

Foreword

I would like to give a personal thank you to the people that have helped me with this thesis.

To my supervisor Henrik Norinder, I place enormous thankfulness for giving me guidance when I did not know where to go. With your help I was able to write the thesis I aimed to.

To my family, who has no idea of what I have written, I say thank you for the support and that you believed in me when I had doubts on my abilities.

I pledge huge gratitude towards my friend Magnus Boberg, who helped me with reading and correcting the spelling of the thesis in its final stage.

Last but definitely not least, I would like to give an enormous thank you to my beloved girlfriend Andreea Farcas-Lohan, for comforting and supporting me when I was tired of reading and writing, you pushed me to finish what I've started.

Contents

SUMMARY	1
SAMMANFATTNING	2
ABBREVIATIONS	3
1 INTRODUCTION	4
1.1 Background	4
1.2 Purpose	5
1.3 Method/Material	6
1.4 Delimitations	6
1.5 Disposition	7
1.6 Before reading onwards	7
2 TRADEMARKS AND UNION LAW	9
2.1 Negativity against trademarks	9
2.2 Absence of harmonization cause problems	11
2.3 Existence/Exercise Dichotomy	13
2.4 Legislation	15
2.3.1 <i>Trademarks with reputation</i>	16
2.5 Limiting Trademark Exercise Through Competition Rules	20
2.6 Protective measures	21
2.7 Concluding comment	23
3 NEW REGULATION AND DIRECTIVE REVISING THE TMR AND TMD.	25
3.1 Proposed Regulation amendments	25
3.2 Proposed Directive amendments	27
3.3 Concluding comment	28
4 CASE LAW	30
4.1 BAT	30
4.2 BMW v Deenik	32
4.3 Der Grüne Punkt	36
4.4 Pierre Fabre	41
5 DISCUSSION	47

6 ANALYSIS	53
7 CONCLUSION	57
BIBLIOGRAPHY	59
TABLE OF CASES	63
SUPPLEMENT A	67

Summary

Trademarks are valuable assets for undertakings, it is what connects them and their products when placed before consumers. This is something that others want to take advantage of and thus proprietors need to defend themselves against. Being able to prevent infringements before they occur is necessary in order to avoid costly procedures, but those measures might not be accepted by legislations other than those for IPRs. Article 101 and 102 TFEU prohibits any restrictions of competition and limitations of the market that are not justified and have positive effects on the trade between Member States. The history of the CJEU's case law shows a gradual increase in the appreciation of trademarks and its value but also limitations to the exercise of trademark rights.

The CJEU have made a distinction between the existence and exercise of a trademark right and has stated that it is only the exercise that can be limited by Article 101 TFEU. Scholars have expressed concern regarding this statement and argue that at some point the existence of a mark can be threatened if the exercise of the trademark right is limited.

Although a mark with a reputation is granted a stronger protection than a non-repute mark it is still limited by the principle of exhaustion. The measures a proprietor takes in order to prevent infringements before they occur must be justified and bring positive results for the benefits of consumers. Allowing a licensee to become the proprietor of the licensor's trademark in another Member State thus being able to exercise the rights it includes, is considered hindering parallel trade according to the CJEU and thus in violation of Article 101 TFEU.

Wanting to protect the respectable image of a trademark is not considered as a legitimate justification for banning the sale of the trademarked goods on the internet. AG Mazak have expressed that there might occur situations in the future where protection from a diminished image is justification for not allowing internet sales, the CJEU did not follow that reasoning. The result of the CJEU's judgments is, that despite the risks the internet poses for trademarks, their reputation is not a justification for them being made available for sale on it. Proprietors have been presented with the fact that they cannot be in charge of what damages their marks reputation.

The Commission has presented amendments to the TMD and TMR which will generate more legal certainty for the trademark proprietors and also grant them more power to fight counterfeiting. The proposed amendments are positive news which will generate better protection for the trademarks of the Union. However, the CJEU still seems to be a bit reluctant to recognize the importance of trademarks. By not accepting the importance of a trademark's image, the CJEU does not understand the trademarks completely and have not followed the development of trademarks and their importance in today's market.

