such competition, and attain the benefits that consequential economical effects promote, the legal system must provide reliable and adequate laws to ensure that companies can obtain exclusive and protectable rights. The element of control exists within the exclusivity, since an exclusive right enables the holder to prohibit a third-party without consent to use a similar mark on similar goods. In the economic perspective, trademark rights can be analyzed as regulating the use of a resource.<sup>18</sup> This resource *e.g.*, any element which according to any specific substantive law can constitute a trademark, belongs initially to the public. When registered, this intangible resource is appropriated from the public domain to be used as an identification guarantee for the public. This ‘resource’ now specifically identifies certain goods or services with a specific trade origin.<sup>19</sup> Exclusivity is equally essential as compared to marks ability to distinguish themselves from others in the mind of the consumer.<sup>20</sup> Thus the rationale for

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<sup>17</sup> D. Keeling, *Intellectual property rights in EU law*, vol. 1, *Free Movement and Competition law*, Oxford University Press (2003) at p. 147.

<sup>18</sup> A. Griffiths, *Modernising Trade Mark Law and Promoting Economic Efficiency: An Evaluation of the Baby Dry judgment*, *Intellectual Property Quarterly* 1-37 (2003) at p. 244.

<sup>19</sup> *Id.*

<sup>20</sup> *See*, D. Keeling *supra* note 17 at p. 159. (Citing) Advocate General Jacobs in Case C-10/89 CNL Sucal v HAG GF (‘HAG II’) [1990] ECR I-3711, at para 19: ‘... A trade mark can only fulfill that role [i.e. as an indicator of origin] if it is exclusive. Once the proprietor is forced to share the mark with a competitor, he loses control over the goodwill associated with the mark. The reputation of his own goods will be harmed if the competitor sells



trademark protection can be summarized as commercial economical efficiency<sup>21</sup>, serving both the proprietor as well as the consumer collective.

Another principle deeply embodied in trademark law is the principle of territoriality, which in this sense can be traced back to the formation of different trademark Registration systems. The principal of territoriality in connection with trademark law means that trademark rights are secured on a country-by-country basis according to national substantive laws<sup>22</sup>. A right to a trademark established in one country does not extend beyond that particular country's territory<sup>23</sup>.

Most national substantive trademark laws (if not all) agree that the principle of territoriality and consumer perception of a trademark is inextricably connected to the function of trademarks, and its ability to distinguish itself.<sup>24</sup> If people cannot readily see it as an independent source of information it does not function as a trademark. A simple illustration here might be in order; a trader sells coffee under the standard character mark COFFEE. The only information the mark is able to convey to the public is that the trader sells coffee. No other information can be retrieved regarding the source of the goods, its function as a trademark is therefore nonexistent. The 'origin' function is rudimentary and well aligned with the economic neo-classical ideal<sup>25</sup> of markets, where it is assumed that parties have adequate information before performing a maximized transaction.<sup>26</sup> So what does this have to do with the concept of the Average Consumer? Well, the understanding of theories regarding market structures and law tend to be reserved for scholars, and in all likelihood would not occupy the minds of the consumer as they go about in everyday life. However, as previously stated, trademarks are dependant of peoples perceptions. Thus, the underlying principles pose a paradox *i.e.*, trademarks need to be distinguishable in the minds of consumers, but under a general assumption, consumers would not normally identify its fundamental principles. In the

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inferior goods. From consumer's point of view, equally undesirable consequences will ensue, because the clarity of the signal transmitted by the trade mark will be impaired. The consumer will be confused and misled.

<sup>21</sup> W. Landes & R. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265 (1987).

<sup>22</sup> P. Yu, *Intellectual Property and Information: Issues and Practices in the Digital Age* at p. 235 (2007).

<sup>23</sup> The principal of territoriality is widely recognized. However there are bilateral and regional exceptions, such as the Unitary Community Trademark system in Europe. This will be further discussed later below.

<sup>24</sup> The function of origin should not be construed to mean that a trademark must enable the relevant public to denote the exact origin of a specific product or service. It is sufficient that it is able the public to distinguish the goods and/or services of one undertaking from those of other undertakings.

<sup>25</sup> The Neo-classical ideal of markets refers to economic theory of equilibrium, also called optimizing behavior. In essence, each consumer is supposed to maximize his or her utility function while each producer is assumed to maximize his or her profit. As consumers we therefore maximize utility. For further discussion *see, e.g.*, J. McCauley, *Dynamics of Markets, Econophysics and Finance* at pp 9-32 (2004).

<sup>26</sup> *See, A. Griffiths supra* note 18 at p. 247.

words of Keeling; “*In an imperfect world, trademarks perform their origin function imperfectly.*”<sup>27</sup>

## 2.2 International Legal Framework – Introduction

In the previous section the reader was introduced to the principle of territoriality, which means that a trademark’s legal scope is confined to the specific territory in which it enjoys protection. Thus, it is easily assumed that substantive trademark law is country specific, and merely stem from national legal traditions. Notwithstanding, laws may be connected to a specific jurisdiction’s trade on the other hand is a global affair. To enhance global trade, policy makers have strived to unify and harmonize industrial property law on a global level with hopes of creating automatic world-recognition of industrial rights. Although, this effort has been successful in relation to formal parts of International law *e.g.*, in reference to the existing International system for Registration, and procedures relating to the filing IPR claims. However, the unification and approximation of substantive national laws on the other hand have not enjoyed the same success. Notwithstanding, through the unification and harmonization process of trademark laws, practices and concepts have emerged with similar shared identities. However, even if concepts bear the same name significant divergences may still remain. In following subchapters, I will briefly explore the International legal framework relevant to comprehend the effects of the unification and harmonization process in relation to the doctrine of the “average consumer” as currently applied under both European and American substantive trademark law.

## 2.3 The Paris Convention

National developments in trademark law have been immensely influenced by the developments in the International field.<sup>28</sup> The Paris and Berne Convention of 1883 and 1886, represents the first and foremost International attempts to multi-lateralize a significant number of incoherent bilateral agreements at that time. These measure were taken in order to establish a more harmonized system founded upon common rules regarding IPR to further the technological advancement and promote trade. The Paris Convention (hereinafter referred to as PC) became the first multilateral treaty on IPR and still, notwithstanding several amendments, has kept its original trust.<sup>29</sup> The aim of the PC was not to establish International

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<sup>27</sup> See, D. Keeling *supra* note 17 at p. 149.

<sup>28</sup> WIPO, *Introduction to intellectual property: theory and practice*, at p. 23 (1997).

<sup>29</sup> P.Véron, T. Cottier, T. Gielen & C. Hacon, *Concise International and European IP law: TRIPS, Paris Convention, European enforcement and transfer of technology*, Kluwer Law International (2008) at pp. 2-3.

standards relating to patent and trademark protection. Instead the primary aim was to establish adequate parameters, and form principles upon which later enhancement and harmonization concerning national patent and trademarks systems could be built upon.<sup>30</sup> The importance of the PC, subsequent conventions' and treaties should not be belittled. These instruments embodied the common views reflected in the International community in respect to industrial property law, which in return carried over to national substantive legislation.<sup>31</sup>

The basic principles underlying the concept of the “average consumer” can be said to have derived from the principles of unfair competition and the conception of misleading practices found in Article 10bis of the PC. According to article 10bis (in its current amended form), Member States must assure effective protection against unfair competition, which is defined accordingly:

*“any competition act contrary to honest practices in industrial or commercial matters”.*<sup>32</sup>

In Article 10bis(3)(I,) of the Convention, the language specifically refers to all acts, which by any means may lead to confusion, or in the course of trade is liable to mislead the public.<sup>33</sup> Although the Convention did not create direct applicable substantive national IP laws, it created principles for example: “*dishonest practices*”, which have been incorporated in many concurrent national trademark laws.

The Convention has currently 173 contracting Member States, including the United States.<sup>34</sup> The fact that so many signatories adhered to the PC, serves as recognition of its success. However, even if the Convention, its provisions and the obligations stated there within might be regarded as weak or somewhat ambiguous, its historical aspect must be recognized.<sup>35</sup> The ratification and transformation into national substantive laws have substantially contributed in making the field of intellectual property law as globally transparent as it is today.<sup>36</sup>

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<sup>30</sup> N. De Carvalho, *Trips Regime of Trademarks Designs 2E Revised*, Kluwer Law International, (2010) at p. 121.

<sup>31</sup> See, WIPO *supra* note 28.

<sup>32</sup> Paris Convention, Article 10bis (1) and (2).

<sup>33</sup> Paris Convention, Article 10bis (3) reads as follows:

*“The following in particular shall be prohibited: (i) all acts of such a nature to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor; (ii) false allegations in the course of trade of such a nature as to discredit the establishment [...]; (iii) indications or allegations the use which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity of the goods.*

<sup>34</sup> See [http://www.wipo.int/treaties/en/ShowResults.jsp?lang=en&treaty\\_id=2](http://www.wipo.int/treaties/en/ShowResults.jsp?lang=en&treaty_id=2), last visited 2011-06-23.

<sup>35</sup> For further discussion regarding the historical importance of the article 10bis and other provisions in the Paris Convention see e.g., C. Wadlow, *The Law of Passing-off: Unfair Competition by misrepresentation*, Sweet & Maxwell (2011) at 2-030 – 2-039.

<sup>36</sup> See, WIPO *supra* note 28.

## 2.4 TRIPS Agreement

It may be of historical interest to discuss the birth and origin of the TRIPS agreement. However, for the purposes of this *thesis*, I will only touch briefly on the subject before proceeding to the rights conferred, and the agreement's effect on the concept of likelihood of confusion.

Although, both the PC and the Berne Convention were regarded as milestones in International property law, they have not achieved as much harmonization as initially intended, mainly due to an absence of strong enforcement provisions.<sup>37</sup> As such, it would be wrong to presume that a true and complete International harmonization was achieved. However, despite this apparent failure, these instruments' have indeed provided for a much-needed unity amongst industrialized nations. This achievement can be regarded as *the stepping-stone*, which enabled the technical and cultural achievements significant for the 20<sup>th</sup> Century.<sup>38</sup>

### 2.4.1 TRIPS and the concept of confusion.

The TRIPS agreement was negotiated at the end of the Uruguay Round, and became binding upon all Members of the WTO at that time. Although seen as a big success regarding IPR in general, and in relation to global trade, it was essentially a trilateral agreement between the United States, Europe and Japan. Although trilaterally concluded, it subsequently became imposed on all other Members of WTO.<sup>39</sup>

The main objective of the TRIPS agreement was to promote free trade across borders.<sup>40</sup> In order to abolish non-tariff barriers and increase overall global trade, the WTO Members realized that they needed to harmonize national substantive laws pertaining to intellectual property protection, before creating a viable International Registration system.<sup>41</sup> Although, as previously stated, the Paris and Berne Conventions' established general principles and concepts, however to facilitate a new International Registration system, it was necessary to create standards which would become incorporated into national substantive laws of WTO Member States. The TRIPS agreement was drafted as a minimum standard agreement with the aim of harmonizing the national laws of WTO Members, without

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<sup>37</sup> M. Duncan, *Globalising Intellectual Property Rights The TRIPs Agreement*, Taylor & Francis (2002) at p.11.

<sup>38</sup> *Id.*

<sup>39</sup> *Id.* at p.44 ff. for further discussion regarding the history and origins of the TRIPS agreement.

<sup>40</sup> Although commentators commonly state that TRIPS was enacted to enhance the protection of intellectual property, this is clearly regarded by Carvalho as a common misunderstanding of the agreement. For further discussion, *see e.g.*, N. Carvalho *supra* note 30 at p. 74 f.

<sup>41</sup> *Id.* at p. 103 f.

unification.<sup>42</sup> Effectively, since these are only minimum standards, national legislators are free to adopt different intellectual property policies and implementation methods, all in accordance with Member States own legal systems.<sup>43</sup>

## 2.4.2 TRIP's Art 16 (1) Rights Conferred

This specific provision governs the minimum rights granted by a trademark. It establishes the exclusive right to prevent all third parties from using a registered mark without the proprietors consent in commerce. Moreover, third parties are prevented from using identical or similar marks for identical or similar goods, which would amount to a possible likelihood of confusion situation.<sup>44</sup> However, the provision does not provide any definition of what likelihood of confusion specifically means. As such, Member States are empowered to adopt their own definitions of what constitutes likelihood of confusion.<sup>45</sup> Although, the TRIPS agreement did not provide for a homogenous definition, it still established "likelihood of confusion" as the "mandatory standard" for determining infringement based on source confusion in International trademark law.<sup>46</sup>

## 2.5 Conclusions

As have been discussed hereinabove, trademarks are essentially territorial in nature and they serve to distinguish one undertaking from another undertaking, *i.e.*, they form an identity for which consumers depend on when making a decision to purchase goods and/or services. In essence, trademarks must function as a distinguishing source and equally people must perceive them as capable to do so.

The effects of the unification and harmonizing process regarding the International trademark field have aided the development of legal concepts and practices, which share similar basic functions. To search for the true meaning of the "average consumer" concept as applied in different jurisdictions, it is important to appreciate the historic significance of relevant international instruments. Although the true origin of the average consumer concept may be said to have derived from the principles established in the PC (within the sphere of unfair competition and dishonest practices).<sup>47</sup> It would be negligent to disregard the importance of the TRIPS agreement that albeit, both concerned trade related aspects and neighboring rights of IPRS. The introduction of the likelihood of confusion standard as

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<sup>42</sup> *Id.*

<sup>43</sup> *Id.* at p. 105.

<sup>44</sup> *See*, Article 16 (1) of the TRIPS Agreement.

<sup>45</sup> *See*, N. Carvalho *supra* note 30 at p. 263.

<sup>46</sup> J. Dralter, *Intellectual Property Law: Commercial, Creative and Industrial Property*, vol. 1, Law Journal Press (1991) at § 1A.06(6).

<sup>47</sup> *See supra* note 32.

*“the”* test for establishing confusion meant that national practices and procedures dealing with confusion-based infringement now adhered better to the concept of market- accessibility. Moreover, the global harmonization and unification process have facilitated a level of predictability and legal certainty for proprietors of IPRS’, when venturing outside their own territorial boundaries. By agreeing on a multilateral scale on standards such as the likelihood of confusion test for determining infringement, proprietors can attain a certain degree of predictability as to what to expect, and thus take action accordingly.

# 3 Rules Concerning Likelihood of Confusion in the EU and United States

## 3.1 Introduction

Before proceeding to the doctrinal concept of the “average consumer” this chapter will explore the basic schematics behind the likelihood of confusion analysis, as applied under both EU and U.S. trademark law. It will provide the basic understanding of how the likelihood of confusion test works in respective jurisdictions, with emphasis on which factors and tools are relevant for the determination analysis. In sum, this chapter serves as the foundation for the comparative analysis relating to the average consumer doctrine, which will follow in the next chapter.

## 3.2 EU – General legal framework

On Community level two instruments are in effect: The Trademark Directive<sup>48</sup> and the CTM Regulation<sup>49</sup>. The Directive has been implemented in all current Member States<sup>50</sup>, and the Regulation needs no implementation, since it has direct effect. It serves to emphasize that these instruments are controlling in respect to congruent European trademark legislation. A CTM Registration allows for uniform trademark protection in all Member States of the European Union, and is directly governed under Community law.<sup>51</sup>

The formation of a unified trademark system in Europe was enabled by the previous adopted Council Directive 89/104 EEC to approximate the laws of the Member States relating to trademarks<sup>52</sup>, which in effect almost fully

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<sup>48</sup> Council Directive 89/104 EEC approximating the laws of the Member States relating to trade marks: OJ 1989 L40, p. 1. Council Directive 89/104 EEC, has been amended, these amendments were codified, and the Council has issued a new codified Directive No. 2008/95 EEC: OJ 2008 L299, p. 1. Subsequently, further references to the Council Directive, will refer to Council Dir. No. 2008/95 (hereinafter referred to as the “Directive” if not otherwise specified).

<sup>49</sup> Council Reg. No 40/94 on the Community trade marks: OJ 1994 L.11, p.1. Council Reg. No 40/94 has since been amended several times, these amendments were codified in the new Council Reg. (EEC) No. 207/2009. Subsequently, further references to the CTM Regulation, will hereinafter refer to Council Reg. No. 207/2009 (hereinafter referred to as the “Regulation” or “CTMR” if not otherwise specified).

<sup>50</sup> Member States refers to all present twenty-seven countries members to the European Union.

<sup>51</sup> See, third and fourth recital in the preamble to the Regulation.

<sup>52</sup> See *infra* under *supra* note 48.

harmonized the substantive laws of Member States in relation to registered trademarks.<sup>53</sup>

A CTM is granted by the Office of Harmonisation in the Internal Market (hereinafter 'OHIM'), however enforcement is delegated to courts designated by the Office, within Member States. Besides providing the substantive laws for CTMS', the Regulation establishes the framework for granting, opposing and enforcing Community trademarks.<sup>54</sup>

### 3.2.1 Likelihood of Confusion – Before the harmonisation process

Prior to the implementation of the Directive into national substantive trademark laws, issues regarding likelihood of confusion, and underlying criteria which were used to establish likelihood of confusion for similar marks on similar goods was provided by national substantive law, in the jurisdiction for which the infringement proceeding was brought.<sup>55</sup>

Although the ECJ does not specifically pass judgment over whether a mark is potentially or actually confusingly similar to another mark (its role under the TFEU<sup>56</sup> treaty is to interpret the law, not apply it<sup>57</sup>). Nevertheless, in the case *Terrapin v. Terranova*<sup>58</sup>, both the Commission and the plaintiff (*Terrapin*) raised the argument that German national trademark law was too strict and narrow. They argued that the standards applied in relation to likelihood of confusion must derive from Community level, since disparities in national legislation could potentially disrupt competition and free movement of goods.<sup>59</sup> Notwithstanding these objections, the Court ruled that the national laws of Germany was in compliance with Community law, and did not impose the rights laid down by Article 30 and 36 of the TEC (now Article 36 and 42 of the TFEU).<sup>60</sup> Effectively, the decision rendered in *Terrapin v. Terranova*, clearly indicated the problems regarding the effects of having different national laws applying different standards on how likelihood of confusion was assessed. For example, following the *Terrapin*

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<sup>53</sup> See e.g., tenth recital in the preamble to the Directive. Moreover, since this effectively harmonized national substantive trademark laws with Community trademark law, the Community perspective sufficiently covers all aspects of single Member States national trademark laws relevant to this *thesis*.

<sup>54</sup> Further implementation is effected by Commission Regulation (EC) NO. 2868/95/EC of 13 December 1995 implementing Council Regulation (EC) No. 40/94 on the Community trade mark [1995], OJ L303/1, as amended by Commission Regulation (EC) No. 782/2004 of 26 April 2004 [2004] OJ L133/88, and Commission Regulation No. 1041/2005 of 29 June 2005 [2005] OJ L172/4. See also Commission Regulation (EC) No. 216/96 of 5 February 1996, establishing the rules of procedure of the boards of Appeal [OHIM] [1996] OJ L28/11 as amended by Commission Regulation (EC) No. 2082/2004 of 6 December 2004 [2004] OJ L360/8.