Sammanfattning

Varumärken är värdefulla tillgångar för företag, det används av konsumenter för att identifiera företag och dess produkter. Detta är något som andra vill utnyttja och vilket varumärkets innehavare då måste få försvara sig mot. Att kunna förebygga varumärkesintrång innan de inträffar genom olika åtgärder är en nödvändighet för att undvika kostsamma förfaranden, men dessa åtgärder godtas ibland inte av andra lagstiftningar än de för immateriella rättigheter. Artikel 101 och 102 i EUF-fördraget förbjuder alla inskränkningar av konkurrensen och hinder av den fria handeln som inte är motiverade och har positiva effekter på handeln mellan medlemsstaterna. EU-domstolens rättspraxis historia visar en gradvis ökning av uppskattningen för varumärken och dess värde men också begränsningar för utövandet av varumärkesrättigheter.

EU-domstolen har gjort en åtskillnad mellan existensen och utövandet av en varumärkesrätt och har sagt att det är bara utövningen som kan begränsas genom artikel 101 i EUF-fördraget. Akademiker har uttryckt oro angående detta påstående och hävdar att ett varumärkes existens kan hotas om utövandet av varumärkesrätten begränsas.

Kända varumärken ges ett starkare skydd än ett okänt märke, men det kan begränsas av konsumtion principen. De åtgärder en varumärkesinnehavare tar i syfte att förhindra intrång innan de inträffar måste motiveras och ge positiva resultat till fördel för konsumenterna. Att tillåta en licenstagare att bli innehavare av licensgivarens varumärke i en annan medlemsstat och därmed kunna utnyttja de rättigheter som det innebär, anses hindra parallellhandeln enligt EU-domstolen och är därmed i strid med Artikel 101 i EUF-fördraget.

Skydda den respektabla bilden (imagen) av ett varumärke, anses inte som skäl för att förbjuda försäljningen av de varumärkesskyddade varorna på internet. AG Mazak har uttryckt att det kan uppkomma situationer i framtiden där skydd från skador på märkets image är motivering nog för att inte tillåta försäljning via internet, EU-domstolen följer dock inte detta resonemang. Resultatet av EU-domstolens domar är, att trots de risker internet innebär för varumärken, är skyddet av deras rykte inte ett skäl för att dem inte skall göras tillgängliga för försäljning på internet. Varumärkesinnehavare har blivit informerade att de inte kan kontrollera vad som anses skada deras varumärkens rykte.

Kommissionen har lagt fram ändringar till TMD och TMR som kommer att generera mer rättssäkerhet för varumärkesinnehavare och även ge dem mer makt för att bekämpa varumärkesförfalskning. De föreslagna ändringarna är positiva nyheter som kommer att generera bättre skydd för varumärken i unionen. Dock verkar EU-domstolen ändå att vara lite tveksamma till att erkänna vikten av varumärken. Genom att inte acceptera betydelsen av ett varumärkes image, verkar det som att EU-domstolen inte förstår varumärken helt och har inte följt utvecklingen av varumärken och deras betydelse för dagens marknad.

Abbreviations

AG Advocate General

CJEU Court of Justice of the European Union

EUF-fördraget Treaty on the Functioning of the European Union

GC General Court

IPR Intellectual Property Right

TFEU Treaty on the Functioning of the European Union

TMD Trademark Directive

TMR Trademark Regulation

1 Introduction

Following introduction of this thesis will contain a background of why I find the subject so interesting followed by the thesis' purpose and how I meant to fulfil the purpose. This chapter is aimed to give the reader an explanation of why the thesis is following the road chosen.

1.1 Background

It is not surprising that a trademark carries an enormous value, perhaps even greater than credited for. Large undertakings spend big sums of money in order to protect their trademarks and rightfully so since success often brings scavengers eager to capitalize on the fortune of others and will go through enormous lengths in order to do so.

The moment consumers come in contact with a trademark, it will present an image that can be associated with the product bearing the mark. Consumers are not simply buying products from a particular undertaking, they are buying the 'trademark experience' and the 'brand image' that comes with the product. The exclusive rights necessary to ensure protection against confusion also protect the investment made in the creation of a favourable trademark image.¹

It is a well-known fact that Intellectual property rights grant the proprietor the sole right, a monopoly, to the mark, invention or artistic piece etc. This is deemed necessary from an undertaking's perspective or rather a proprietor's perspective since it will result in profits from sales and further incentives from investors. Authorities and competitors can find these rights, although promoting same result sought by competition rules, in conflict with the competition rules.

Article 101 and 102 of the TFEU aims to safeguard the European market from measures that limits the competition and the range of products on it, thus promoting incentives to make quality goods for a lower cost leading to a lower sales price. The collision between the two legislations occur when the protective measures taken by a proprietor, allowed by national IP law, are deemed as unnecessarily restrictive or unjustified by competition law and its interpreter.