<sup>55</sup> See, D. Keeling *supra* note 17 at p. 174.

<sup>56</sup> Treaty of Functioning of the European Union.

<sup>57</sup> Article 267 of TFEU (former Article 234 under TEC).

<sup>58</sup> Case C-119/75 *Terrapin v. Terranova* [1976] ECR 1039

<sup>59</sup> *Id.* at 1058.

<sup>60</sup> *Id.* at 1061.



*v. Terranova* ruling, Germany interpreted likelihood of confusion very broadly, which meant that the slightest similarities in the mark, even if the characteristics of the opposing mark was considered weak *i.e.*, highly descriptive or even borderline generic of the goods registered, German national courts would still rule in favor of likelihood of confusion. This posed a great disturbance for trademark proprietors in other Member States trying to establish themselves in Germany, since the slightest similarities with a registered German trademark, and the proprietor seeking to establish himself in Germany would be shut down.<sup>61</sup>

It took almost 17 years before the next case was brought before the ECJ. This occurred with the case “*Deutsche Renault v. Audi*”<sup>62</sup>. Although the Directive had been issued in 1988, the Court stated that the Directive was inapplicable at the time of the ruling (due to the fact that *Audi* had commenced proceedings before December 1992 *e.g.*, before the expiry date for implementing the Directive). Nevertheless, this case once again involved German trademark law and whether a German trademark holder could prevent a competitor from using a similar mark because of the risk of confusion. Although, the Court was not competent to rule on the whether the trademarks’ at issue were confusingly similar<sup>63</sup>, the Court had now yet again an opportunity as ‘*Keeling*’ rightfully points out, a general opportunity to indicate the relationship between Article 28 and 30 (now 36 and 42 in the TFEU), and a proprietors right to prohibit imports and the grounds likelihood of confusion.<sup>64</sup> However, the Court declined to take such action. Instead, the Court opted for following the footsteps of *Terrapin v. Terranova*, and concluded: “The criteria’s for establishing likelihood of confusion between two marks are a matter for national law”.<sup>65</sup> The protection a trademark enjoys through Registration is inextricable connected to the right to prohibit similar marks’ being used where confusion is likely, therefore both aspects must be by govern by “a single homogeneous law”.<sup>66</sup>

In summary, before the Directive was completely (*emphasis added*) implemented into national legislation of the Member States, the ECJ did not recognize the interpretative criterion, which established the concept of “risk of confusion” as part of Community law. Instead, this fell entirely under national substantive law. Moreover, since likelihood of confusion did not fall within the scope of Community law, consequently neither did the concept of the average consumer.

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<sup>61</sup> For further discussion regarding the case *Terrapin v. Terranova* and the implication of this case and intra-community trade. *See*, for example D. Keeling *supra* note 17 at p. 177.

<sup>62</sup> Case C-317/91 [1993] ECR I-6227.

<sup>63</sup> *See supra* note 53.

<sup>64</sup> *See*, D. Keeling *supra* note 17 at p. 178.

<sup>65</sup> *See supra* note 57 at 1049.

<sup>66</sup> *See supra* note 62 at paras 30-32 of the judgment.

## 3.2.2 Likelihood of confusion – Merges into Community Law

The absence of unification meant that Member States asserted different criteria for establishing likelihood of confusion between similar marks, all in accordance with their own national substantive laws. Although, many Member States determined the scope of protection of a trademark and confusion based on origin, other Member States did not. For example, the Benelux countries (Belgium, the Netherlands and Luxembourg) used the ‘likelihood of association’ test in order to establish confusion.<sup>67</sup>

Simplistically one might assume that ‘likelihood of association’ is equal to ‘likelihood of confusion’, since they phonetically sound very similar. However, the two concepts are in fact dissimilar, since ‘likelihood of association’ adheres closer to the principles of dilution.<sup>68</sup>

### 3.2.2.1 Directive – 2008/95/EEC

The relevant provisions regarding likelihood of confusion is found in Article 4(1)<sup>69</sup> and 5(1)<sup>70</sup> of the Directive, and when compared to the finalized version of the TRIPS agreement Article 16(1), we can clearly see how the International harmonization process directly affected Community law, and thus the unification of Member States national substantive trademark laws.

Besides, establishing ‘likelihood of confusion’ as the test for determining confusion, the Directive established that the primary function of a trademark is to be capable of distinguishing the goods and/or services of one undertaking from those of other undertakings.<sup>71</sup> As previously stated, many

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<sup>67</sup> T. Cohen, J. Constant Van Nispen, & T. Huydecoper; *European Trademark Law: Community Trademark Law and Harmonized National Trademark Law*, Kluwer Law International (2010) at p. 282 ff.

<sup>68</sup> *Id.* at p. 268 ff. For a comprehensive and thorough discussion regarding ‘likelihood of association’, as applied in the Benelux countries prior to the implementation of the Directive, and the dissimilarities and similarities between likelihood of confusion and likelihood of association,

<sup>69</sup> Article 4(1) of the Directive states: “A trade mark shall not be registered or, if registered, shall be liable to be declared invalid: (a) if it is identical with an earlier trade mark, and the goods or services for which the trade mark is applied for or is registered are identical with the goods or services for which the earlier trade mark is protected; (b) if because of its identity with, or similarity to, the earlier trade mark and the identity or similarity of the goods or services covered by the trade marks, there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association with the earlier trade mark.”

<sup>70</sup> Article 5(1) of the Directive states: “... exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade: (a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered; (b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trade mark.”

<sup>71</sup> See, Article 2 of the Directive.

Member States perceived the primary function of a trademark prior to the Directive as being an indication of source (origin). However, with the Directive, the distinguishing feature of a mark became central to the new trademark regime in Community trademark law. This shift came as no surprise. During the negotiations of TRIPS it was concluded early on that:

*“trademarks do not identify businesses nor do they indicate the origin of goods or services, they serve to distinguish one undertaking from the other.”*<sup>72</sup>

However, the Directive did not entirely abandon the ‘origin’ function. In the tenth recital (now eleventh) of the preamble to the Directive it is clearly stipulated that the protection awarded by Registration of a trademark, should in particular, function as an indication ‘guarantee’ *i.e.*, an indication of ‘origin’.<sup>73</sup> It should be observed that this distinction and regime shift regarding the concept of likelihood of confusion was a clear signal to *emphasize* the distinctiveness of a mark, when assessing similarities and dissimilarities between two trademarks’.<sup>74</sup>

The core of the provisions mentioned hereinabove could be summarized as follows; the issue of confusion does not rise where an identical mark is used with identical goods or services. Instead, the proprietor has an assumptive absolute right to prevent other trademark owners (junior marks) from using the same mark on the same goods and/or services.<sup>75</sup> This means that confusion is relevant in all other constellations *e.g.*, where similar trademarks’ are used in connection with identical goods and/or services, vice versa, or similar trademarks’ are used in connection with similar goods and/or services.

Although, the Directive established ‘likelihood of confusion’ as the applicable norm, it gave very little guidance on the actual practicalities. In fact, the only guidance on this issue is found in the eleventh recital of the preamble, which states; likelihood of confusion depends on numerous elements with particular emphasis on the recognition of the trademark on the market, the association which can be made with the used or registered sign therewith, and the degree of similarity between the marks’ in question and their goods and/or services. From the aforementioned it can be concluded that confusion is based on a factual determination. However, the same recital goes on and states: the ways in which likelihood of confusion may be established, and in particular the onus of proof, should be a matter of national procedural rules which should not be prejudiced by the Directive.

In essence, likelihood of confusion is the norm, but national substantive trademark law provides the substance. To complicate matters even more,

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<sup>72</sup> See, N.Carvalho *supra* note 30 at p. 139.

<sup>73</sup> See, eleventh recital (former tenth) in the preamble to the Directive 2008/95/EEC.

<sup>74</sup> This is the opinion of the Author.

<sup>75</sup> Compare second sentence of Art. 16 (1) of TRIPS, it contains the same absolute right.

and as the observant reader might already have noticed, likelihood of association was included into the concept of likelihood of confusion. Although, not conclusive in the factual determination, this inclusion indicates that the concept of confusion under the Directive is a very broad one.<sup>76</sup>

Until 1997, judiciaries in Member States faced with possible infringement actions based on likelihood of confusion had to turn to national substantive laws and procedures. However, with the case *Sable v. Puma*,<sup>77</sup> the ECJ provided some much needed clarity. Basically, the focal point of the case was whether two marks' were conceptually similar as to appearance for identical goods *i.e.*, if the mere plausible association would suffice to find a likelihood of confusion. As implied hereinabove, likelihood of association could not alone amount to likelihood of confusion. However, besides clarifying that likelihood of association was not sufficient to warrant confusion, the Court went on to make some general comments about the appraisal of likelihood of confusion stating that:

*'likelihood of confusion must ... be appreciated globally, taking into account all factors relevant to the circumstances of the case'.<sup>78</sup>*

In addition, the Court stated that this:

*'Global appreciation of the visual, aural or conceptual similarity of the marks in question, must be based on the overall impression given by the marks, bearing in mind, in particular, their distinctive and dominant components'.<sup>79</sup>*

Furthermore, with *Sabel* the "Average Consumer" finally emerged as a key element in the assessment of likelihood of confusion in addition to aforementioned elements. The Average Consumer aspect of this judgment will be more explored in the next chapter. However, for now, it is important to observe the crystallized standards that emanated from this judgment, and thus effecting Community law as a whole.

The comments provided by the Court in *Sable* could be seen as an expression to recapitulate the basic principles recognized in the majority of the Member States.<sup>80</sup> In sum, the court affirmed the basic principles and standards applicable in the factual determination of likelihood of confusion *i.e.*, overall impression (including visual, aural and conceptual similarities), a marks distinctiveness and dominant parts, and the perception of the average consumer.

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<sup>76</sup> See, D. Keeling *supra* note 17 at p. 269.

<sup>77</sup> Case C-251/95 [1997] ECR I-6214.

<sup>78</sup> *Id.* at para 22 of the judgment.

<sup>79</sup> *Id.* at paras 23 and 24 of the judgment.

<sup>80</sup> See, D. Keeling *supra* note 17 at p.187.

With the help of the Directive to approximate the trademark laws in Member States, and subsequent interpretive case law emanating from ECJ, regarding Article 4(1) and 5(1), the concept of likelihood of confusion and basic principles encompassed there within was introduced into Community law. Although, national procedures are still used in the actual factual determination of whether two marks' are confusingly similar, the harmonization process provided at least an unified view of its content, and spawned the beginning for a unified Community trademark Registration system. To depict the exact variations, in which courts in Member States apply the concept of likelihood of confusion analysis and the concept of the "average consumer", lays beyond the scope of this *thesis*. However, for illustrative purposes, some brief references may be included later on as we continue to explore other decisions, which have emanated from the ECJ.

### 3.2.3 Community Trademarks – An overview

Five years after enacting the European Harmonisation Directive on trademark law, the Community Trademark Regulation<sup>81</sup> (hereinafter referred to as the CTMR) came into force. Contrary to the aforementioned Directive, the CTMR did not require implementation into national legislation, since Community Regulations have direct effect<sup>82</sup> and is legally binding without delay. OHIM is as previously mentioned the administrative body for issuing CTM, and decisions rendered by the OHIM may contain general rules or deal with a specific matter. In addition decisions can be merely internal or directly binding on the public. It is imperative to underline that OHIM do not function as a judicial body in infringement cases. Despite the unitary character of a CTM, infringement actions are brought before national 'Community trademark courts'<sup>83</sup> and decided in accordance with national substantive laws.

The CTM was specifically created in order to overcome the barrier of territoriality on the rights conferred on proprietors of trademarks, and to permit unrestricted economic activity in the entire Common internal Market.<sup>84</sup> The CTM shall have the same effect for the whole territory.<sup>85</sup> Article 4 of the Regulation provide the definition of CTM *e.g.*, what can be registered,<sup>86</sup> and subsequently Article 7 of the Regulation, provides absolute grounds for refusal.<sup>87</sup>

Article 9 of the CTMR establishes the rights conferred to a proprietor of a Community Trademark. This right is exclusive in nature and the scope is defined negatively, by listing situations where use of the trademark is

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<sup>81</sup> Council Reg. No. 40/94 on the community Trade Mark, [1994] O.J. L 11/1 [1995] O.J. O.H.I.M. 50; (1995) O.J. O.H.I.M. 511, now replaced with Council Reg. (EC) No. 207/2009 on the community Trade Mark [2009] O.J. L 78/1.

<sup>82</sup> *See*, Article 288 of the TFEU.

<sup>83</sup> *See*, Article 95 of the Regulation.

<sup>84</sup> *See*, the third recital of the Regulation.

<sup>85</sup> *See*, Article 1(2) of the Regulation.

<sup>86</sup> *See*, Article 4 of the Regulation.

<sup>87</sup> *See*, Article 7 of the Regulation.

prohibited by third parties. Similar to Article 4(1) of the Directive, Article 9 of the Regulation distinguishes between cases of identical reproduction (e.g., identical marks used with identical goods and/or services), which is prohibited per se and cases, which involve imitation, and where likelihood of confusion needs to be established.<sup>88</sup> Article 9(1)(b) regulates infringements based on likelihood of confusion on the part of the public, which also includes a likelihood of association.<sup>89</sup>

### 3.2.3.1 Evaluation of Confusion – CTM

Similar to national registered trademarks, the evaluation of the risk of confusion depends on the specific characteristics of a case, and falls under the competence of national jurisdiction. In essence, the same national rules and procedures are applied for national registered trademarks, as for CTM in infringement cases based on likelihood of confusion.<sup>90</sup> As previously mentioned,<sup>91</sup> with the Directive to approximate the laws of Member States related to trademarks, and subsequent ECJ case law, some criteria for comparison have been established which will have more or less weight depending on specific case. The following section intends to give the reader a general conception of how CTM Courts generally determine likelihood of confusion. However, it should be noted that the appointed judge determines likelihood of confusion by considering case specific facts.

Generally, the risk of confusion must be evaluated from the time of Registration. Thus, in general it is irrelevant for the purposes of confusion to include actual use of the trademark, as well as other factors such as presentation, price and type of products.<sup>92</sup> The next step in the evaluation process is to determine the overall impression of the trademark. This can include assessing the phonetic, visual and aural impression of the marks' in the mind of the consumer, albeit, emphasis is on the first impression, rather than on an analytical construction.<sup>93</sup> In addition, within the overall impression, judges generally look to the distinctive characteristics of the marks'. Although, first impression sets the stage, the more distinctiveness a mark acquires, the wider the protection.<sup>94</sup> It is widely recognized the 'stronger' the mark, the greater the protection, whereas weak marks only

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<sup>88</sup> See, Article 9 of the Regulation; see also, as compared to Article 4(1) of the Directive.

<sup>89</sup> This refers to the situation where the trademarks themselves or the goods and services, or both, are not identical but at least similar.

<sup>90</sup> See, Article 96 of the Regulation, which states that jurisdiction over the infringement of Community trademarks, will remain in the exclusive jurisdiction of the Community Trademark Courts.

<sup>91</sup> See *infra* Part 3.2.2.1.

<sup>92</sup> M. Franzosi, & M. Baz, *European Community Trade Mark: commentary to the European Community regulations*, Kluwer Law International (1997) at p. 301.

<sup>93</sup> *Id.* at p. 302.

<sup>94</sup> See, *Sable v. Puma supra* note 77 at para. 24 of the judgment, where the Court stated: "the more distinctive the earlier mark, the greater will be likelihood of confusion." This position regarding distinctiveness has been reaffirmed in subsequent case law. See for example Case C-39/97 *Canon Kabushiki Kaisha v. Metro-Golwyn-Mayer* [1998] ECR I-5507 at para 18 of the judgment, and Case C-342/97 [1999] ECR I-3819 at para 23 of the judgment.

need marginal differences to prevent infringement.<sup>95</sup> Finally, it should be emphasized that CTM courts generally consider similarities more important than differences.<sup>96</sup>

Regarding the similarity of goods and services, the most important factors are: sources of production, the sales and distribution channels, the market and the customers, as well as the use and the interchangeability of the products. The general rule is that a registered trademark enjoys protection only in relation to similar or identical goods. However, this must be reviewed under the principle of ‘interdependency’.<sup>97</sup> Effectively, this means that a lesser degree of similarity between the goods may be offset by a greater degree of similarity between the marks, and vice versa.<sup>98</sup>

As illustrated by this overview, the question of whether ‘likelihood of confusion’ is triggered is not a purely factual question, even if the assessment must be made on a factual basis.<sup>99</sup> The complex nature of this “assessment” is as much legal as factual, since national courts must infer the existence of likelihood of confusion from the circumstances and not from empirical data. As such, the determination of likelihood of confusion is therefore both legal and factual at heart.

### **3.3 The legal framework in the United States**

The following is a brief description of the legal framework surrounding U.S. trademark law. Naturally, it would be impossible to give a detailed and comprehensive description of the complete legal framework within the scope of this *thesis*. Instead, my intention here is to give the reader a general introduction into the schematics of U.S. trademark law, with emphasis on likelihood of confusion, and specifically on how Federal Courts utilize the “average consumer” concept.

#### **3.3.1 Federal Registration, State Protection and Common law rights**

Before 1946, unfair competition law was not encompassed in Federal statutes. Instead, such laws were entirely construed under common law, since trademark law was primarily considered a state concern.<sup>100</sup> This purported a non-uniform trademark system consisting of a wide range of disparities in

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<sup>95</sup> See *supra* note 92 at pp. 304-305.

<sup>96</sup> *Id.* at p. 303.

<sup>97</sup> This Principle was introduced in *Canon v. Metro-Goldwyn-Meyer* *supra* note 91, as a development of ‘Global appraisal’ concept introduced in *Sabel v. Puma* *supra* note 77.

<sup>98</sup> *Id.* at para 17 of the judgment.

<sup>99</sup> Case C-425/98 *Marca Mode CV v. Adidas* [200] E.C.R. I-04861, at para. 40 of the judgment

<sup>100</sup> K. Port, *Trademark Harmonization; Norms, Names & Nonsense*, 2 Marq. Intell. Prop. L. Rev 33, 34 (1998).

rights and protection of trademarks. However, as interstate commerce increased it became obvious that such a shattered system was unsustainable.<sup>101</sup> Federal trademark law serves to protect both consumers from deception and confusion over trade symbols *and* to protect proprietors' rights as property.<sup>102</sup> Similar to English law, American law of unfair competition has its roots in common-law tort of deceit. Since infringement of trademarks is regarded as a type of unfair competition, it follows that trademark infringement is a commercial tort. Subsequently, all persons who act together to infringe on a trademark are liable as joint "tortfeasors".<sup>103</sup> Thusly, U.S. trademark law recognizes common law rights in a mark. Effectively, this means that state law without a subsequent Registration grants common law rights in any symbol capable of being used as a trademark.<sup>104</sup> With this I leave the intricacies regarding state vs. Federal law, since this subject matter simply supersedes the scope of this *thesis*. However, as a final remark, it should be noted that state law is generally congruent with Federal law with regard to infringement claims, and for the purposes of this *thesis*, the exclusion of references to state law is of *de minimis* importance.<sup>105</sup>

In 1946 United States Congress enacted the Lanham Act. The purpose of the Lanham Act was to place all matters relating to trademarks in one statute and to eliminate judicial obscurity *i.e.*, to simplify and liberalize Registration matters, increase the level of protection, and dispensing of mere technical prohibitions and arbitrary provisions. This made procedures simple and effective, in addition to securing relief against infringement more promptly and efficient.<sup>106</sup> In essence, the Lanham Act created substantive law as well as procedural rules in relation to trademarks and unfair competition. The Lanham Act has been amended several times, however the most notable amendment was enacted in 1962. Prior to 1962, U.S. trademark law like many other judicial systems applied the doctrine of 'source of origin' as a requirement for finding likelihood of confusion. However, with the 1962 amendment the key definition of infringement was broadened by elimination of the prerequisite 'source of origin'.<sup>107</sup>

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<sup>101</sup> *Id.* at 34.

<sup>102</sup> J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* (4<sup>th</sup> ed. 2010) at §2:2.

<sup>103</sup> *Id.* at § 25:23.

<sup>104</sup> A party which is using a mark in commerce will have superior rights in that mark, at least in the geographic area of its use, even if it does not register the mark.

<sup>105</sup> Most courts, in analyzing a claim of infringement based on both federal and state law, will apply to both a single analysis of the likelihood of confusion issue. That is, the test of infringement under both federal and state law is whether there will be a likelihood of confusion. In applying this test, it is appropriate to rely upon federal precedent when determining if there is infringement under state statutory or common law.

<sup>106</sup> S. Res. No. 1333, 79th Cong. 2d Sess. (1946), U.S.C.C.A.N. 1274.

<sup>107</sup> *See, McCarty supra* note 102 at § 5:6.



### 3.3.2 The Lanham Act – Requirements for trademark protection

Before proceeding, a few preliminary observations about the statutory provisions found in the Lanham Act. Although, the Lanham Act contains substantive provision its principle significance lies in its register and priority rules. Moreover, protectable subject matter is congruent with International treaties and agreements, and thus does not substantially differ from other judicial systems.<sup>108</sup> In addition, in reference to infringement claims based on likelihood of confusion, the Lanham Act does not provide statutory measures for determining likelihood of confusion. This next section is only intended to give the reader a basic overview of U.S trademark law and how Federal protection is obtained. I will therefore only explore statutory provisions, and highlight procedural differences, which would serve to explain judicial differences, and their potential effects regarding the application of the average consumer concept.

Federal trademark protection requires use in intra state-commerce.<sup>109</sup> If this requirement is fulfilled a trademark becomes eligible for registration on the principal register.<sup>110</sup> Moreover, a trademark must be able to identify and distinguish goods of one proprietor against another in order to meet the qualification requirements for registration.<sup>111</sup> Similar to European Community law, the distinctiveness of a mark determines the scope of protection to which a particular mark is entitled.<sup>112</sup> In essence, the distinctive characteristics of a mark are assessed in spectra, from weak marks to strong. Although, there exist slight judicial and procedural differences on how distinctiveness properties are measured, the underlying assessment criteria are virtually the same between U.S. and EU trademark law.<sup>113</sup>

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<sup>108</sup> 15 U.S.C. Lanham Act section 22 at § 1052 as compared to TRIPS Article 15, and Article 4 and 7 of the CTM Regulation.

<sup>109</sup> 15 U.S.C. Lanham Act section 45 at § 1127, defines “commerce” as “all commerce which may lawfully be regulated by congress.” Section 45 defines “use in commerce” as follows: The term “use in commerce” means the bona fide use of a mark in the ordinary course of trade, and not merely to reserve a right in a mark. For purposes of this Act, a mark shall be deemed to be in use in commerce- (1) on goods when (a) it is placed in any manner on the goods or their containers... (b) The goods are sold or transported in commerce, and (2) on services when it is used or displayed in the sale of or advertisement... in more than one State...”

<sup>110</sup> A trademark or service mark may be registered with the United States Patent and Trademark Office on either the Principal or Supplement Registers. The principal Register is the main Register, where exclusive rights are granted on a Federal level.

<sup>111</sup> 15 U.S.C. Lanham Act section 22 at § 1051.

<sup>112</sup> Extract from 15 U.S.C. § 1052. “No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it... (e) Consists of a mark which, (1) when used on or in connection with the goods of the applicant is merely descriptive or deceptively miss-descriptive of them...”

<sup>113</sup> This conclusion can be drawn by looking at the examinations guidelines issued by the OHIM and USPTO, see in particular Opposition guidelines issued by OHIM, part 2, chapter 2, Final version, November 2007, and compare to TMEP at § 1209.

### 3.3.3 Likelihood of Confusion

The test for determining Federal statutory trademark infringement is “Likelihood of confusion”.<sup>114</sup> An infringement occurs when a proprietor or others use an identical or similar mark for the same or similar goods and/or services, which “is likely to cause confusion, or to cause mistake, or deceive as to the affiliation, connection, or association” of the senior user.<sup>115</sup> As such, protection under Federal trademark law is built on the concept of “passing off”, an activity generally caught by § 1114 of the Lanham Act.<sup>116</sup> The concept of likelihood of confusion is generally regarded as a factual matter, not legal, and it is reviewed upon appeal under a deferential “clearly erroneous” standard.<sup>117</sup> In contrast to CTM, where the risk of confusion is evaluated from point of registration,<sup>118</sup> the risk of confusion with regard to U.S. trademarks is evaluated with respect to concurrent use.

In order to establish a “likelihood of confusion” a trademark owner must show more than a possibility of confusion. The term ‘likelihood’ in this context can be considered to be the same as a probability that confusion will occur. Thus, the party with the burden of showing a likelihood of confusion must establish a viable probability that the relevant public will be confused:

*“[m]any consumers are ignorant or inattentive, so some are bound to misunderstand no matter how careful a producer is”.*<sup>119</sup>

The nature of the confusion suffered by the public may be confusion as to source of the goods or services, or as to the affiliation, connection or sponsorship of the goods or services. It may occur when the purchasing public purchases the goods and/or services of the junior user of the mark thinking that they are buying goods and/or services manufactured or offered by the senior user.<sup>120</sup>

Although, a simplistic comparison would reveal numerous similarities between the American and European trademark system, they still remain distant. In general, Federal Circuit Courts have developed a ‘multi-factor balancing test’ to facilitate the determination process. However, since various Federal Circuits emphasize (generally speaking) these factors

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<sup>114</sup> See, McCarthy *supra* note 102 at § 23:1.

<sup>115</sup> 15 U.S.C. Lanham Act section 22 at § 1125. Furthermore, the same test is deployed by the USPTO, under 15 U.S.C. Lanham Act section 22 at § 1052 (d) when determining whether a mark which is the subject of an application for registration is likely to cause confusion with a previously used or registered mark.

<sup>116</sup> *Id.* section 32 at § 1114.

<sup>117</sup> See, e.g., McCarthy *supra* note 102 at § 23:67 (There is a split of authority among the federal circuits as to whether the issue of likelihood of confusion is an issue of fact reviewed on appeal under the more deferential “clearly erroneous” standard or whether it is an issue of law reviewed de novo with the appellate court deciding the issue anew without deference.)

<sup>118</sup> See *supra* note 88.

<sup>119</sup> See, McCarthy *supra* note 102 at § 23:3 (citing *August Storck K.G. v. Nabisco, Inc.*, 59 F.3d 616 (7th Cir. 1995)).

<sup>120</sup> *Id.*

differently, any attempt to compile and rank their respective intrinsic schematic value for summation purposes would be futile.<sup>121</sup>

Notwithstanding, since the so-called *E.I du Pont*,<sup>122</sup> factors are precedent in relation to the T.T.A.B. and C.A.F.C and since these factors apply in all Federal Registration matters,<sup>123</sup> it will be sufficient to portray these factors for summation purposes.

Generally, the first step when determining whether a likelihood of confusion exists or will occur between two marks is to: analyze the two marks in appearance (visual), pronunciation (sound), meaning and commercial impression. This first step is commonly referred to as the “trilogy test”. The second factor to consider is the possible similarity or relatedness of the goods or services for which the effected trademarks’ are registered and used with.<sup>124</sup> Here, the T.T.A.B. and C.A.F.C will typically analyze the nature of the goods and/or services in order to determine whether these are unrelated, related, complementary, or identical.<sup>125</sup> Generally, if unrelated the potential likelihood of confusion is decreased. The third factor pertains to the channel of trade and similarity there within. The term “channels of trade” refers to the types of places and the nature of distribution in which the goods or services will be encountered. Here, emphasis is on whether the consuming public potentially could be confused if the goods are sold in the same stores etc. The fourth factor relates to the nature and level of sophistication of consumers. This will be more thoroughly explored in the next chapter. However, for now it should be observed that the “average consumer” concept is flexible under U.S. trademark law, and the perception of the “average consumer” is interdependent of the nature and of the goods in a particular market.

The aforementioned factors could be regarded as the most essential in determining confusion. However, in addition to the above, the *E.I Du Pont* case lists (nine) additional factors, which can be utilized and encompassed in the overall analysis.

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<sup>121</sup> *Id.* at §§ 24:30-43 (listing factors used by various Circuits). For example, see *Polaroid Corp v. Polarad Electronics Corp.*, 287 F.2d 492, 495 (2d Cir. 1961). In that case the court considered; (1) strength of plaintiff’s mark, (2) degree of similarity between marks, (3) competitive proximity of litigant’s products, (4) any actual confusion, (5) likelihood that plaintiff “will bridge the gap” separating the two markets, (6) whether defendant acted in good faith in adopting its mark, (7) quality of defendant’s product, and (8) purchaser sophistication.

<sup>122</sup> *See, e.g.,* In re *E.I. Du Pont de Nemours & Co.*, 467 F.2d 1357, 177 U.S.P.Q. 563 (C.C.P.A. 1973).

<sup>123</sup> The T.T.A.B and C.A.F.C. apply the “*E.I. Du Pont*” factors in ex-parte examination to determine potential likelihood of confusion with senior marks, which would warrant a refusal to register under 15 U.S.C. Lanham Act section 22 at §1052 (d). *See, e.g.,* TMEP at § 1207.01.

<sup>124</sup> *Id.*

<sup>125</sup> *Id.* at §1212.04 (c).

### 3.3.4 Who needs to be confused and about what?

Trademark law in the United States recognizes different types of confusion, which can occur at different stages in time and space. It should be noted that possible confusion is not limited to a specific relevant market. It is possible to find confusion even if trademarks' are not competing with the same type of goods or services.<sup>126</sup> This stems from the fact that U.S. trademark law is based on the principles of anti-dilution, which include a consumer protection rationale.<sup>127</sup> Anti-dilution serves to protect trademark owners against unwelcome changes to consumers' impressions and the consumer protection aspect militates against "incurring imagination costs".<sup>128</sup> The boundary of confusion does not end with confusion as to source, instead actionable confusion also extends to confusion as to affiliation, connection and sponsorship.<sup>129</sup> As can be inferred from above, trademark protection is extended to the consumer collective as well as the proprietors, meaning that the answer to the question of who could potentially be confused extends to both sides. This might appear to be self-evident or even quite straightforward, however the aforementioned does not reflect the intrinsic characteristic of the confused person, and in particular not in relation to the affected consumer. When it comes to consumer protection, U.S. case law has repeatedly confirmed that 'likely' confusion, which affects consumers and/or potential buyers, extends only to the relevant class of buyers, and not the general collective as a whole.<sup>130</sup> Depending on the relevant class, potential customers may range from consumers to professional purchasers, or wholesalers and retailers. The key definition of the potential customer can be summarized as follows:

*"One who might some day purchase such goods or services and pays attention to brands in that particular market."*<sup>131</sup>

The second tier of the question regards 'confused' over what? Again, it is self-evident that this includes confusion as to source and identity. However, to simplistically assume that this is the same as product confusion *i.e.*, instead of buying company A's product, purchasers buy company B's product which have different properties, because she mistakenly thought that product belonged to company A would be a grave understatement. The fact that product confusion may actually occur is irrelevant, since the issue is not whether consumers are likely to buy the junior user's products instead

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<sup>126</sup> See, McCarthy *supra* note 102 at § 23:5.

<sup>127</sup> See, G. Dinwoodie & M. Janis *supra* note 1 at p. 369.

<sup>128</sup> *Id.* citing ("Ty Inc. Perryman, 306 F.3d at 511").

<sup>129</sup> See, McCarthy *supra* note 102 at § 23:8.

<sup>130</sup> See, e.g., *Electronic Designs & Sales, Inc. v. Electronic Data Systems Corp.*, 954 F.2d 713, 21 U.S.P.Q. 2d 1388, 1390 (Fed. Cir. 1992) ("purchaser confusion is the "primary focus" and in the case of goods and services that are sold, "the enquiry generally will turn on whether actual or potential 'purchasers' are confused.").

<sup>131</sup> See, e.g., *Estee Lauder, Inc. v. The Gap, Inc.*, 108 F.3d 1503, 42 U.S.P.Q.2d 1228 (2d Cir. 1997).

of the senior user. Instead, the targeted confusion concerns whether the purchasers mistakenly believe that the senior user has expanded into a new market, or the junior user is sponsored by, or otherwise affiliated with the senior users mark.<sup>132</sup> Furthermore, confusion may manifest itself in other ways, which are also actionable under the Lanham Act. This includes post-sale confusion,<sup>133</sup> confusion of investors and suppliers etc.<sup>134</sup>

### 3.3.5 Conclusions

American trademark law serves to protect consumers and proprietors from deception and confusion. Although, the Lanham Act provides for the statutory rules and procedures regarding Federal registered trademarks', it does not however provide any statutory measures for determining likelihood of confusion. Such measures are exclusively provided by common law.

To establish likelihood of confusion, there must be a probability of confusion, rather than a possibility. Furthermore, confusion is actionable when a junior mark is likely to cause confusion, mistake or deceive as to affiliation, connection, or association with a senior mark.

“Likelihood of consumer confusion” and “changed impression of trademarks” are determined by a filter of legal tests, which involve an array of factors, empirical and factual in nature.<sup>135</sup> The legal inquiry preformed by courts generally focuses on certain key factors, which are germane to finding confusion. However, in relation to consumer protection, the starting point of this inquiry begins with defining the relevant class of purchaser. In essence, Federal trademark law requires Federal courts to identify and dissect consumer behaviorism. Furthermore, by breaking down market elements, the question of who is the “hypothetical consumer” becomes codependent on the judges’ ability to correctly define market structures and consumer behaviorism.

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<sup>132</sup> See, McCarthy *supra* note 102 at § 23:5.

<sup>133</sup> Refers in general to counterfeiting goods that can damage the goodwill and reputation and cause actual loss of sale revenue.

<sup>134</sup> See, McCarthy *supra* note 119.

<sup>135</sup> See, McCarthy *supra* note 102 at § 23:2.50 (“The great majority of circuits follow the rule that likelihood of confusion is an issue of fact reviewed on appeal under a deferential “clearly erroneous” standard.”)

# 4 Who is The “Average Consumer” in Trademark Law?

## 4.1 Introduction

Meet X, she is your average normal person, living a very normal life. Would you say that she fits the description of the “average consumer”, probably not? A natural response would be that you would need more information regarding this person before categorizing her as belonging to the “average consumer collective”. Let’s say you did not have access to this kind of information, would you despite this readily “assume” that she is an average consumer, because she appears to be average normal person living an ordinary average life, maybe? However, immediately the inquisitive would ask, what is normal and what is the definition of average? Of course, the answer to this question is highly speculative and highly dependent of the perception of the person asking these questions and what they believe to be normal and average. As amply mentioned previously, the existence of trademarks’ is inextricably linked to the perception of its observer. If people cannot perceive a trademark, as a trademark, than there cannot be a trademark. As such, what goes on in the minds of consumers is crucial to both the creation of trademarks, scope and in the infringement context.<sup>136</sup> Since this mindset is central to trademark policy and law naturally judiciaries need to discern this mindset. The “average consumer” is representative for the attempts of judiciaries to define aforementioned mindset, and although it is an expression of fiction, this “average consumer” exists in reality, within all of us.

In this section, a detailed description has been presented of the concept and its origins in relation to European and American trademark law. Furthermore, the next section of this chapter turns to a comparative outlook on the concept and how the underlying principles and different trademark doctrinal developments impacts the confusion analysis.

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<sup>136</sup> See, G. Dinwoodie & M. Janis *supra* note 1 at p. 375.

## 4.2 The Average Consumer and its conceptual development in the likelihood of confusion analysis

### 4.2.1 EU

Before the hypothetical average consumer was introduced as an integral judicial test in Community trademark law, most Member States applied variations of what we today refer to as “the average consumer” *i.e.*, one whom is reasonably well-informed, reasonably observant and circumspect, in accordance with national substantive laws and policies.<sup>137</sup>

Prior to the enactment of TRIPS and the Directive, it was readily perceived that in order to determine whether two marks were confusingly similar, judiciaries had to look at it from the consumer’s point of view. It was therefore necessary to assume certain characteristics of how buyers distinguish trademarks in any given relevant market. Naturally, almost every independent legal system adopted and devised different methods to give these general assumptions an intrinsic substance. For example, German courts favored polls or surveys as evidence of consumer perception *i.e.*, a more pragmatic approach supported by physical facts.<sup>138</sup> In general, the German consumer could be said to be based on the “protection of minorities” and of the “consumer in a hurry.”<sup>139</sup> In contrast to the German approach, English courts traditionally opted for a more judicial approach, which meant that polls or surveys were awarded little or no probative value. Before the implementation of the Directive, English substantive trademark law derived mainly from common law, which incorporated the tort theory of ‘passing off’.<sup>140</sup> Thus, confusion required misrepresentation (expressed or implied), and a consequent likelihood of damages in order to warrant tort. Under English common law the potential effected consumer was perceived as being an ordinary and sensible figure of the public, whom represented the views of the collective regarding specific goods and/or services in question. In other words, there was a “typical buyer” for every particular goods and/or services.<sup>141</sup> That being said, English courts traditionally recognized the existence of the “average consumer”, however her significance and existence was merely acknowledged. At the end of the day, the nature<sup>142</sup> of the goods and/or services dominated over various socio-economical and

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<sup>137</sup> S. Dittmer, *Misleading Advertising: An End to the “Cursory Average Consumer”?* 20, EUR. INTELL. PROP. REV. 313-316 (1998) at 315.

<sup>138</sup> *Id.* at 313.

<sup>139</sup> R. De Vrey, *Towards a European unfair competition law: A clash between legal families: a comparative study of English, German and Dutch law in light of existing European and International legal instruments*, Brill (2006) at p. 238.