The CJEU have through its case law tried to give some clarity to where the line of excessive trademark protection lies. In *Pierre Fabre*², the CJEU ruled that a ban on internet sales of a product put by the distributor in order to protect a trademark's respected image is not justification enough and thus is in violation of the competition rules. The AG in the case had a different opinion, which makes one wonder if the ability to purchase a product on the internet have a negative effect on a trademarks respectable image, would a person be deterred from purchasing a product if it is available online since it could be considered as less 'fancy'?

¹ Senftleben, Martin 'Adapting EU Trademark Law to New Technologies: Back to Basics?' VU University, Faculty of Law, June 30 2011, Amsterdam, p. 141.

² Case C-439/09, *Pierre Fabre Dermo-Cosmétique SAS v Président de l'Autorité de la concurrence, Ministre de l'Économie, de l'Industrie et de l'Emploi, Ministère public and the European Commission*, 13 October 2011, [2011] ECR (*) (*Pierre Fabre*).

Even if some or most consumers would not believe so, should it still not be up to the proprietor to decide how his products should be viewed and what image it should have?

Some could argue that intellectual property is not good since it creates monopolies, but the truth is that IPRs lead to incentives for R&D,³ which leads to new products. If a proprietor is not allowed control the image of his trademark, then what value has it?

It does not get easier either that the IP-rules are mainly national due to the principle of territoriality. The *Cassis De Dijon*⁴ principle makes it more urgent for proprietors to prosecute infringers, since they otherwise will not be able to hinder the products entrance on the national market.

Allowing a licensee to register and become the proprietor of your trademark in another Member State is considered hindering parallel trade and not in accordance with the competition rules. The limitations to the trademark right keeps piling up, although they are not aimed to limit the trademark's existence. They are not limiting the possibility for a proprietor to prosecute infringers either. What the CJEU and the Commission does with their decisions are, according to them, limiting the exercise of the trademark right. This type of exercise I have chosen to call preparatory measures since they are taken in order to prevent infringements from occurring or at least make it more difficult to infringe the trademark. These measures becomes a problem in the light of competition law when it exists in form of a contract provision violating article 101 TFEU, or an action considered violating Article 102 TFEU. It is not bad that the competition rules are looked after but the results of the CJEU's decisions risks sometimes limiting the trademarks beyond what is necessary or even appropriate, leading to a weakening of the trademarks' protection. The history of the CJEU shows a negative attitude against trademarks, knowing how important they are, one can hope that negative attitude is not here today.

1.2 Purpose

The purpose of this paper is to investigate where the line between excessive and appropriate trademark protection is drawn by the CJEU. The reason for this is that the competition rules can be considered violated, when a proprietor is trying to defend his monopoly, which his IPR constitutes, from infringers. Investigating where the CJEU has drawn the line for excessive protective measures by using other EU-legislation will generate a foundation for proprietors to see and base their actions on. The EU-legislation allows there to be more extensive protection for trademarks that are considered having a reputation, a famous trademark. It is therefore, of interest to investigate if a proprietor of a reputed trademark has the same extended protection when it comes to measures used to prevent infringement. Trademarks have become more important and valuable and the infringers are taking new measures in order to provide counterfeiting goods. The

³ Martin, Brian 'Against intellectual property', published in *Philosophy and Social Action*, Vol. 21, No. 3 July-September 1995, pp. 7-22, University of Wollongong Australia, see also, Yang, Deli, 'Understanding and Profiting from Intellectual Property' a guide for practitioners and analysts, First Edition 2008, Palgrave Macmillan Basingstoke, p. 25.

⁴ Case 120/78, *Rewe-Zentral AG v Bundesmonopolverwaltung für Branntwein*, 20 February 1979, [1979] ECR 649 (*Cassis de Dijon*).

internet provides new means for infringements and the EU-legislation is in need of an update to be able to provide the proprietors with the measures necessary to protect their marks. The Commission have proposed amendments to the TMD and the TMR, which are aimed to meet the demand on more protection for trademarks. These amendments must be investigated in order to get an insight in what the future of trademark protection will look like.

Questions I have set to answer in order to fulfil my aim are:

What measures are a proprietor allowed to use in order to protect its' trademark according to the CJEU?

Can a proprietor of a trademark with a good reputation (a famous trademark) go further in his protection of a trademark than others?

By 'further' I imply, measures considered violating competition law and in most cases the CJEU would not allow them but grants the proprietor an exemption due to his trademarks reputation.

Lastly I will look into what difference will the new TMD and TMR make, when implemented?