<sup>140</sup> *Id.* at p. 233.

<sup>141</sup> *Id.*

<sup>142</sup> The nature of the goods or services refers to what type of goods or services *e.g.*, whether expensive or relative inexpensive, everyday consumer items or items which require a great deal of thought or technical expertise etc.

demographic factors.<sup>143</sup> In other words, the nature of the goods and/or services determined the identity of the average consumer.

As can be inferred from above, the concept of the “average consumer” had prior to the harmonization and unification process no strong entrenchment. Member States deployed different standards and methods to measure and devise applicable structures in order to discern collective behaviorism. As such, the concept was not at that time controlling in terms of finding confusion.

## 4.2.2 The ECJ formulates the Average Consumer standard

The average consumer concept in Community law is said to have emerged from the ECJ case *Gut springenheide*,<sup>144</sup> or as commonly referred to as the *eggshell* case. Although, the hypothetical consumer had already made an appearance in misleading advertisement and unfair competition cases in the early 1990, it would not be introduced to the concept of likelihood of confusion until several years later.

In *Gut*, which (in broad terms) did not concern trademark law directly, but rather the interpretation of (EU) Regulation 1907/90, and the marketing standards for eggs. Notwithstanding, the outcome still had an immense effect on trademark law indirectly. In brief, the German authority in charge of monitoring producers of eggs, accused *Gut* of deliberately breaching the 1907/90 Regulation by including a description of certain characteristics of the eggs produced. Thus violating the Regulation, which prohibited such actions. The description included the sentence: “6-Korn - 10 frische Eier” (*six-grain - 10 fresh eggs*), which also happened to be a registered trademark.<sup>145</sup> The German authority argued that this particular statement was to be perceived as misleading advertisement. Mainly it was argued that the description was likely to mislead a significant proportion of consumers, since it falsely implied that: “the feed given to the hens is made up exclusively of the six cereals indicated and that the eggs therefore have

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<sup>143</sup> An illustrative example is the English trademark case *Lancer Trade Mark [1987] R.P.C. 603*. This case concerned whether the mark *Lancer* where confusingly similar to the mark *Lancia*, for cars. The Court of Appeal concluded: “a car is an expensive piece of equipment. Its purchase will usually be considered with some care, and will be assisted in a competitive market by an abundance of brochure literature. When considering the risk of confusion, therefore, the purchase of a car is not to be equated with an everyday purchase over a shop counter. Nor is it likely to be purchased over the telephone. Lancia is a well-known name, and the practical risks of confusion seem to me slight in the extreme.” at para 325 of the judgment.

<sup>144</sup> Case C-210/96 [1998] E.C.R. I-04657, (hereinafter referred to as *Gut*). However, as previously stated the origins of the hypothetical average consumer could already be traced back to case law concerning misleading advertising and competition cases.

<sup>145</sup> *Id.* at paras 7-9 of the judgment.



particular characteristics”.<sup>146</sup> In essence, the German court stayed the case and requested a preliminary ruling by the ECJ in order to

*“define the concept of consumer to be used as a standard for determining whether a statement designed to promote sales of eggs is likely to mislead the purchaser”*.<sup>147</sup>

The ECJ found that in order to determine whether this statement was misleading, the national court must take into account the presumed expectation’s of the average consumer who is reasonably well informed and reasonably observant and circumspect.<sup>148</sup> Furthermore, the Court continued:

*“Community law does not preclude the possibility where the national court has a particular difficulty in assessing the misleading nature of the statement or description in question, it may have recourse under the conditions laid down by its own national law, to a consumer research poll or an expert's report as guidance for its judgment”*.<sup>149</sup>

In effect, this meant that in reference to trademarks, Community law does not prohibit national substantive law from using factual evidentiary measures, such as, polls and surveys. However such measures are not regarded as a prerequisite for determining the perception of the average consumer.<sup>150</sup>

Although, *Gut* did not concern trademark law per se as mentioned, the presence of the ‘hypothetical average consumer’ was becoming deeply imbedded in Community law in general.<sup>151</sup> After *Gut*, it was only a matter of time before the concept was introduced to trademark law and incorporated within the likelihood of confusion analysis. Effectively, this occurred with the case *Sable v. Puma*.<sup>152</sup> Here, the Court addressed the grounds for finding a “likelihood of confusion” and established:

*“The perception of marks in the mind of the average consumer of type of goods or services in question plays a decisive role in the global appreciation of the likelihood of confusion. The average consumer normally perceives a mark as a whole and does not proceed to analyze its various details.”*<sup>153</sup>

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<sup>146</sup> *Id.* at para 12 of the judgment.

<sup>147</sup> *Id.* at para 15 of the judgment.

<sup>148</sup> *Id.* at para 31 of the judgment.

<sup>149</sup> *Id.* at para 37 of the judgment.

<sup>150</sup> *Id.*

<sup>151</sup> *See e.g.*, Case C-362/88 GB-INNO-BM [1990] ECR I-667; Case C-238/89 Pall [1990] ECR I-4827; Case C-126/91 Yves Rocher [1993] ECR I-2361; Case C-315/92 Verband Sozialer Wettbewerb [1994] ECR I-317; Case C-456/93 Langguth [1995] ECR I-1737; and Case C-470/93 Mars [1995] ECR I-1923).

<sup>152</sup> *See supra* note 77.

<sup>153</sup> *Id.* at para 24.

The concept of the hypothetical average consumer was further elaborated in *Lloyd Schufbrik*,<sup>154</sup> which similar to *Sable v. Puma* also concerned the grounds for likelihood of confusion.

In *Lloyd*, similar mark's were used in connection with identical goods, namely, shoes. *Lloyd* (plaintiff) sought an injunction against a Dutch company, in order to prohibit the Dutch company from marketing shoes in Germany under the mark 'Loint's'. The Plaintiff argued that the defendant's trademark was confusingly similar to plaintiff's trademark 'Lloyd', especially in reference to overall appearance and mainly because the trademarks were used in connection with identical goods.<sup>155</sup> The ECJ reaffirmed the position taken in *Gut i.e.*, that the average consumer is "reasonably well-informed and reasonably observant and circumspect".<sup>156</sup> However, it also added citing *Sable v. Puma*: that the average consumer normally perceives a mark in its entirety and is inclined not to analyze its various details.<sup>157</sup> In other words, trademarks paint an "imperfect" picture in the mind of the consumer, which may require different level of attention depending on the category of goods and/or services for which it represents.<sup>158</sup>

Under *Lloyd* the concept of the hypothetical average consumer was not only deployed to evaluate likelihood of confusion. The Court further employed the assistance of this ambiguous figure in order to determine the circumstances under which a mark achieves distinctiveness. First the Court reaffirmed the statement given in *Sable v. Puma*<sup>159</sup> e.g., "*the more distinctive the earlier mark, the greater the risk of likelihood of confusion*".<sup>160</sup> Secondly, the Court stated; the "overall impression" is the key when determining the distinctiveness of a mark. In *Lloyd*, the German court asked the ECJ whether a mark requires certain percentage or market recognition in order to be regarded distinctive. The ECJ answered by devaluing the overall importance of polls and surveys, and emphasized the "overall impression" as controlling in this matter. Furthermore, the Court stressed that in part of making this assessment, Union Courts should in particular; take into account the inherent characteristics of the mark, market shares, marketing investments, geographic recognition, size of the relevant market.<sup>161</sup>

Recent case law have deployed the "hypothetical average consumer" to provide measures for determining the identity of signs, shapes and color for the purposes of finding likelihood of confusion. In *LTJ Diffusion SA v SA*

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<sup>154</sup> Case C-342/97 *Lloyd Schufbrik & Co Gmhb v. Lkijsen Handel BV* [1999] F.S.R. 627 (hereinafter referred to as *Lloyd*).

<sup>155</sup> *Id.* at paras 4-8 of the judgment.

<sup>156</sup> *Id.* at para 26 of the judgment.

<sup>157</sup> *Id.* at para 23 citing *Sable v. Puma supra* note 77.

<sup>158</sup> *Id.* at paras 25 and 26 of the judgment.

<sup>159</sup> *Id.* at para 24 of the judgment.

<sup>160</sup> *Id.* at para 20 of the judgment.

<sup>161</sup> *Id.* at paras 22 and 23 of the judgment.

*Sadas Vertbaudet SA*,<sup>162</sup> the Court interpreted Article 5(1)(a) of the Directive, and whether the Directive:

“Only covered identical reproduction, without addition or omission, of the sign or signs constituting a mark or can it extend to (1) reproduction of the distinctive element of a mark composed of a number of signs; (2) full reproduction of the signs making up the mark where new signs are added?”<sup>163</sup>

Essentially, the Court concluded that Article 5(1)(a) must be interpreted as meaning: a sign is identical with the trademark where it reproduces, ‘without modification or addition’, all elements constituting the trademark or where, viewed as a whole, it contains differences so insignificant that the average consumer will not notice such differences.<sup>164</sup> In respect to the hypothetical average consumer test, the Court reaffirmed the position taken in *Lloyd*, where a trademark must be assessed globally with the overall impression as the determinative factor.<sup>165</sup>

In the case *Procter & Gamble Co. v. OHIM*,<sup>166</sup> Procter & Gamble (plaintiff) tried to register a CTM consisting of a rectangular shaped multicolored dishwashing tablet. The ECJ<sup>167</sup> affirmed the decision issued by OHIM, and subsequently the decision rendered by the CFI to deny registration based on the contention that the shape lacked distinguishing capabilities.<sup>168</sup> Before proceeding, it should be noted that the Procter & Gamble case did not concern the issue of likelihood of confusion. However, I have included the case to illustrate how the CFI and ECJ utilize average consumer doctrine.

In general, the CFI held that the goods in question were ‘widely used consumer items.’<sup>169</sup> Therefore, the mark must be analyzed from the average consumer perspective. The CFI upheld the principles in *Lloyd*, and stated that the level of consumer attentiveness regarding such ordinary consumer items must be considered low. As such, the reasonably well-informed and reasonable observant and circumspect consumer would not find this shape or color to be inherently distinctive.<sup>170</sup> The plaintiff on the other hand argued that this mere assumption regarding dishwasher tablets was constricted to narrowly. According to Procter & Gamble, the market-segment for dishwater detergents (as any other widely used consumer item, where competition exists) has several dimensions. For example: consumers can choose between low-price brands and high-priced brands (the latter applied to the tablets in question). In effect, the question of a mark’s distinctiveness correlates with the level of attention paid by consumers

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<sup>162</sup> Case C-291/00 [2003] E.C.R. I-2799.

<sup>163</sup> *Id.* at para 22 of the judgment.

<sup>164</sup> *Id.* at para 51 of the judgment.

<sup>165</sup> *Id.* at paras 52 and 53 of the judgment.

<sup>166</sup> Joined Cases C-468/01 P to C-472/01 P, 2004, E.T.M.R. 88.

<sup>167</sup> Case C-468/01, *Procter & Gamble Co. v. OHIM*, [2004] E.C.R. I-5141.

<sup>168</sup> *See*, Article 7(1)(b) of Council Regulation (EC) No. 207/2009 [2009] O.J. L78/1.

<sup>169</sup> *See supra* note 169 at para 57 of the judgment.

<sup>170</sup> *Id.* at para 67 of the judgment.

when purchasing goods. Furthermore, since the goods in question were situated in the high priced end of the spectra with a unique shape, it will have an impact on consumer choice. Basically, Procter & Gamble argued that consumers would actively choose to buy their product because: (a) it is more expensive than other brands, and (2) because it distinguishes itself from other similar products based on its unique of shape.<sup>171</sup> The CFI disagreed with this contention and plainly stated:

*“The ensuing differences in the appearance of the various tablets are not sufficient to enable each of those tablets to function as an indication of the product's origin, in as much as those differences are, as in the present case, obvious variations on the product's basic shapes.”*<sup>172</sup>

Interestingly, the CFI made no findings of fact before arriving to this conclusion. Arguably, it can be assumed that the general conclusion about the dishwashing-detergent market and the perception of consumers mirror the mindset of the judiciaries. A suspicion which could be said to be confirmed by the ECJ, which ultimately did not find that the CFI had applied the standard of the average consumer “clearly erroneous” in relation to the facts of the case.<sup>173</sup>

### 4.2.3 Conclusions

In *Lloyd*, the ECJ concluded that Union Courts must deploy an assessment-based inquiry when determining the degree of similarity between trademarks. At heart, the basis for this inquiry is factual in nature, and should include an analytic evaluation of all elements attached to the mark *e.g.*, a mark's distinctiveness, nature of goods etc. However, when making the actual distinction regarding the affected hypothetical consumer, European Courts employ a conclusory legal inquiry based on a non-specialized, non-technical and ad hoc manner.<sup>174</sup>

As mentioned in *infra* of this section, the standard of a “representative consumer” or “average consumer” in contrast to the “empirical test for consumer confusion” emerged initially from misleading advertisement cases. Community law needed to protect consumers from misleading

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<sup>171</sup> *Id.*, at para 49 of the judgment.

<sup>172</sup> *Id.*, at para 66 of the judgment.

<sup>173</sup> Case C-104/00, DKV Deutsche Krankenversicherung AG v. OHIM, 2002 E.C.R. I-7561 at para 22 (“[T]he Court of First Instance has exclusive jurisdiction to find the facts, save where a substantive inaccuracy in its findings is attributable to the documents submitted to it, and to appraise those facts. That appraisal thus does not, save where the clear sense of the evidence before it has been distorted, constitute a point of law which is subject, as such, to reviewed by the Court of Justice on appeal.”).

<sup>174</sup> *See*, S. Dittmer *supra* note 135. In addition, it should be observed that there is no congruent definition of what makes consumers well-informed and reasonably observant and circumspect. Moreover, since this is determined by national substantive rules and procedures, one might speculate that the “consumer” mirrors the perception of the judiciary.

advertisement, which is essential for achieving a functional internal market. Thus, it was appropriate to identify a standard which could be used to assess whether consumers were being misled or confused by false claims. The introduction of a unitary standard, which could be utilized by both national courts and Union Courts, including the [ECJ], would obviate the need to decide such cases on an individual basis.<sup>175</sup> In effect, inhomogeneous standards amongst Member States would potentially increase the impediment of free movement of goods.<sup>176</sup> However, to what cost?

The definition provided by Community law is based on the presumption that “consumers will inform themselves about the quality and price of products and will make intelligent choices”.<sup>177</sup> It has been held that the strategy to shift from an empirical based assessment standard, to a streamlined normative approach would adhere more effectively to existing macroeconomic models based on market principles. Moreover, for the “average consumer” to fully work with these models the “average consumer” must be assumed to be well-informed individuals.<sup>178</sup> Whether such effect is actually achieved is widely debated by commentators, I will return to this later in discussing underlying theory in relation to the average consumer.

The European Community strives for a common single market and arguably it would be difficult to uphold the principles of free movement of goods and services if the consumer was not in some way normatively characterized *i.e.*, not presumed to be reasonably well informed, and reasonably observant and circumspect.

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<sup>175</sup> See *e.g.*, A.G Fennelly’s opinion in the Case C-220/98, *Estee Lauder Cosmetics GmbH & Co OHG v. Lancaster Group GmbH* [2000] 1 C.M.L.R. 515 at para [68].

<sup>176</sup> See *e.g.*, *Verein gegen Unwesen in Handel und Gewerbe Koln eV v. Mars GmbH*, [1995], E.C.R. I-1923.

<sup>177</sup> S. Weatherhill, *Prospects for the Development of European Private Law Through ‘Europeanisation’ in the European Court – The Case of the Directive on Unfair Terms in Consumer Contracts*, E.R.P.L. 310 (1995) at 326. This definition emerged from misleading advertisement case law. *Id.* citing “*Estee Lauder*” at para 68 (“[T]he model of hypothetical average consumer for cases of alleged confusion that is likely to be of greatest utility both to national Courts and to the Court [ECJ], in the latter case to obviate the need to decide such cases on an individual basis”).

<sup>178</sup> It has been held that economists use the concept of the average consumer, to represent the characteristics of the market. Accordingly, the market consists of X consumers with identical characteristics. As both judiciaries in trademark cases and economists seek to predict and validate aggregated consumer choices, this concept should work well in both cases. For further discussion regarding “the representative consumer” and macroeconomic models based on market principles, see *e.g.*, A.P. Kirman, *Whom or What Does the representative Individual Represent?*, 6 *Journal of Economic Perspectives*, AEA Publ. (1992).

## 4.3 U.S

### 4.3.1 An Interpretive Exercise

The average consumer (or sophisticated buyer, as commonly referred to in U.S. terminology) as applied in relation to U.S. trademark law share many similarities with the “reasonable person” found in tort law. However, does this purport that these two individuals are in fact the same persons? Commentators may describe them as similar,<sup>179</sup> but these legal conceptions are in essence not the same. The ‘reasonable person’ is an expression of standard *i.e.*, of how people should act according to the law, whereas the ‘reasonable sophisticated buyer’ in trademark law is more a rule than a standard.<sup>180</sup> Common to the perception and definition of the ‘reasonable person’ and the ‘average sophisticated buyer’ is the need to characterize and qualify them as a “*monolithic person*”.<sup>181</sup> While tort law focuses on objective “*traits*” of character, such as age and physical abilities, as legally relevant, courts dealing with trademark issues tend to apply a more cognitive approach *i.e.*, the experience of consumers, and the degree of care applied in a given transaction etc. Although, one might argue that these differences is sufficient proof that the concept of the ‘average sophisticated buyer’ is relative distant from that of the ‘reasonable person’ found in the law of torts. However, it is hard to deny that they in principle remain similar *i.e.*, case specific and empirical. In essence, both concepts, regardless whether it involves actionable negligence or trademarks, their main purpose is to set a legal duty or standard applicable and compared to the collective and as such must be regarded as at least analogous.<sup>182</sup> The relationship between the two concepts’ is intriguing, however I will refrain from exploring this further due to its limited value in respect to the subject matter of this *thesis*.

The U.S. Supreme Court concluded early on that in order to determine likelihood of confusion, the test of confusion must be addressed from the

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<sup>179</sup> See *e.g.*, McCarthy *supra* note 102 at § 8:18 (“In deciding likelihood of confusion, the courts are in effect setting up a standard of consumer care similar to the familiar ‘reasonable person’ standard in torts.”)

<sup>180</sup> *Cf.*, *e.g.*, L. Kaplow, *Rules versus standards: An Economic Analysis*, 42 DUKE L.J. 557, (1992) at 561-562 (“One can think of the choice between rules and standards as involving the extent to which a given aspect of a legal command should be resolved in advance or left to an enforcement authority to consider.”) The description of the “reasonable person” in trademark law as rule-like is not a perfect fit; unlike the same character in tort law, he is not being used as a yardstick for the appropriateness of the defendant's actions. Graeme Austin distinguishes the two by noting that the reasonable person in tort law is an “analytical tool,” while the reasonable person in trademark law is “a proxy for real people.” G. Austin, *Trademarks and the Burdened Imagination*, 69 BROOK. L. REV. 827, 832 (2004). While this is true as a descriptive matter, it still seems useful to consider trademark's “reasonable person” as a yardstick against which conduct is measured—only here, the conduct is of parties not directly before the court.

<sup>181</sup> L. Heymann, *The Reasonable Person in Trademark Law*, Faculty Publications Paper (2008) at 783.

<sup>182</sup> See, McCarthy, *supra* note 102 at § 23:91.

perspective of the average ordinary purchaser, exercising ordinary care and caution in her purchase.<sup>183</sup> However, the aforementioned does not include the answer of how the reasonably sophisticated buyer makes her selection in the marketplace. This contention has spawned much debate amongst different Circuit Courts, and commentators struggle to define this very answer.<sup>184</sup> In effect, U.S. trademark law employ an interpretive exercise in order to establish the “average sophisticated purchaser”, and this exercise, aims to answer what kind of characteristics this “reasonable buyer” has.<sup>185</sup>

### 4.3.2 Consumer Sophistication

There is no unified definition of consumer sophistication amongst U.S. District Courts. Instead, different Circuits have given their own interpretation of the definition with a certain degree of autonomy.<sup>186</sup> However, the following could be said to be a general summation of the most congruent views regarding consumer sophistication.

The ‘reasonable prudent purchaser’ generally exercises a certain degree of care and caution, which is appropriate in relation to the goods and/or services, and the behavior of the marketplace.<sup>187</sup> In other words, judiciaries must consider the “*general impression*” of the ordinary buyer under normal circumstances.<sup>188</sup> Effectively, the law sets a minimum standard, one, which do not extend to the negligent and indifferent purchaser. As such, the ‘reasonable prudent purchaser’ under American trademark law only targets buyers who use brands or trademarks as basis for their purchase decision, and not those whom for example, base their decision to buy on a purely competitive criterion.<sup>189</sup>

To set the standard and the level of consumer sophistication in any given infringement case, U.S. District Courts include empirical facts in its analysis. This includes looking at levels of price, nature and use, channels of trade etc., of the particular goods or services in question.<sup>190</sup> Moreover, it is widely recognized that purchasers of relatively inexpensive goods *i.e.*, everyday consumer items are less attentive when making their decision to

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<sup>183</sup> See *supra* note 180 citing (“*McLean v. Fleming*, 96 U.S. 245, 24 L. Ed. 828 (1878); *Heinz v. Lutz*, 146 Pa. 592, 23 A. 314 (1982)( test is “persons of ordinary intelligence”); *Southern California Fish Co. v. White Star Canning Co.*, 45 Cal. App. 426, 187 P. 981 (1920)(“[p]urchaser of ordinary intelligence using reasonable care”); *Scudder Fodd Products, Inc v. Ginsberg*, 21 Cal. 2d 596, 134 P.2d 255, 56 U.S.P.Q. 542 (1943)(“[o]rdinary purchasers buying with ordinary caution”); *Avalon Hill Co. v. Gebhardt*, 224 Md. 52, 166 A.2d 740, 742, 128 U.S.P.Q. 207 (1961) (“ordinary purchaser”).

<sup>184</sup> See, McCarthy *supra* note 102 at § 23:92.

<sup>185</sup> *Id.* at §23:91 (“Is he or she assumed to be cautious and careful in making purchases decisions? ... Assume that every seller is out to confuse him by use of similar trademarks ... is he trusting and naive makes quick and impulse purchases by general impressions?... or is attentive and careful?...”)

<sup>186</sup> See, B. Beebe *supra* note 3.

<sup>187</sup> See, McCarthy *supra* note 102 at § 23:94.

<sup>188</sup> *Id.*

<sup>189</sup> *Id.*

<sup>190</sup> *Id.* at § 23:95.

buy, and presumably therefore engage in a lower degree of care and caution.<sup>191</sup> However, it should be noted that this is merely a presumption, which can be rebutted by evidence such as surveys or expert testimonies.<sup>192</sup> The underlying rationale is that the more expensive, infrequent and specialized nature of the goods and/or services, the higher the consumer sophistication. However, just because some goods are regarded as “exclusive” and “expensive” does not automatically entail that the potential buyer is more sophisticated than others. Under certain circumstance the average sophisticated buyer may be elevated to the standard of the “discriminating buyer”.<sup>193</sup> This elevated standard aims to combat unsupported assumptions about the nature of certain buyers. Imagine for example a situation where two parties sell wine. One vendor sells exclusive and expensive wines, and the other vendor sell wine through perhaps a grocery or drug store to ordinary consumers at a normal price range. In this situation it would be discriminating to assume that the purchasers of the exclusive and expensive wines, in general, are more sophisticated than the ordinary average wine purchaser. Just because the wine is marketed as expensive and for wine connoisseurs, does not preclude the possibility that the average sophisticated buyer would never contemplate to buy wine from that particular vendor.<sup>194</sup>

It is important to keep in mind when analyzing consumer sophistication the correlation between the nature of the goods and/or services, and to whom these goods and/or services are marketed. If said product specifically targets professional ‘buyers’ *i.e.*, not intended for the consumer market, the level of sophistication increases. It is generally assumed that ‘professionals’ are more knowledgeable and more likely to conduct diligent decisions before purchasing a particular product. In these situations a higher degree similarity between the marks can be tolerated. In reality, the implied normative standard of care applied “may hinge” upon how courts correctly identify and define “relevant buyer class” for which a mark is registered.<sup>195</sup>

### **4.3.3 The standard applied in C.A.F.C/Federal Circuit and T.T.A.B.**

As mentioned hereinabove, there exists no complete congruent definition of the “average sophisticated buyer” amongst U.S. District Courts. Instead, various courts offer their own judicial definition, which include regarding the “average buyer” as “reasonably discerning” or “hasty, heedless and

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<sup>191</sup> *Id.*

<sup>192</sup> *Id.*

<sup>193</sup> *Id.* at §23:96 (citing) (*L.J. Mueller Furnace Co v. United Conditioning Corp.*, 222 F.2d 755, 106 U.S.P.Q. 112 (C.C.A.P. 1995); *Weiss Assoc., Inc. v. HRL Assoc., Inc* 902 F.2d 1546, 14 U.S.P.Q.2d 1840 (Fed. Cir. 1990) (“In making purchasing decisions regarding ‘expensive’ goods, the reasonably prudent person standard is elevated to the standard of the ‘discriminating purchaser.’”)).

<sup>194</sup> For further discussion regarding the ‘discriminating purchaser’ versus the ‘ordinary sophisticated buyer’ *see Id.* at § 23:99.

<sup>195</sup> *See, McCarthy supra* note 102 at § 23: 100.



easily deceived”.<sup>196</sup> However, the precedential decisions rendered by the T.T.A.B. and C.A.F.C. regarding the ‘average sophisticated buyer’ in Federal trademark Registration matters, which include refusal to register based on likelihood of confusion with existing marks, enables me to present the most congruent picture of how the concept of the ‘average sophisticated buyer’ is used. Nevertheless, it should be noted that the following presentation does not claim to be applicable in every situation where an infringement action is raised before a particular Circuit District Court.

When assessing likelihood of confusion in Federal Registration matters<sup>197</sup>, it should be noted that there is no mechanical test for determining likelihood of confusion. Instead, confusion must be decided based on the specific facts and merits of each unique case.<sup>198</sup>

The test of likelihood of confusion is not whether the marks’ can be distinguished when subjected to a side-by-side comparison, but whether the marks’ are sufficiently similar and that there is a likelihood of confusion as to the source of the goods or services.<sup>199</sup> Notwithstanding, when evaluating any similarities or dissimilarities between trademarks’, emphasis must be on the recollection of the “average purchaser” who normally retains a ‘general’, rather than specific, impression of trademarks.<sup>200</sup> The T.T.A.B and C.A.F.C. has clearly taken the position that the general perception traits of a “hypothetical consumer”, is subjected to the fallibility of memory, and the concomitant lack of perfect recall, and therefore can not be regarded as especially attentive nor circumvent.<sup>201</sup> However, it should be noted that this presumption is only applicable where marks’ are either identical or highly similar, and the goods or services (as classified in the registration) are identical or sufficiently related, and there is no limitations reflected as to channel of trade in the registration.<sup>202</sup>

The perception of the ‘average consumer’ or ‘sophisticated buyer’ is interdependent on certain key criteria, which in effect alter the way that the T.T.A.B. and the C.A.F.C review the standard of the ‘average consumer’. As previously described, the ‘ordinary sophisticated buyer’ has multiple characteristics, which also apply to likelihood of confusion in registration matters.<sup>203</sup> In applying the standard, the characteristics of this

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<sup>196</sup> *Id.* at § 23:92 citing (“*Farm Serv. v. United States Steel Corp.*, 90 Idaho 570, 414 P.2d 898, 149 U.S.P.Q. 861 (1966), (11<sup>th</sup> Circuit); *Stix Products, Inc. v. United Merchants & Mfrs., Inc.*, 295 F. Supp. 479, 160 U.S.P.Q. 777 (S.D.N.Y. 1968) (2<sup>th</sup> Circuit).

<sup>197</sup> See, Lanham Act, 15 U.S.C. section 22 at § 1052 (d).

<sup>198</sup> See e.g., *In re Shell Oil Co.*, 992 F.2d 1204, 1208, 26 USPQ2d 1687, 1690 (Fed. Cir. 1993).

<sup>199</sup> See e.g., *In re National Data Corp.*, 753 F.2d 1056, 224 USPQ 749, 751 (Fed. Cir. 1985).

<sup>200</sup> *Sealed Air Corp. v. Scott Paper Co.*, 190 USPQ 106, 108 (TTAB 1975).

<sup>201</sup> See e.g., *Grandpa Pidgeon's of Missouri, Inc. v. Borgsmiller*, 477 F.2d 586, 177 USPQ 573, 574 (CCPA 1973); *Envirotech Corp. v. Solaron Corp.*, 211 USPQ 724, 733 (TTAB 1981); and *Sealed Air Corp. v. Scott Paper Co.*, 190 USPQ 106, 108 (TTAB 1975).

<sup>202</sup> See e.g., *In re Thor Tech, Inc.*, 90 USPQ2d 1634, 1638 (TTAB 2009); *In re Jump Designs, LLC*, 80 USPQ2d 1370, 1374 (TTAB 2006); *In re Linkvest S.A.*, 24 USPQ2d 1716 (TTAB 1992); *In re Americor Health Services*, 1 USPQ2d 1670 (TTAB 1986).

<sup>203</sup> See *Infra* Part 4.3.2. and accompanied text.

hypothetical purchaser may change depending on the nature of the goods or services. For example: if these are regarded as inexpensive or expensive, and importantly if this intrinsically encompassed within the registration. If the description of the goods or services are broad and without delimitations, it is presumed that the goods or services travel through all channels of trade within that particular class *e.g.*, are sold both to professionals as well as ordinary consumers.<sup>204</sup> However, where limitations exist, implicit or direct<sup>205</sup>, the character of the sophisticated buyer changes to reflect those specific limitations. In effect, if the description includes a restriction *i.e.*, the goods and/or services are only sold at a retail level, then the ‘average buyer’ is elevated to reflect the perception of the professional, which is presumed to be knowledgeable and reasonably careful and circumvent in her purchasing decision.<sup>206</sup>

Notwithstanding, regardless of the ‘average sophisticated buyer’ interchangeability in character, it is apparent that the T.T.A.B. and/or the C.A.F.C. affix certain pressure points from which a further analysis is conducted. As can be inferred from the aforementioned, the nature of the goods and/or services determines whether the standard can be elevated to a higher tier of buyer sophistication. The description and classification of goods or services, determines the leverage upon which general assumptions can be made regarding the potential buyers, and the overall commercial impression (which include all relevant empirical facts) tips the scale.

It can be concluded that legal precedents from T.T.A.B. and C.A.F.C. regarding the ‘average sophisticated consumer’ offers a more congruent judicial interpretation of how the legal standard is perceived under U.S. trademark law.

Arguably, one might assume that similarities in phonetic, connotation and visual aspects would be guiding in determining whether two trademarks’ are confusingly similar or not. However, the T.T.A.B. have concluded and reaffirmed its position that in relation to phonetic equivalents, it is impossible to predict how the public will pronounce a particular mark.<sup>207</sup> Moreover, with regard to meaning, which must be determined in relation to the named goods or services. It is not always easy to discern the actual

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<sup>204</sup> See *e.g.*, *In re Thor Tech, Inc.*, 90 USPQ2d 1634, 1638 (TTAB 2009) (“We have no authority to read any restrictions or limitations into the registrant’s description of goods.”); *In re Jump Designs, LLC*, 80 USPQ2d 1370, 1374 (TTAB 2006).

<sup>205</sup> *Hewlett-Packard Co. v. Packard Press Inc.*, 281 F.3d 1261, 1267, 62 USPQ2d 1001, 1004 (Fed. Cir. 2002).

<sup>206</sup> It should be noted that the Federal Circuit has noted, however, even sophisticated buyers are not immune from source confusion where, in fact, the marks are virtually identical. See *e.g.*, *Cunningham v. Laser Golf Corp.*, 222 F.3d 943, 948-949 (Fed. Cir. 2000) for further discussion.

<sup>207</sup> See *e.g.*, *Centraz Industries Inc. v. Spartan Chemical Co. Inc.*, 77 USPQ2d 1698, 1701 (TTAB 2006) (acknowledging that “there is no correct pronunciation of a trademark”); *Kabushiki Kaisha Hattori Tokeiten v. Scutto*, 228 USPQ 461 (TTAB 1985); *In re Great Lakes Canning, Inc.*, 227 USPQ 483 (TTAB 1985).

meaning, since equally to phonetic properties it is uncertain how the general public will perceive the actual meaning.<sup>208</sup>

#### **4.3.4 Conclusions**

The similarity of the types of consumers and the level of the sophistication of the consumers will be relevant to the issue of likelihood of confusion. The appropriate level of customer care and sophistication can be proven by: (1) survey evidence, (2) expert testimony, or (3) by inferences drawn by a judge based on the nature of the goods and/or services or its price.<sup>209</sup> In some cases where the consumer are very familiar with the goods and have special level of training or expertise, there will be a lower degree of likelihood of confusion between goods bearing similar trademark's because, one would expect those potential buyers to exercise greater care in their purchase decision. Thus, the 'reasonably prudent sophisticated buyer' is classified in different groups under U.S. trademark law depending on the characteristics and nature of said goods. Notwithstanding, Federal trademark law aim to protect the lowest stratum of purchaser, which means; in the lowest tier the "average consumer" do not exercise a high degree of care and are often guided by impulse or rushed decision. However, the level of sophistication is as mentioned hereinabove interdependent on the nature of the goods or services. As such, the lowest stratum of purchasers may in a particular case be regarded as professionals who is regarded highly attentive, knowledgeable and careful, and therefore less likely to be confused with similar marks.

#### **4.4 The Average Consumer Standard – A Comparison**

As can be inferred from previous chapters, there exist obvious dissimilarities between EU and U.S. trademark law when it comes to evaluating likelihood of confusion, and the role of the "hypothetical average consumer. As noted, EU trademark law primarily sees likelihood of confusion as "rule like", whereas under American trademark law the determination process is factual and empirical. Furthermore, we know that European trademark law evaluate the risk of confusion from the time of registration, and not by actual use in the market. As such, factors regarding price and type of product or service are for the most part irrelevant to the analysis.<sup>210</sup> This stands in sharp contrast to U.S. trademark law, where the actual use of the mark is scarcement to any infringement action, and thus factors such as price, market structures and nature of goods or services are considered in detail. The aforementioned, represents mere examples of

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<sup>208</sup> See e.g., *In re M. Serman & Co., Inc.*, 223 USPQ 52 (TTAB 1984); *Gastown Inc., of Delaware v. Gas City, Ltd.*, 187 USPQ 760 (TTAB 1975).

<sup>209</sup> See e.g., *Star Industries, Inc. v. Baccardi & Co. Ltd.*, 412 F.3d 37, 75 U.S.P.Q. 2d 1098 (2d Cir. 2005).

<sup>210</sup> See *supra* note 92.

dissimilarities between the two systems and in its pure simplicity such apparent dissimilarities are not difficult to observe.

#### 4.4.1 Similarities and Dissimilarities

As noted in preceding chapters, under the global assessment criterion in European Community trademark law, the “average consumer” is assumed “to normally perceive a mark as a whole, and does not proceed to analyze its various details.”<sup>211</sup> In addition, the average consumer “must place her trust in the imperfect picture of them she has kept in mind”.<sup>212</sup> In principle, the same assumption is made under American trademark law, which holds that the basic principle for determining confusion begins with a complete comparison between the marks’ with respect to the particular goods and/or services for which they are used (citations omitted).<sup>213</sup> Common to both systems is the principle of anti-dissection. This common trait serves to suggest that judiciaries fundamentally agree on that the public perceives trademarks as is, without analyzing its various details. Whether this is accurate or not, is irrelevant from a legal standpoint. However, this raises an interesting question in relation to branding strategies. Branding advocates, may not agree with this specific contention. Instead, they may argue that a trademark is not regarded as a whole, but rather in its elements or composition thereof.<sup>214</sup>

It seems both American and European trademark laws and practices are congruent in these aspects. However, when analyzing the structural schematics of the likelihood of confusion analysis, as described in previous chapters, we can conclude that although both systems apply the similar principles, they are not applied in the exact same manner.

U.S. trademark law clearly requires trademarks’ to be viewed in respect to the goods and services as used, which explicitly adds a set of empirical facts to the equation. Although, the ECJ have confirmed that the level of attention is likely to vary according to the category of goods and/or services in question<sup>215</sup>, this is only done cursorily.<sup>216</sup> Although both EU and U.S. trademark law recognize that trademarks must be viewed as a whole, we see a clear distinction emerge, namely, U.S. Courts add empirical value to the normative construction, while Union Courts only evaluate such facts when promptly apparent.<sup>217</sup>

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<sup>211</sup> See, *Sable v. Puma* supra note 77 at para [28].

<sup>212</sup> See, *Lloyd* supra note 151 at para [20].

<sup>213</sup> See e.g., *In re National Data Corp.*, 753 F.2d 1056, 1058, 224 USPQ 749, 750-51 (Fed. Cir. 1985).

<sup>214</sup> For further discussion regarding the notion of branding, see e.g., F. Crane, *Marketing for Entrepreneurs: Concepts and Applications for New Ventures*, SAGE Publications (2010) at p. 122 ff.

<sup>215</sup> See, *Lloyd* supra note 154 at [27].

<sup>216</sup> See *infra* 4.2.3 and accompanied text regarding the Procter and Gamble.