1.3 Method/Material

The thesis will be using legal dogmatic method with some legal history in order to see the development of the case law of the CJEU.

By using case law from the CJEU, I will present the court's view on the matter since it draws the line when IP-law is in conflict with competition law. I want to make it completely clear that I do not claim that IP-law *per se* is interfering with the competition rules, what I mean is that the rights and measures granted and allowed by national IP-law are, when executed, in conflict with competition law.

I have selected the case law that I found being relevant to illustrate the issue. By using literature, such as books and articles, I will present scholars' views on the issue from their perspective in order to present different views in the analysis.

The case law selection of this thesis is not exhaustive but quite substantial. I have therefore chosen only to use the full name of the cases in the footnote when it is firstly mentioned and afterwards use a shorter name in order to make the reading go more smoothly.

1.4 Delimitations

The thesis will only concern trademarks. Patents and copyrights though very important IPRs will not be included. Trademarks are personally more interesting, since it is what a consumer will see and relate to when encountering a product, thus is a more open and public intellectual property than the two other mentioned rights.

It is assumed that the reader has some basic knowledge of EU trademark law and competition law. Therefore, the basics of competition such as the provisions in article 101 and 102 together with other connecting legislation will not be

discussed in this paper. The same concerns the basics of trademark law such as application, granting and revocation processes and will be followed when discussing the proposed amendments to the TMD and TMR.

I have chosen not to include the Anti-Counterfeiting Trade Agreement (ACTA) of 2010 in my study. The reason is that although fully relevant when discussing counterfeiting ACTA and signed by the EU and 22 Member States, the agreement is only ratified by Japan and yet not in effect for the EU Members. Mentioned should be though that if ACTA were to be ratified in the EU Member States then the proprietors will have more power to fight counterfeiting.

1.5 Disposition

This first chapter is aimed to make the reader see the thesis from my perspective and understand my way of thinking when I did my research.

The second chapter of this thesis will present cases that had a significant effect on the development of the trademark rights and their positions on the EU-market are presented in chapter. The said chapter contains a piece of legal history in form of case law that will show the changed opinion of the CJEU regarding the importance of trademarks. The legislation concerning trademarks will also be presented in this chapter in order for the reader to get acquainted with the legislation in order to get a better understanding of the issue presented in this thesis.

The amendments to the trademark legislation of the EU proposed by the Commission will be presented in chapter three. The reader will be presented with what could become the future of the EU legislation concerning trademarks.

In chapter four, the case law chapter, I have chosen to present cases that enlighten the conflict between competition law and trademark rights. The cases concerns both preparatory and defensive measures, which will be further explained in chapter 2.5, that is considered as violating competition law.

The Fifth chapter is going to, as the name reveals, discuss the facts presented in this thesis, here I will present opinions from scholars on the cases in order for the reader to get a wider perspective on the conflict between competition law and trademarks.

The last two chapters will be my analysis of the facts and opinions without any more input from other authors. I will through the analysis work through what I have presented in order to conclude my thesis by answering my questions set in the purpose.

1.6 Before reading onwards

Law is a constantly changing subject. Legislations become amended and judgements and literature get out-dated. The thesis is presenting case law representing an issue that is relevant at this moment. I acknowledge the fact that in a not too distant future the facts and opinions presented in this thesis together with my conclusion will become part of legal history and not be relevant any more.

Lastly, I would like to address the use of “his/he” or any other reference to the male gender in this thesis. Fully aware that the equality of the genders is not a guarantee in today’s world, I still have chosen to use the term “his” in situations where I refer to a proprietor’s ownership. The term “his” is not referring only to the male gender but also the female and transgender. It is mainly to simplify the reading and not in any way an attempt to discriminate against anyone.

2 Trademarks and Union Law

The relation between trademarks and other EU legislations might not be completely clear, thus, an introduction will follow to show development of the CJEU's case law followed by a presentation of the collision between trademarks and EU-legislations.

2.1 Negativity against trademarks

The CJEU had a very negative view on trademarks function in its early judgements.⁵ In his opinion on the *Sirena v Eda*⁶ case, AG Dutheillet de Lamothe made a comparison of the importance between one of the world's most significant medical discoveries and a shaving cream trademark. He said:

*Both from the economic and from the human point of view the interests protected by patent legislation merit greater than those protected by trade-marks.... From the Human point of view, the debt which society owes to the 'inventor' of the name 'prep good morning' is certainly not of the same nature, to say the least, as that which humanity owes to the discoverer of penicillin.*⁷

An issue for the CJEU was the fact that the subject-matter of trademarks was not defined, thus the fundamental purpose of a trademark protection weren't reflected upon.⁸ In 1974, the CJEU ruled in the case *Centrafarm v Winthrop*⁹ that a trademark owner could not rely on Article 36 TFEU in order to prevent importation of products bearing his trademark from another Member State, which had been put on the market in the latter Member State by him or with his consent. Regarding the subject-matter the CJEU stated:

*"In relation to trade marks, the specific subject-matter of the industrial property is the guarantee that the owner of the trade mark has the exclusive right to use that trade mark, for the purpose of putting products protected by the trademark into circulation for the first time, and is therefore intended to protect him against competitors wishing to take advantage of the status and reputation of the trade mark by selling products illegally bearing that trademark."*¹⁰

⁵ Keeling, David T, 'Intellectual Property Rights in EU Law': Volume I Free Movement and Competition Law, 2003 Oxford University Press, New York, p. 153.

⁶ Case 40/70, *Sirena v Eda*, 18 January 1971, [1971] ECR 69.

⁷ *Ibid*, p. 87.

⁸ Opinion of Mr Advocate General Dutheillet De La Monthe on case 40/70 *Sirena v Eda*, delivered on 21 January 1971, [1971] ECR 85.eling, p. 154.

⁹ Case 16/74, *Centrafarm BV v Winthrop BV*, 31 October 1974, [1974] ECR 1183.

¹⁰ *Ibid*, para. 8. It is a development from the principle of exhaustion created earlier in Case 78/70, *Deutsche Grammophon Gesellschaft mbH v Metro-SB-Großmärkte GmbH & Co. KG*, 8 June 1971, [1971] ECR 487 (*Deutsche Grammophon*), which will be discussed later in chapter 2.4.

It would take two more years before the court would mention the basic function of a trademark, which is establishing the origin of products.¹¹ In the case *Hoffman La-Roche v Centrafarm*¹² the CJEU stated that the ‘origin function’ is the trademark’s essential function rather than the basic function.¹³ Further, the CJEU also stated that the provision found in Article 36 TFEU was only allowing exceptions to the free movement if they are justified in order to protect the subject-matter of an IP-right and that an act that is lawful under Article 34 TFEU, can be unlawful according to 102 TFEU.¹⁴ The subject-matter was defined identically as in *Centrafarm v Winthrop* meaning that the trademark owner has the right to prevent others from stealing his goodwill by selling goods on which the mark has been placed illegally.

A final step in the direction of a more positive attitude towards trademarks was taken in *HAG II*¹⁵. As a contrast to AG Dutheillet de Lamothe’s statement in *Sirena v Eda*, AG Jacobs pointed out, that trademarks, just like patents, stimulate economic progress if used correctly. The consumers, through purchases, will reward a manufacturer that consistently produces good quality goods; if there would be no trademark protection, there would simply be no incentives for the manufacturers to develop better products. Jacobs continued by stating that:

*“Trade marks are able to achieve that effect because they act as a guarantee, to the consumer, that all goods bearing a particular mark have been produced by, or under the control of, the same manufacturer and are therefore likely to be of similar quality.”*¹⁶

AG Jacobs made it clear that the quality is not always guaranteed by the mark. It is for the manufacturer to decide upon the quality of his goods and alternating the quality will only affect his profits not his competitors.¹⁷ The CJEU stated that trademark rights are an essential element in the system of fair competition, which is what the Treaty seeks to establish. Trademarks make it possible for the undertakings to keep its customers, since they identify the trademarks and relate them to a certain level of quality and undertaking. The CJEU stressed the importance of the trademark’s purpose and stated that:

*“For the trade mark to be able to fulfil this role, it must offer a guarantee that all goods bearing it have been produced under the control of a single undertaking which is accountable for their quality.”*¹⁸

¹¹ Case 119/75, *Terrapin (Overseas) Ltd v Terranova Industrie C. A. Kapferer & Co*, 22 June 1976, [1976] ECR 1183.

¹² Case 102/77, *Hoffmann-La Roche & Co. AG v Centrafarm Vertriebsgesellschaft Pharmazeutischer Erzeugnisse mbH*, 23 May 1978, [1978] ECR 1139.

¹³ *Ibid*, para. 7.

¹⁴ *Ibid*, para. 16.

¹⁵ Case 10/89, *Sa CNL-Sucal NV v HAG GF AG*, 17 October 1990, [1990] ECR I-3711 (HAG II).