<sup>217</sup> In reference to EU trademark law it is recognized that the level of consumer attention increase where the goods involve, are highly expensive, or regard consumer safety, or even

Under U.S. trademark law certain mechanisms exist to refute presumed consumer confusion. For example: surveys or evidence of actual confusion. As described previously, such possibilities of rebuttal does not exist under EU trademark law. In addition, another distinction between the European standard and its American equivalent is the recognition of different trade channels.<sup>218</sup> Under the factual determination process, U.S. Courts explicitly evaluate whether the goods or services may be encountered in the same course of trade. The underlying principle for evaluating “channel of trade” is the overriding concern to protect the consuming public from confusion but not in a way that would constrict healthy competition. The rationale is that even if the marks’ are highly similar and provide similar goods, they may still be sufficiently dissimilar, and consequently do not cause confusion when sold in different channels of trade. Purchaser would simply not encounter them under confusing circumstances.<sup>219</sup> Whether Union Courts do encompass similar considerations when analyzing confusion is uncertain. Perhaps this is implied in the “global assessment” criterion expressed in *Sable v. Puma*.<sup>220</sup> Notwithstanding, after reviewing several prominent decisions rendered by Union Courts on the subject matter, I have yet to come across any concrete references encompassing such consideration explicitly.

Both EU and U.S. trademark law regard the “overall impression” as controlling when evaluating possible confusion. Overall impression as observed, is the expression of the “average consumer” *i.e.*, whether it is reasonable to conclude that the similarities in phonetic, visual connotation would purport confusion or not. Under European Community trademark law the global assessment criterion in relation to the phonetic, visual or conceptual similarity of the marks’ must be based on the overall impression, and account being taken, in particular, to their distinctive and dominant components.

When comparatively analyzing the factual requirements encompassed in the likelihood of confusion analysis, we can conclude that the essential schematics behind the test are very similar to a certain degree. So why is the “average consumer” so fundamentally dissimilarly defined?

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purely decorative. See for example judgment of 22 March 2011, Case T-486/07 *Ford Motor Company v. OHIM* (not yet published in the ECR) at paras 35-37 of the judgment. But in general this does not apply with regard to normal consumer items, which despite being “normal” can naturally be very expensive at times.

<sup>218</sup> See, section 3.3.3., the third “*E.I. Du Pont*” factor.

<sup>219</sup> See e.g., *In re Thor Tech, Inc.*, 90 U.S.P.Q. 2.d 1634 (T.T.A.B 2009); see also *Octocom Systems, Inc. v. Houston Computers Services Inc.*, 918 F.2d 937, 16 U.S.P.Q. 2.d1783, 1787 (Fed. Cir. 1990); *Hewlett-Packard Co. v. Packard Press Inc.*, 281 F.3d 1261, 1267-68, 62 U.S.P.Q. 2.d 1001, 1004-5 (Fed. Cir. 2002).

<sup>220</sup> See, *Sable v Puma supra* note 77 at [23] of the judgment and *Lloyd supra* note 154 at [25] of the judgment.

## 4.4.2 The Rational normative model v. The Interpretative Normative model.

When analyzing the dissimilarities between EU and U.S. trademark law and the doctrinal approach of the average consumer, one immediately notices the definitional differences. Under European trademark law, the average consumer is defined as ‘well-informed, reasonably observant, and reasonably circumspect, and conversely under U.S. trademark law the “average consumer” or “average sophisticated buyer” is categorized from the lowest *e.g.*, the inattentive and impulsive purchaser to the more sophisticated professional buyer. This definitional divergence can be said to derive from a differentiated view of which configuration better captures the voice of the potential confused consumer.

Basically, these two models derive from the same underlying cost search *theorem* where consumer search promotes economical efficiency (which will be discussed more in detail below). However, for now it is sufficient to note that these models represent the “sovereign consumer” *i.e.*, an idealistic utilitarian model consumer.<sup>221</sup> Although, these models is said to represent the same idealistic view, they should be understood as variations of the same, where one is apologetic<sup>222</sup>, and the other one includes restricted elements<sup>223</sup> in addition to its apologetic foundation.

The pure apologetic view embrace the interpretative normative model promoted by search cost theorem, and consequently have been the choice of U.S. Courts.<sup>224</sup> In other words, the interpretative normative model regard trademarks’ as informational, however, the information conveyed is highly dependent on consumers ability to perform (interpret) search sophistication. This model rather simplistically implies that consumer can be both rational and irrational, depending on the goods or services.<sup>225</sup> The more restrictionistic approach, which I will refer to as the rational normative approach applied by Union Courts, also perceives trademarks as informational. However, under this model, consumers are presumed to be rational actors, competent to estimate the probabilistic outcomes of uncertain decisions” for the purpose of maximization.<sup>226</sup>

Although, both models are apologetic in its fundamental conception, the aforementioned leads us to conclude that while European trademark law is more concerned with the end cost (maximization), the U.S. approach

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<sup>221</sup> B. Beebe, *Search and Persuasion in Trademark Law*, 103:8 Mich. L Rev (2004-2005) at 2023 noting that (“[T]rademark law remains firmly rooted in the concept of the sovereign consumer...”)

<sup>222</sup> *Id.* at 2024, noting that Trademark apologist primarily regards the consumer to be gullible.

<sup>223</sup> *Id.*, noting that restrictionists regard the consumer as rational and competent.

<sup>224</sup> *Id.*

<sup>225</sup> *Id.* at 2035 (“... trademarks is inversely related to the law’s estimation of the relative sophistication of the consumer of the goods to which that trademarks are affixed...”).

<sup>226</sup> R. Incordona & C. Poncibó, *The average consumer, the unfair commercial practices directive, and the cognitive revolution*, J. Consum Policy 30:21-38 (2007) at 31.

emphasize the search element, thus entailing a more interpretative normative construction.

Despite the similarities in the factual determination process preceding the likelihood of confusion analysis, the definitional divergence relates inextricably to aforementioned models, and the corollary of assumptions that are embedded there within. Naturally, the inquisitive would ask the question, which model depicts the general mind of the consuming public most accurately? Although, interesting question, this simply lays beyond the scope of this *thesis*, I will therefore refrain from any deeper analysis on this particular subject.

However, it should be observed that legal scholars and commentators (which will be further discussed in the next chapter) have criticized these models both theoretically, as well from a litigation perspective. In the likelihood of confusion context, one model has been especially criticized. Commentators have argued that this model is nothing more than an empty “idealistic paradigm” difficult to apply in real likelihood of confusion situations.<sup>227</sup>

### 4.4.3 Conclusions

The factual elements included in the likelihood of confusion analysis are seemingly very similar when compared. However, in reference to methodology, the similarities divert. Although, supported by the same theoretical background, it is clear that judiciaries have opted for two different solutions regarding the underlying presumptions determinative for deciphering consumer confusion.

Notwithstanding, despite these dissimilarities in methodology the theoretical foundation is still overall very similar. In my opinion, what sets the European doctrinal development apart from its American equivalent is essentially its normative construction. Basically, one may argue that the only difference between the prototypical normative approach and the interpretive normative approach is; the first regard the attentive consumer as matter of law, and the latter regard consumer sophistication as a matter of fact.

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<sup>227</sup> *Id.* at 36 noting that the notion of the informative average consumer “... may be useful for economist’ calculations and projections... but hardly appropriate standard for legislative or judicial sanctions. In addition this Author notes that this is reflected in ECJ case law, where the standard is in fact applied contradictory; Consumers’ are defined as reasonably well-informed, observant and circumspect. However, at the same time the consumer rarely has the chance to make a direct comparison and must place her trust in the imperfect she has retained in her mind. How a consumer can make a competent decision under these assumptions makes no logical sense.

# 5 The Effects of the “Average Consumers” involvement in trademark litigation

## 5.1.1 Introduction

One of the main objectives of this *thesis* is to comparatively evaluate how the legal concept of the “average consumer” is applied in two separate legal systems, and to discern its underlying theories and principles. The intention is not to conclude which judicial system has the better understanding of the concept rather the aim of this *thesis* is to explore the concepts functionality and applicability in modern trademark law. This section intends to look at the effects of including the hypothetical consumer in the litigation context, and how these doctrinal configurations may purport a distortion of due process and plausible causes thereof. Naturally, the theoretical quandaries of the aforementioned can be analyzed and approached in many ways. However, in order not to stray to far, I have decided to limit my self to some of the more common concerns raised by legal scholars and commentators connected hereto. This includes, concerns regarding the doctrinal affect and its possible impediment of general principles of rule of law,<sup>228</sup> such as legal certainty, predictability and equality. In addition, the concerns regarding possible trademark scope expansion<sup>229</sup> and its affects of favoring trademark proprietors in infringement situations are also reviewed.<sup>230</sup>

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<sup>228</sup> Rule of Law is a broad term, and its content various from scholar to scholar. However, with the term “Rule of Law” in this sense, the allegory of J. Fuller is probably the closest. According to Fuller, laws should be prospective in operation, they should be published and they should comprise clear general rules, which is neither too individualized nor too general and vague. Furthermore, there should be reasonable constancy and consistency among laws. When I refer the average consumer doctrine not to be in compliance with rule of law, elements, which pertain to the above, are missing, and therefore the law cannot live up the standards ensured by rule of law. It should also be noted that most academic commentators have raised these concerns in relation to the doctrinal approach used by Courts in the United States, namely the “sophisticated buyer”. However, I see no reason not to infer by analogy the same concerns in respect to European trademark law, given the overall general similarity in applicability and practice.

<sup>229</sup> The United States Supreme Court has affirmed the rejection that trademark law is used as a reward for innovation, *see e.g. Qualitex*, 514 U.S. at 164 (stating that patent law, not trademark law is designed to encourage innovation); *Trademark Cases*, 100 U.. 82, 94 (1897) (“The ordinary trademark has no necessary relation to invention or discovery.”).

<sup>230</sup> *See infra* Part 2.1; *see also* J. Litman, *Breakfast with Batman: The Public Interest in the Advertisement Age*, 108 YALE L.J. 1717, 1721-25 (1999), at 1718 (“Legal protection for trade symbols, in the absence of confusion, disserves competition and thus the consumer. It arrogates to the producer the entire value of cultural icons that we should more appropriately treat as collectively owned.”). Effectively, uncontrolled expansion in rights may tip the scale, and give trademark holders an enhanced level of protection at the expense of the public interest. In other words, instead of trademarks promoting effective competition, the opposite effect may occur. *See also James Burrough Ltd. v. Sign of the Beefeater, Inc.*, 540 F.2d 266, 274 (7th Cir. 1976); *see also e.g.*, McCarthy *supra* note 102 at § 2:33 (“While consumers would have standing to sue under state law, the consumer’s



The comparative element offers an additional dimension, which enables a dualistic overview regarding the applicability of these models.

### 5.1.2 Problems Applying the Hypothetical Average Consumer Concept – from a litigation perspective

Generally, the abstracted “average consumer” or “sophisticated buyer” is treated as if her primary concern is to avoid confusion. Moreover, judicial proclamations regarding how consumers behave are often intuitive rather than empirical.<sup>231</sup> Furthermore, judiciaries often struggle to identify relevant consumers, and when they finally do find the “right” consumer, they are often defined as rather stupid and easily deceived.<sup>232</sup> In addition, critics to the doctrinal development in trademark law have raised concerns regarding the rhetorical aspect in relation to trademark litigation. Judiciaries often use condescending linguistics based on moral intuition when referring to the average consumer. This kind of characteristics may impact the structural integrity of the litigation process negatively.<sup>233</sup> Such mere simplistic observations do not convey the root of the problem. Instead it may be argued that the problem stems deeper into what might be possible defaults in underlying theory, which in its final product may rig the perception of the average consumer in favor of trademark holders. For example, commentators have pointed out that the underlying factual inquiry despite its flexible<sup>234</sup> nature, it is often vulnerable to manipulation.<sup>235</sup> This means that the actual fact finder, whether it is a Union Court or a District Court in the United States, is entrusted with considerable discretion when balancing

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stake is small, making cost-efficient litigation a rarity . . . . The consumer’s interest would never be adequately protected by individual consumer suits unlikely to be brought”).

<sup>231</sup> See e.g., *Wal-Mart Stores, Inc. v. Samara Bros Inc.*, 529 U.S. 205, 212-13 (2000); *Rogers v. Grimaldi*, 875 F.2d 994, 1000 (2d. Cir 1989) (“[M]ost consumers are well aware that they cannot judge a book solely by its title any more than by its cover. . .”) Although empirical data is missing does not mean that all claims are incorrect, however without, give rise to potential errors.

<sup>232</sup> Although the terminology in European Community Trademark law differs from its American counterpart, it is demonstrated in case law that they share the same characteristics, therefore arguably they can analogously be regarded the same.

<sup>233</sup> R. Bone, *Hunting Goodwill: A History of the Concept of Goodwill in Trademark La*, 86 B.U.L. Rev. 547, 561 & n.59 (2006) at 553.

<sup>234</sup> See, e.g., *Natilius Group, Inc v. ICON Helath & Fitness, Inc.*, 372 F.3d 1330, 1346 (Fed. Cir. 2004) (“the application of this multifactor test should remain flexible and ‘plaint’” (quoting; *Interstellar Starship Servs., Ltd. v. Epix, Inc.*, 304 F.3d 936, 942 (9<sup>th</sup> Cir. 2002))).

<sup>235</sup> See discussion *infra* 4.2.2, (Courts in the United States consider the traits of prospective purchasers “and the degree of care they are likely to exercise in making purchasing decisions”). However, the fact finder may manipulate this assessment. See e.g., McCarthy, *supra* note 102 at §23:92 (“[W]hen the court wants to find no infringement, the court often stipulate that the average buyer is cautious and careful and would never be confused. But if the judge thinks there is infringement, . . . the average buyer is gullible and... easily confused by the similar marks.”). Given the similarities in the factual inquiry deployed in the likelihood of confusion analysis under European Community law and American trademark law, the same can be inferred by analogy in relation to the latter.

the evidentiary elements<sup>236</sup> particular to a case, and thus determining whether an infringement has occurred based on likelihood of confusion.<sup>237</sup> Often the manipulation is a result of “fast and frugal heuristics”<sup>238</sup> employed by judiciaries, rather than a complete analysis of all relevant factual elements to the case. One might argue that this is not unsurprising, since “we” (humans) are prone to take shortcuts whenever possible,<sup>239</sup> and this natural impediment is of *de minimis* importance to the overall outcome. However the implications of this “discretion” is that it functions as Pandora’s box. It opens doors for unintentional moral subjective consideration, and unjustified assumptions about the consumer collective that arguably in the end, is most likely to favor the senior user.

### 5.1.3 The Traditional narrative

The traditional narrative can be said to derive from the popular *theorem* of search and cost reduction, which was introduced approximately twenty years ago by William Landes and Richard Posner.<sup>240</sup> This *theorem* promotes a dualistic protectionist rationale based on an economic cost/benefit analysis.<sup>241</sup> In essence, this utilitarian economical theory grant trademarks an extrinsic value through its principle of maximization of consumer interests. It reduces search costs for consumers<sup>242</sup>, and at the same time, secures incentives for investments in goodwill by allowing proprietors to reserve exclusive rights. In return this amounts to an overall efficiency in the economy beneficial for both consumers and market competition.<sup>243</sup> In other words the search/cost theory can be summarized as a pro-information and pro-competition theory. Naturally this only works if consumers can trust trademarks. Thusly, the law must reflect this trust.<sup>244</sup>

Before proceeding, one observation merits discussion. Although trademark law is regarded to serve two separate usually parallel interests, namely, the

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<sup>236</sup> *i.e.*, whether the consuming public would perceive the marks as confusingly similar or not.

<sup>237</sup> See, McCarthy *supra* note 102 at §23:73 (surveying circuit approaches to reviewing lower courts decisions on likelihood of confusion).

<sup>238</sup> See, B. Beebe *supra* note 3 at 1602; see also at 1601 nn.87-88 (listing empirical studies of decisions making in general and of judicial decision making specifically).

<sup>239</sup> *Id.*

<sup>240</sup> See, W. Landes & R. Posner *supra* note 21.

<sup>241</sup> See *infra* Part 4.4.2; See also W. Sauklin, *Trademark Protection and Freedom of Expression: An inquiry into the Conflict Between Trademark Rights and Freedom of Expression Under European Law*, Kluwer Law International, (2011) at 2.3.2.1; See also W. Landes & R. Posner *supra* note 21 (discussing search costs).

<sup>242</sup> See, Dinwoodie & Janis *supra* note 1 at p. 67 (“Rather than having to inquire into the provenance and qualities of every potential purchase, consumers can look to trademarks as shorthand indicators.”)

<sup>243</sup> *Id.*; see also W. Landes & R. Posner; *The Economic Structure of Intellectual Property Law*, 167-8, Harvard University Press (2003) (In economic terms, trademarks contribute to economic efficiency by reducing consumer search costs).

<sup>244</sup> See *e.g.*, W. Landes & R. Posner *supra* note 240 at 270 (“If the law does not prevent it, free riding will eventually destroy the information capital embodied in a trademark, and the prospect of free riding may therefore eliminate the incentive to develop a valuable trademark in the first place.”).

protection of proprietors (sellers) and the protection of the consuming public, and although, these interests are often regarded as congruent or parallel to one another they naturally sometimes diverge. For example, it is not uncommon to find trademark owners seeking to exploit their marks' to gain competitive advantages against junior users. Arguably, one might infer that such behavior is well inline with a proprietors right, *i.e.*, it would be unfair if others were allowed to 'leach' on the investments made by the initial first user without proper authorization. However, the flip side of this line of reasoning is that it implies that trademarks are treated within the proximity of conventional monopoly rights, and defended under an implied heuristic's *i.e.*, an anti "free-riding" moral rhetoric.<sup>245</sup> Commentators have argued that this view may in some cases actually distort the factual determination process, since judiciaries sometimes inadvertently substitute the behavior of the junior users as evidence that consumer confusion is likely.<sup>246</sup>

Although, the search cost theory has provided useful boundaries for trademark rights', and spawned doctrinal developments like the functionality doctrine, genericness doctrine etc., which effectively limits the expansion of trademark rights. We might assume that such theory would respond to the complex of consumer interests on both sides.<sup>247</sup> To some extent it does, but not completely. It has been suggested that the traditional seller narrative promoted by aforementioned theory, may be the very root of the problem.<sup>248</sup> In particular, since it can be said to "frame" consumer confusion incompletely.<sup>249</sup>

### 5.1.3.1 Litigation Structure and the Consequences of Framing

An infringement case based on likelihood of confusion involves three parties, namely, two sellers (usually, one junior seller and one senior seller)<sup>250</sup> and one consuming public (in the form of the average consumer), which as we have learned play a paramount roll to the outcome.<sup>251</sup> From a litigation perspective, this three-way litigant situation raises some interesting concerns. First, it should be noted that plaintiffs always have a very strong ally on her side, namely the consumer prerogative. According to the search costs theorem, the primary interest of consumers is to minimize search costs, and as such, consumers naturally always seek to avoid confusion. Since the consuming public enjoins the plaintiff (the senior user), the plaintiff is most likely to be seen as a proxy for the consuming public

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<sup>245</sup> See *e.g.*, M. Grynberg *supra* note 10 at 67.

<sup>246</sup> *Id.* at 72-75.

<sup>247</sup> *Id.*

<sup>248</sup> *Id.* at 70.

<sup>249</sup> See *supra* note 246, The "framing" refers not only to the litigation structure in a typical infringement case, but also its unilateral conception of the relevant class purchaser.

<sup>250</sup> Senior user respective junior user refers to time and/or use of a particular trademark. A senior user has been using the trademark longer than the junior user.

<sup>251</sup> See *supra* note 245 at 73 citing *James Burrough Ltd. v. Sign of the Beefeater, Inc.*, 540 F.2d 266, 274 (7<sup>th</sup> Cir. 1976)

*i.e.*, a defender of consumer interests. Not only does the aforementioned create a disadvantage for the defendant *i.e.*, a two against one fight, but it also serves to imply that the consuming public is always on the senior user side. However what happens when the senior user has an ulterior motive? For example, when the senior user tries to prevent competitors to enter the market, for the purposes of impeding competition. In the perfect world of cost search theory this might not seem to be a big issue, since arguably, any plausible confusion increases the risk of impeding consumer maximization, and therefore the interests of both the plaintiff and the consuming public must be considered intertwined.<sup>252</sup> On the other hand, this perfect world would require two fundamental prerequisites to be fulfilled in order to dispel any concerns; (1) a proper analysis of the abstracted consumer-collective interest, which (2) in the factual consideration process is free from impressionistic influences and subjective prejudices. Realities proven to be quite difficult too achieve.<sup>253</sup>

Another concern raised, is the potential stigmatism caused by moral influences that are unintentionally invoked when the plaintiff substitutes the interest of the public. This is best illustrated by the following: Generally the public interest is served when confusion is prevented. However, the proprietors aim is not necessarily to prevent confusion, but rather “anti-free riding” from competitors. Notwithstanding, since these interests are connected by the plaintiff’s plea, these interests are inevitably mixed. Straightforwardly, this might not be regarded as an issue. However rhetorically it makes a big difference, since the interest of proprietors’ has an implied moral heuristics in its meaning. For example, the mere term “anti-free riding” refers to maxims that have moral undertones *i.e.*, “one should not reap where you did not sow”, or “if you did not create it yourself, you must give credit”. Such moral implications can be very appealing to judiciaries, especially where legal ambiguities exist. So how does this affect allegation’s of confusion? Well, the aforementioned stigmatism amplifies the potential wrong doing of the defendant, and may very well over-shadow the actual consumer interest, or at least tempt judiciaries to take shortcuts when defining the affected average consumer.

In summation, it may be held that the concurrent framing puts the junior user in an underdog position both quantitatively and qualitatively, since she bears the complete burden to prove that the public interest is not encumbered by her actions.

### **5.1.3.2 Introduction of the Non-Confused Consumer**

Scholars and commentators have suggested that the traditional narrative’s imperfection needs to be re-adjusted. As mentioned hereinabove, it is currently configured to easily indulge in a finding of likelihood of

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<sup>252</sup> See *e.g.*, W. Landes & R. Posner *supra* note 244.

<sup>253</sup> See *infra* 5.1.2. and accompanied text.

confusion.<sup>254</sup> One prominent solution suggested by commentators is to add a fourth party to the equation, namely, the non-confused consumer. By including a counter-weight to the confused consumer, who is not potentially confused by the actions of defendant, but rather benefits from an increased competition, the public interest is extracted from the plaintiff's own needs. Effectively, this solution will force judiciaries to look at the complete picture before merely normatively concluding assumptions regarding the consumer collective. Moreover, by including a fourth party, the defendant will similarly to the plaintiff have a natural ally. Conceivably, it is likely that moral "anti-free riding" rhetorical appeals will have lesser impact on judiciaries.

Arguably, one might infer that adding the non-confused party to the equation is unnecessary since this interest is already included in the overall analysis. For example, one may argue in reference to U.S. trademark law, that actual confusion is already included in the factual determination, if not ex-parte, than at least by the fourth *E.I DuPont* factor. If the reader recalls, this factor enables both parties the opportunity to either refute or find support for claims of likelihood of confusion by presenting evidence in form of surveys or other equivalent methods.<sup>255</sup> However, this is a weak argument, since not only as illustrated hereinabove, do judiciaries ex-parte struggle to define the "average consumer" without using moral or prejudice influences, but commentators and case law have also rigidly pointed out, that the "fourth" factor does not function in its current state.<sup>256</sup>

Notwithstanding, another more serious argument against employing the non-confused consumer, is why should we? The need for the junior user to use a confusingly similar mark must be considered very weak, given all the available arbitrary terms out there. A junior user is free to name its mark whatever, as long as is not confusingly similar to another one. This might be perceived as good argument, however before proceeding, lets revert back to search and cost *theorem*. If the cost of acquiring a mark is low on the junior user, effectively this low cost is transferred to the non-confused consumer, and since the non-confused consumer will benefit from this low cost it will do minimal damage to senior trademark owner.<sup>257</sup> The answer to the question above might be seen rhetorical, but why should we not consider the non-confused? It does not conflict with the search and cost theorem, it merely adds an opposing interest, which will aid in the abstraction of the true "average consumer".

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<sup>254</sup> See e.g., B. Beebe *supra* note 221, at 2068-69 (arguing that the reasonable consumer standard is applied more or less in a descriptive manner instead of as a "prescriptive standard").

<sup>255</sup> See *infra* Part 3.3.3.

<sup>256</sup> In actuality survey evidence is almost never used since not only is such evidence very hard to come by, but also their general vulnerability to technical deficiencies and flaws in questions and methodology act as a deterrent. See e.g., McCarthy *supra* note 102 at § 32:170; see also B. Beebe *supra* note 3 at 1641 (noting that empirical data suggests that usually trademark cases do not turn to surveys for establishing likelihood of confusion, or a rebuttal thereof.)

<sup>257</sup> See, W. Landes & R. Posner *supra* note 21 at 204-05.

Naturally, one can potentially find other arguments' that possibly can be used to refute the employment of the non-confused consumer. For example, there is already adequate protection for the non-confused consumer in other doctrinal developments such functionality, genericness etc. Although, interesting, a deeper discussion in this regard lays beyond the scope of this *thesis*.

## 5.1.4 The Theory of Equilibrium

The most common justification for trademark protection is rooted in the microeconomic theory of search costs.<sup>258</sup> Typically, any microeconomic theory has a correlating macroeconomic theory, each adapted to deal with a specific applied problem.<sup>259</sup> A discussion is therefore merited regarding the theory of search costs and its correlated macroeconomic theory of Equilibrium. Before proceeding, it should be noted that my intention with this section is not to explore the ins and outs of the equilibrium theory. The aim here rather is to see whether the equilibrium theory in its self amplifies the problem.<sup>260</sup>

According to the equilibrium theory, the homogenous "representative" a.k.a. (average consumer) is based on the idea that economy is always in equilibrium, which means the level of consumption is equal to production.<sup>261</sup> In a simplified sense, the basic theorem of 'equilibrium' provides a tool to calculate the function of the market, one that is stable and unique.<sup>262</sup> However, if the market lacks stability, then the concept of equilibrium is nothing more than a "utopian state of affairs which bears no relation whatsoever to the real economy".<sup>263</sup> So what does this mean in relation to trademark law and the average consumer applied there within? Well in the economical perspective, the presumption is that if all individuals act the same *i.e.*, have the same identical preferences, it would provide the stability necessary to achieve equilibrium. However, the problem with this contention is that individual consumers do not have '*identical preferences*'. As such, the existence of a representative individual is only fictional in the sense that such a representative figure only provides for inaccurate microeconomic truths, or as Kirman puts it "*pseudo-micro foundations*".<sup>264</sup> Arguably, the same conclusion can be drawn in relation to the "average consumer" found under both European and American trademark law. If this figure, which in fact represents the consumer collective, is founded on equally untrue microeconomics, then presumably, she cannot reflect the real

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<sup>258</sup> See *infra* Part 2.1; see also Dinwoodie & Janis, *supra* note 1 at p. 95.

<sup>259</sup> M. Rauh, *Journal of Economic Theory* 132, 518-529, (2007) at 519.

<sup>260</sup> See *infra* Part 4.2.2.1 and accompanied text.

<sup>261</sup> See, A.P. Kirman *supra* note 178 at p. 120.

<sup>262</sup> *Id.* at p. 121.

<sup>263</sup> *Id.* citing ("Morishima") (1984).

<sup>264</sup> The effect of this is amply illustrated by Kirman, and can briefly be summarized as follows: "to infer society's preferences from those of the representative individual, and use these to make policy choices, is illegitimate..." For further discussion on the subject see Kirman *supra* note 178.

market as well? If we agree with this contention *i.e.*, that “the average consumer” follows the “representative purchaser” as described under the equilibrium theory, then we must also acknowledge that her heritage may be defaulted, and thus not actually reflect how consumers behave or actually perceive trademarks. In essence, since the “representative buyer” requires all individuals to have *identical preferences*, which we may regard as a false pretence, the same must apply in connection with the “average consumer”.

The aforementioned does not denounce the fact that the concept of the hypothetical “average consumer” may have sufficient support from an economical perspective in other doctrinal approaches in trademark law. However, the above illustrates the fundamental implications when applying a “hypothetical” standard, which utilize normative presumptions, which very well may be regarded untrue in reality. The question arises, how can we entrust the “average consumer” to accurately determine whether two trademarks’ are confusingly similar, when the very foundation of her is possibly defaulted (at least in theory)? Well the simple answer is that we cannot. However, this reverts back to a judicial dilemma. Who else is there? We know for a fact that consumer perception is intrinsic to the distinguishing capabilities of trademarks, and in order to objectively decided whether two marks’ are confusingly similar, it is essential to capture the perception of said consumer. In the end it boils down to whether we can accept the imperfections of the existing “average consumer” doctrine, or whether we need to rethink the concept and add a fourth player.

It is undisputed that the employment of the “average consumer” has proven to be a quick and practical method of discerning confusion, and although not bullet proof it may be regarded good enough. Under the universal accepted principles of Rule of Law, which encompasses legal predictability and certainty, such considerations may not be entirely acceptable. Arguably, when unintended consequences affect the very core of what it is trying to protect, a modification of the doctrine is warranted so that the grant of rights and limitations there within, serve the purpose of that particular law.

### **5.1.5 Conclusions**

There is a significant implication when applying the average hypothetical consumer, according to my opinion, regardless whether the hypothetical average consumer is characterized as being dumb withed, careless, sophisticated or reasonably well-informed, and reasonably observant and circumspect. This implication regards the balancing element, and the margin off error this potentially may purport in possible infringement situation. It is the author’s opinion, that whenever courts are prompt to use a common sense rationale, judiciaries must be highly diligent regarding the actual accuracy whenever hypothetical assumptions are used as the basis for such “sense”. I do not suggest that the hypothetical elements need to be proven beyond reasonable doubt. However, the hypothetical basis must have certain validated theoretical support or at least reflect reality.

As noted hereinabove, the concerns raised regarding the theory of equilibrium are troublesome, and arguably this extends both to the interpretative normative and rational normative approach. Notwithstanding, it is this author's opinion that the interpretative normative approach might perhaps be less sensitive to these defaults, since it uses a sliding scale from unsophisticated- to sophisticate. This method, at least theoretically, implies a certain degree of flexibility, and confirmation that consumers do not always have identical preferences.

Both doctrinal approaches follow the contention that the search costs theorem provides sufficient consideration to the heterogeneous aspect of the representative buyer. Arguably, one general consumer can "hypothetically" represent the collective in a utilitarian maximizing mirror image. While search cost theory may support an effective economical rationale behind trademarks, they do not encompass the behavioral aspects of the same. Thus, maybe it is time for judiciaries to rethink the use of normative presumptions in this regard. Arguably, the equilibrium problem supports the contention that an undisputed reliance on the search costs theorem for discerning confusion might impede the development of a more effective and accurate notion of the average consumer (in the semantic meaning).



# 6 Applicability and function – Does the hypothetical consumer work as a legal concept?

## 6.1 Introduction

In previous parts of this *thesis*, I have discussed the doctrinal development of the average consumer under both European Community and American trademark law. As noted, due to the global harmonization process in International trademark law, it is no coincidence that the doctrinal developments have evolved similarly to include almost identical mechanisms for discerning consumer confusion, despite apparent differences in legal tradition and jurisdiction. Nevertheless, even if one would agree that the schematics of discerning confusion are very similar when comparing European and American trademark law, it is still apparent that they have chosen two different models. As noted, one regards the consumer as always rational and competent, and the other attaches rationality with the specific goods and/or services particular to the marks.

As discussed in the previous chapter, the problem for judiciaries to accurately define the relevant class of consumer may be rooted in the underlying search cost theorem. Its current configuration may be opted for economic and political conceptions and constructions, but it is questionable if it can be translated into a solid legal framework. It is clear that the concurrent development allows judiciaries to take an aggravated view of consumer collective, eliminates the need to in every case to individually determine the actual consumer interest.<sup>265</sup> However, procedural efficiency or justification purely based on a “common sense” rationale should not overshadow possible implications. Especially not, where this can negatively impact healthy competition, or equality in the litigation structure. However, when all aspects are summarized, the final question remains unanswered, namely, does concurrent average consumer doctrines despite this critical review fulfill its function?

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<sup>265</sup> See, J. Davis *supra* note 4 at 199.

## 6.2 The Approach and Method adopted by the European Trademark Law

As previously described European Community trademark law has opted for a more prototypical normative approach regarding the “average consumer” doctrine. This model regards consumers as rational and competent. Although, it may be argued from a litigation perspective that this model is less sensitive to “moral heuristics” and stereotypical inclinations,<sup>266</sup> since the generalized presumption purport all participants in the market as being equally responsible, with equal opportunities to exercise “choice” in the market.<sup>267</sup> However, it is still lacking a clear definition of what makes a consumer reasonably well-informed, observant and circumspect. Without a clear definition, this presumption is arguably merely the formed expression of judiciaries, and not that of the relevant consumer class. As such, claims that the model used by Union Courts is less sensitive to “moral heuristics” is of little comfort, since opposite contention can be equally argued *i.e.*, a claim of rationality and competence without knowing how such characteristics is manifested has no bearing. This uncertainty might explain why the approach adopted by Union Courts is so contradictory in its current application.

Community law ambiguously stipulates that the average consumer is well informed, reasonably observant and reasonably circumspect, and they will “inform themselves about the quality and price of products and will make intelligent decisions accordingly”.<sup>268</sup> Logically, if consumers make intelligent decision based on quality and price, then the threshold for confusion must be higher. Suppose seller *A* has an arbitrary mark for energy drink, call it RAM. Seller *B* enters the energy drink market using the name WAM, not only does seller *B*’s product sell its product for 50% less of the retail value of seller *A*’s product, it dose so without engaging in otherwise deceptive behavior. If we follow the contention that any reasonably well-informed, reasonably observant and circumspect consumer, who makes an intelligent decision, based on quality or price, the question stands; would she find these trademark’s confusingly similar? Remember, seller *B*’s product is 50% cheaper than seller *A*’s product. If your answer is yes, than you have disregarded from the price divergence, and consequently you imply that consumers do not make intelligent decisions based on neither quality or price. If your answer is no, holding that any reasonably intelligent consumer would take the price divergence and come to the conclusion that these products must emanate from different producer, since no seller in her right mind would compete with herself based on price.

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<sup>266</sup> See *infra* Part 5.1.2 and accompanied text.

<sup>267</sup> See *e.g.*, R. Incordona & C. Poncibó *supra* note 226 at p. 35 citing (Howells & Wilhelmsson) (“By assuming that all participants in the market could be equally responsible, and that they are in a position to exercise equal choice in the market, the average consumer test seems to be more sympathetic to the liberal free-market principles governing the single market.”).

<sup>268</sup> See *supra* note 162.

Although, I realize the rhetorical nature of aforementioned example, however it still serves to illustrate a valid point. If judiciaries normatively assume consumers make intelligent decisions, why are judiciaries prone to find confusion so easily? Part of the answer may relate to the fact that although Community trademark law “supposedly” recognizes consumer intelligence, it simultaneously asserts this intelligence to be severely limited.<sup>269</sup> It is more likely that the inconsistency and illogic of the aforementioned is evidence of treating the average consumer as rule like, instead as a matter of fact, does not work. The rule merely reflects an empty promise, which in reality does not correlate with the actual interest of consumers rather it correlates with the judiciaries own perception of what the consumers “supposedly” see as confusingly similar. However you may categorize it, the contradiction purports an uncertainty for proprietors, since arguably it lacks precision.

Commentators have argued that the existing categorization of the “average consumer” has proven a useful tool in trademark cases.<sup>270</sup> Hence, any concerns regarding the justification of assumed characteristics without seeking objective extrinsic evidence, is considered to be *de minimis*. The doctrines versatility is sufficient evidence of its practical applicability.<sup>271</sup> Arguably, this might be true in the easy case, where the common sense rationale may be sufficient. However, it is hardly a satisfying answer in relation to a hard boarder line case. Just because something is convenient and comfortable, does not make it justifiable or even legitimate. And even if one may appeal to the common sense aspects of the average consumer, some commentators including myself would likewise disagree that it sufficiently lives up to the required standard of legal certainty.<sup>272</sup>

It is clear that when European legislators and consequently the Court [ECJ] were searching for a test that would sufficiently preserve the principle of proportionality in the area of unfair competition, a test which would represent the market in general.<sup>273</sup> Moreover, it is understandable that they turned to misleading advertisement, since arguably the doctrinal development of the “average consumer” worked seemingly well in this aspect of trademark law. However, it should be noted that infringement actions based on likelihood of confusion should not be mistaken for

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<sup>269</sup> According to ECJ case law consumers’ normally only perceives marks’ as a whole and does not proceed to analyze its various details (*Sable v. Puma* [28]); rarely has the opportunity to make direct comparison between marks (*Lloyd* [20]); and the level of attention in relation to trademarks is likely to vary according to the category of goods and services in question, and insignificant differences may go unnoticed (*ibid* [21])

<sup>270</sup> See *infra* Part 4.2.3

<sup>271</sup> See, J. Davis *supra* note 4 at 203.

<sup>272</sup> See, e.g., Case C-110/03 Belgium v Commission and Luxembourg [1964] ECR 625; Case C-325/85 Ireland v Commission [1987] ECR 5041, stating that the most important principle of public International law recognized by the ECJ is the principle of legal certainty. Furthermore, in the context of EU legislation it means that the law must be certain, that is clear and precise, and its legal implications foreseeable, especially in its application to financial matters (citations omitted).

<sup>273</sup> See, J. Davis *supra* note 4 at 198.

misleading advertisement. Although, some proximity exist they still remain two separate actions, invoked for different reasons. One, serves foremost the proprietors of trademarks and do not require deception, where as the latter safeguards the public interest by abolishing deceptive behavior in the free market. Although, it may be argued that the prototypical and normative construction of the “average consumer” adheres more effectively to the economic rationale for trademarks. However, as observed previously, this comes with a cost, which ultimately may very well impede competition rather than promote it.

Recent case law such as *Procter & Gamble*<sup>274</sup> and *Mag Instrument v OHIM*<sup>275</sup>, serve to suggest that the current unchallenged doctrinal development of the average consumer is walking on a thin line and perhaps needs to be revised. In these two cases the ECJ rather bluntly disregarded any attempts from the proprietor’s to introduce evidence in an effort to substantiate the argument: that under certain circumstances trademarks themselves may actually affect the characteristics of the “average consumer”, within a specific and specialized context. Both the Court and the appointed A.G. concluded that it fell on the discretion of the judiciary to determine the perceptive idealistic view, which the average consumer is presumed to have with regard to particular goods or services. However, the question remains can we trust the judiciaries to make the right decisions when empirical facts are excluded from the process?

Before the European Community implemented the concept of the average consumer into likelihood of confusion analysis, courts in Member States similar to U.S. courts were primarily concerned with the precise nature of consumers in relation to specific goods and services.<sup>276</sup> This changed with the adoption of the prototypical normative approach. Consequently, Union Courts now confide in the assumption that the average consumer will recall trademarks in relation to the goods or services, for which the trademark is registered. In other words, the focal point is now the goods and/services, assuming of course that the nature of such, determines how consumers adhere to a specific trademark.<sup>277</sup>

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<sup>274</sup> See *infra* Part 4.2.2 and *supra* note 151.

<sup>275</sup> Case C-136/02 [2004] E.T.M.R. 71, this case did not regard likelihood of confusion, nevertheless it serves to illustrate how judiciaries perceive the average consumer. This case involved an application to register the shape of a torch, and A.G. Colomer concluded that “a sign’s capacity to distinguish can be assessed on the basis of presumption as to what the average consumer who is reasonably well informed, reasonably circumspect and observant is capable of perceiving...” “It would seem to be unnecessary to undertake further investigations, analytical or comparative studies, expert’s opinions or statistical research. Nor further do any of these forms of evidence by their existence relieve the Examiner or the Court of the need to exercise their own discretion based on the yardstick of the average consumer as defined by Community law (at [48]). He went on, adding in regard to judging the distinctiveness of the torch shape in question, “[i]t does not entail actual comparison of the signs sought to be registered with does incurrent use but with an ideal model composed of elements which naturally convey to the mind an image of the shape of the product (at[49]).

<sup>276</sup> See also J. Davis *supra* note 4 at 202.

<sup>277</sup> *Id.*

Presumptions and formulas are useful tools for regulators and judiciaries. However, caution is warranted when these are built on possible defaults. As have been discussed in previous chapter regarding underlying trademark theory and coherent macro economical principles. The average consumer maybe useful for economical purposes, however the unpredictability of human behavior makes similar assumptions in relation to trademarks very elusive. Nevertheless, not only does current European trademark legislation put an unfavorable burden on the defendant, it is almost impossible to refute allegations of likelihood of confusion. The unrealistic, possibly defaulted underlying assumptions of how consumers perceive trademarks should at least offer the opportunity for rebuttal.

### 6.3 The Approach and Method adopted by U.S. Courts

Contrary to the European methodology, U.S. Courts have remained firm to the interpretive normative concept of deciphering likelihood of confusion, or so it claims. Notwithstanding, commentators regularly conclude that the “ordinarily prudent consumer” is both a legal construct and a conglomeration of judicial impressions and theories of consumer behaviorisms.<sup>278</sup>

One might be inclined to claim that the solution with regard to European Community trademark law would be to simply adhere more to the factual methodology, as used by courts in the United States. However, as described previously, enlisting empirical facts to decipher consumer confusion may only be a part of the answer since confusion is not an “unassailable empirical truth”.<sup>279</sup>

Central to the doctrine of likelihood of confusion under U.S. trademark law is its empirical approach. However, the current ‘multifactor test’ has been accused of being nothing more than a “heuristic device”, and although a fulcrum to U.S. trademark law, it is subjected to great disarray because of the doctrinal divergence amongst Circuit Courts.<sup>280</sup> As noted by Beebe, not only do Circuit Courts employ the factual determination differently, they also accord each factor different weight.<sup>281</sup> Arguably, this disarray could be said to negatively impact judiciaries with regards to how they employ the sophisticated buyer doctrine, since basically there is no concurrent general precedent on the subject matter. Although it is tempting to blame the “excessive inter-circuit variations”, it still fails to explain why courts despite

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<sup>278</sup> See, Dinwoodie & Janis *supra* note 1 at. 381.

<sup>279</sup> See *infra* Part 5; see also B. Beebe *supra* note 221.

<sup>280</sup> See e.g., B. Beebe *supra* note 3 at 1581-1583. Nothing that (“[S]ome circuits claim to weigh heavily under certain factors what other circuits claim to ignore, and nearly every factor or combination of factors has been called the ‘most important’ by one court or another.”) (citations omitted).

<sup>281</sup> *Id.* at 1583.

its circuit sovereignty, rarely evaluate the consumer confusion inquiry in light of specific and persuasive evidence about consumer behavior. As noted, evidence of actual confusion or surveys can be introduced as evidence, however albeit this is only done so on very rare occasions serves to suggest that, as the system is currently configured, it is not practical to empirically discern consumer behaviorism. In absence of such evidence, courts instead generally rely on “personal intuition and subjective, internalized stereotypes”,<sup>282</sup> when defining the “average sophisticated buyer”.

The likelihood of confusion inquiry under U.S. trademark law is primarily consumer-focused and context dependent.<sup>283</sup> Consumers are divided in to tiers ranging from the dumb witted and easily deceived to the ‘sophisticated expert buyer’ whom buys professionally.<sup>284</sup> By arranging consumers into tiers, courts must effectively distinguish the unsophisticated consumer from the careful and sophisticated in order to determine relevant class of consumers. Despite this requirement, there exists no theoretical framework in support of the methodology, in which District Courts establishes this distinction.<sup>285</sup> However, some recurrent themes in case law confirm that “sophistication” correlates positively with price, transaction frequency, complexity, education, age, income and even sometimes gender.<sup>286</sup> While arguably this might be regarded as a sharp contrast to the definition provided under EU trademark law, and simplistically this is quite true. However, despite obvious semantic definitional divergences between U.S. and Community trademark law, the actual content is very similar, when analyzed and compared from a case law perspective. Perhaps this is due to the fact that both models rely on the same search costs theorem?

Notwithstanding, while the traditional seller narrative and its “anti free-riding rhetoric’s, may be said to effect U.S. and EU trademark law equally negative. Conceivably, it may be argued that by defining the consumer as either “unsophisticated” or “sophisticated” effectively promotes a stronger inclination to apply subjective moral heuristics. This can be inferred from the fact that there are no established guidelines on how to actually determine such a distinction.<sup>287</sup> It is conceivable that a tier system would allow for more discretionary latitude amongst judiciaries, and where there is space for discretion the risk of moral heuristics increase, both for the good and the bad.

Despite claims of adhering to the cognitive aspects of consumer behaviorisms the interpretive normative approach still suffers from ad hoc,

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<sup>282</sup> A. Bartow, *Likelihood of Confusion*, 41 San Diego L. Rev. (2004) at 721, 723, 772.

<sup>283</sup> C. Long, *Dilution*, 106 COLUM. L. REV. (2006) at 1034.

<sup>284</sup> See *infra* Part 4.3.3.

<sup>285</sup> T. Lee, E. Derosia & G. Christensen, *Sophistication, bridging the gap, and the Likelihood of Confusion: An empirical and Theoretical analysis*, Vol. 98 TMR (2008) at 917.

<sup>286</sup> *Id.*

<sup>287</sup> *Id.* at 920.

impressionistic conceptions of sophistication.<sup>288</sup> Moreover, if trademark infringement boils down to a fundamental matter of consumer psychology, why is an articulated theoretical understanding of the consumer care still missing from the equation?

## 6.4 Conclusions

The economical rationale behind trademarks is essentially free-market utilitarian. The concern is efficient supply to facilitate growing demand, which excludes any judgment on people's preferences. The ultimate goal is liberty, not efficiency. Notwithstanding, trademarks are controversial in this aspect since they effectively need to combine market liberty with market relativism *i.e.*, how the market actually works.

The two models described in this *thesis* can be summarized as an expression of this effort. From a functionality perspective, it may be argued that both models perform unsatisfactorily, because both promote ad hoc and impressionistic decisions based on fast and frugal moral heuristics. Conceivably, it may be concluded that it does not matter whether judiciaries perceive the average consumer as a matter of law or as a matter of fact, since in the grand perspective they arguably purport similar uncertainties.

While the interpretative normative approach may be said to better facilitate a cognitive adherence to market relativism than the prototypical attentive consumer, both models still rely on a basic abstracted normative generalized conception *i.e.*, stereotypical assumptions of consumer behaviorisms. Notwithstanding, it may be inferred from a predictability perspective that the European doctrinal development is more poorly equipped to handle questionable cases of likelihood of confusion. As noted hereinabove, its legal construction is contradictory to the actual characteristics it awards, and by excluding factual elements, the judicial test becomes even more unpredictable. Bottom line, in order to measure confusion, Union Courts must quantify and measure market information. Moreover, judiciaries must also decide how much of such information is relevant, how much relevant information the alleged attentive consumer possesses, and whether this information is relevant in connection to the specific goods or services in question. Under the reasonably rational standard, judiciary scrutiny determines these attributes, leaving little guidance on where the actual boundaries exist.<sup>289</sup> However, in the other end, displacing rationality assumptions with a fact-specific approach, similar to the one preferred by U.S. Courts, may overburden the fact finder and her interpretative capacities, thus creating uncertainties in this aspect as well. From a predictability perspective, both models may be said to function unsatisfactorily.

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<sup>288</sup> T. Lee, E. Derosia & G. Christensen, *Trademarks, Consumer Psychology, and the Sophisticated Consumer*, 57 *Emory L.J.* 575 (2007-2008) at 581.

<sup>289</sup> See *e.g.*, R. Incordona & C. Poncibó *supra* note 226 at 35. ("Only when sellers can know in advance the threshold that must be met, in interactions with prospective purchasers, can they proceed with confidence to enter the market.")

The strength and weakness of applying a rational consumer model respectively, an interpretative factual consumer sophistication model can be summarized as follows: The first model enables a symmetrical judicial and unified conception well aligned with the proportionality principle established under unfair competition practices. Union Courts do not need to indulge into any deep fact finding “interpretative exercises”, since the assumptive construction render this unnecessary. Consumers have already evaluated such properties based on their intelligent capabilities.

In a perfect world, where purchasing decision is always based on rationality and identical preferences amongst consumers, this model would be perfect. However, the behavioral aspects of consumer psychology and trademarks are effectively disregarded. This leads to overconfidence in the goods as the only the decisive factor when making a purchasing decision. What supports the contention that consumers are only concerned with the goods? Other factors may very well be equally determinative for consumers. For example, a consumer may very well buy a product because of its symbolic value, a value which correlates with the consumer’s own lifestyle. The strength of the “rational consumer” model has arguably become its biggest weakness. Since it presupposes characteristics, which the average consumer does not simply have, or as some commentators contend, otherwise cannot effectively be addressed as a matter of law.<sup>290</sup> And as implied by case law, likelihood of confusion is not determined as intended by the well-informed consumer but rather by judiciaries’ ambiguous perception of her.

It is claimed that the strength in the interpretive factual consumer model is its flexible applicability, which allows for cognitive considerations of consumers. However, this flexibility is diminished by its lack of precision, which introduces confusion and uncertainties in the assessment pool. While a closer examination is allowed between the market, consumers and effected trademarks, there exists no legal framework for assessing how consumers actually exercise care. As such, in absence of concrete evidence such as polls and surveys, it is conceivable that judiciaries determine consumer sophistication merely on fast and frugal subjective perceptions.

So what conclusions can we draw? Well, essentially this *thesis* has established that both EU and U.S. trademark law deploy the same concept of likelihood of confusion. Moreover, central to the likelihood of confusion test is the so-called average consumer, who plays a central roll in deciphering confusion on both sides. However, from this point the methodology form two separate normative models, which seek to answer basically the same question, namely would the “average consumer” find two marks’ confusingly similar in the market? In its core, both models seek to

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<sup>290</sup> *Id.* further noting (“The question of what is reasonable to allow an informed consumer to make intelligent choices in an ideally efficient marketplace is a question of fact that cannot effectively be addressed as a matter of law.”)



predict and validate aggregated consumer choice based on a cost and benefit calculus.<sup>291</sup>

Both economical and trademark law doctrine have put forward compelling arguments which seriously questions the applicability of the representative “average consumer”.<sup>292</sup> Such arguments include concerns regarding judiciaries’ ability to make “elaborate” assumptions about consumer behavior without seeking extrinsic objective evidence, or insufficient attempts to articulate any comprehensive theoretical criterion for assessing consumer propensities. Moreover, economists have challenged the connection between individual and collective behavior. As, the equilibrium paradox suggest; the maximizing utilitarian model does not call for collective effect since this would require identical preferences amongst consumers’, something that arguably does not exist in reality. However, consumers are an integral part of confusion, thus judiciaries must somehow measure how said consumer is effected. One may argue that both models share an equal number of problems and judicial tradeoffs, which may or may not be acceptable. Nevertheless, it is undisputed that the models fulfill their function, however the question still remains *i.e.*, whether these can be perfected?

Commentators have argued that one solution would be to move away from the normative generalized assumptions, and dedicate more attention to behavioral assessments and cognitive effects.<sup>293</sup> Initially, I do agree that such considerations would perhaps lead to a more accurate perception with regard to whether consumers would actually be confused or not in a particular situation. However, I have hard time reconciling with the practical implication this might purport. In order to fully develop the cognitive aspects, judiciaries need not only to be expert in law but also consumer psychology. In my opinion, the risk of complicating matters even more makes this approach much less attractive, and perhaps this is why we have not seen such a development. Although highly interesting, I feel it is late in the day to make any deeper analysis into the cognitive commentary. Nevertheless, I welcome other commentators and scholars to elaborate on the subject.

Despite my criticism regarding the utility of the “average consumer” as a judicial tool for determining confusion, and the purportedly judicial uncertainties it awards. There is room for improving existing models. As I have discussed in previous parts of this *thesis*, the employment of the non-confused consumer as a fourth party to the assessment criterion, would provide an effective counterweight to the pool of confusion. From a practical perspective, the non-confused consumer can be introduced via

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<sup>291</sup> See, W. Landes & R. Posner *supra* note 21 at 305-06.

<sup>292</sup> See, J. Davis *supra* note 4 at 202-03; see also B. Beebe *supra* note 221 at 2020-40.

<sup>293</sup> See *supra* note 289; see also T. Lee, G. Christiansen & E. DeRosia *supra* note 6 for further discussion on the applicability of cognitive methods applied in discerning confusion.

polls or surveys, but also *ex-officio*. Naturally, the observant reader would object by referring to the problems encountered by U.S. Courts, where such evidence is admissible, albeit questions regarding accuracy and objectivity often diminish its validity. Notwithstanding, if a generalized framework is developed and accepted for conducting consumer confusion polls or surveys, perhaps the overall concern regarding the accuracy and objectivity can be overcome. I do not suggest a toggle war between apologetic and restrictionist proponents regarding how consumers perceive trademarks. Instead, the framework would include acceptable guidelines or requirements for collecting relevant data.

From a European perspective, the inclusion of the non-confused consumer might not fix the ambiguity connected with the rational intelligent consumer. However, from a theoretical perspective, the non-confused consumer would not derogate from the libertarian principles of the free market, and the utilitarian maximizing individual. Instead, the added layer would arguably only increase the liberty for consumers where this is warranted, and prove definite confusion where uncertainties exist. In other words, the non-confused consumer would act as a safety valve if explicitly included in the overall analysis.

In addition, from a *De lege ferenda* perspective, it is conceivable that future case law would become more transparent and consistent, since there would be an active derogation from impressionistic decisions in favor of the prevailing truth. At least, a higher degree of predictability would be achieved since proprietors would be able to rely on concrete evidence, which either supports the presumption or proves it wrong.

In reference to U.S. trademark law, the implementation of the non-confused consumer would require the existing multifactor test to be statutorily entrenched. However, in my opinion this is long overdue and consequently should have been done a long time ago. Not only would the non-confused consumer offer a more concrete analysis of the public interest, it will also increase the precision of the same. Since protecting consumers from confusion is the justification for trademarks, it is ill conceived that a doctrine assigns broad rights to prevent competitive or diluting use when confusion does not actually exist. Perhaps the non-confused consumer can diminish rhetorical appeals, and control the expansion of trademark rights. Whatever the effects, at least the courts will have the opportunity to identify relevant members of the public more accurately which will increase transparency and legal certainty.

Although, I do not claim to have the perfect solution, the aforementioned serves to suggest possible improvements of existing average consumer doctrines.

## 7 Final Words

The notion of likelihood of confusion and its doctrinal development has through the international harmonization efforts in international property law almost merged into a universal concept. However, the doctrinal divergence regarding the average consumer, which arguably pertains to the very core of the notion of likelihood of confusion has branched off into two separate conceptions of how basically consumers interact with trademarks. The European solution, prompted derogation from the empirical connection between trademarks and consumer behaviorism, and adopted a test more sympathetic to the liberal free-market principles governing the single market. The U.S. solution on the other hand, regards consumer confusion as a factual process, which enlists empirical data determinative for consumer choice.

As have been described in this *thesis* the doctrinal divergence may at first seem profound (semantically). However, they share the same theoretical heritage. Notwithstanding, despite adhering to two ends of the spectra, the doctrinal development pertaining to them both show surprising similarities in the uncertainties they invoke. Judiciaries struggle on both ends to capture the perception of the consumer collective, and often the result show traces of ad hoc and impressionistic assumptions regarding consumer behaviorism. Effectively, the aforementioned purport concerns regarding judicial transparency and legal certainty, which cannot readily be dismissed.

The consumer is central to the utilitarian rationale governing trademark law today, however, as the current doctrinal development configuration presupposes, consumers both in Europe and the U.S. are obsessed with confusion. Whenever confusion is likely, this automatically entails a higher cost for consumers. However, as been discussed, confusion per se does not always encumber costs. In fact, it may very well entail the opposite, namely, increased competition. It is possible that the fear of anti-free riding, negatively impacts the true goal *i.e.*, free competition on the market.

By analyzing both doctrinal developments and comparing them to one another, it can be concluded that both models are sensitive to forms of judicial discretion in the peripheries of trademark law. Thus, one should not be preferred over the other as an optimal solution. Arguably, much is prevented with the implied common sense rationale. However, this is little comfort to consumer who is the actual potential loser, when judiciaries do fail.

As have been suggested, the non-confused consumer can be imported into existing doctrinal approaches, without conflicting with existing models, and regardless whether the average consumer is defined as reasonably well-informed, circumspect and observant or sufficiently sophisticated. The

added layer will from a litigation perspective challenge rhetorical appeals from proprietors, who is using the vindicated voice of the confused consumer, and most importantly the actual voice of the consumer would be heard in the questionable cases.

# Supplement A

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# Supplement B

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