¹⁶ Opinion of Mr Advocate General Jacobs on case 10/89 *CNL-Sucal v HAG*, delivered on 13 March 1990, [1990] ECR I-3725, para. 18.

¹⁷ *Ibid*.

¹⁸ Case 10/89, *HAG II*, ECR I-3711, para. 13.

Some are however arguing that this statement from the court came too late. The court finally acknowledged the origin function of a trademark, though academics and legislators are now putting more importance on a trademark's other functions (ancillary functions).¹⁹ The worries voices raised should according to *Keeling* be settled by the CJEU's later rulings where the advertising function of trademarks were recognized and it was said that proprietors have the right to prevent parallel importers or dealers use of its trademarks in adverts if it results in damage on the marks reputation.²⁰ It has taken some time but the trademarks importance and value is not overseen by the CJEU, though the scope of protection according to some might be wider than the tests identifying the marks' subject-matter and essential function are implying.²¹

2.2 Absence of harmonization cause problems

Continuing with a bit of legal history, this section of the thesis will present, as the title states, the issues of not having completely harmonized trademark legislation.

Consumers use trademarks in order to distinguish products from one and other by determining products origin without any possibility of confusion.²² Although there is a TMR it only concerns the so called "community marks" and the TMD is merely setting a minimum standard, so the trademark legislations of the Member States cannot be considered as completely harmonized.²³ Further, the TFEU establishes that the trademark legislation of the member states shall follow the principle of territoriality.²⁴ The CJEU has established in its case law that national law prevails in absence of harmonization. This would complicate cross boarder trademark protection if member states have different opinions on what constitute use of a trademark, since the use of a trademark is what causes legal disputes.

In *Keurkoop*²⁵ the CJEU ruled that because of the state of the Union law, at that time, the determination of conditions and procedures under which protection of designs are granted is a matter for national law.²⁶ The case concerned a design of a handbag. Nancy Kean Gifts had registered in the Benelux countries a handbag design that it had acquired from USA and was selling it in the Netherlands. It was not the author of the design but rather a copyist.²⁷ According to Benelux laws it was not necessary for a registrant of a design to be the author or to have a

¹⁹ Keeling, p 157, footnote 31.

²⁰ Keeling, p. 158, see also Case C-337/95, *Parfums Christian Dior SA and Parfums Christian Dior BV v Evora BV*, 4 November 1997, [1997] ECR I-6013 and Case C-63/97, *Bayerische Motorenwerke AG (BMW) and BMW Nederland BV v Ronald Karel Deenik (BMW v Deenik)*, 23 February 1999, [1999] ECR I-905.

²¹ Keeling, p. 158.

²² Case 1/81, *Pfizer Inc. v Eurim-Pharm GmbH*, 3 December 1981, [1981] ECR 2913, para. 8.

²³ Proposal for a Directive of the European Parliament and of the Council to approximate the laws of the Member States relating to trade marks COM/2013/0162 final - 2013/0089 (COD) 'Proposed TMR', p. 1.

²⁴ TFEU, art. 345.

²⁵ Case 144/81, *Keurkoop BV v Nancy Kean Gifts BV*, 14 September 1982, [1982] ECR 2853.

²⁶ *Ibid*, para. 18.

²⁷ *Ibid*, para. 10, see also the 'facts and issues' part of the report.

acquired a right to the design from the author. Thus it was possible to copy someone else's design and be granted, through registration, an exclusive right to use that design, which none other than the author or a person commissioned/employed by him could challenge.²⁸

After some time Nancy Kean Gifts discovers that another Dutch undertaking, Keurkoop, was selling an identical handbag in the Netherlands. The 'copy' was just as the 'original' manufactured in Taiwan and imported directly to the Netherlands. Nancy Kean Gifts applied to the competent Dutch court for an injunction preventing Keurkoop from infringing its design right. Keurkoop argued that Nancy Kean Gifts could not rely on article 36 TFEU since it is a mere copyist and it would be contrary to article 34 TFEU.

The Dutch Court asked the CJEU if it was compatible with article, 34 and 36 TFEU to enforce an exclusive design right against products imported from another Member State, when the proprietor is not the author or the first to file the design. Simply, would a copyist benefit from the protection granted by article 36 TFEU?

The Commission stated in its observation to the court that intra-community trade should not be concerned since the products were imported directly from outside the common market.²⁹ AG Reischl stated that, the questions would have arisen even if the goods would have been imported via another Member State.³⁰ The CJEU decided to answer the Dutch court's questions by stating that

*“...in the present state of Community law and in the absence of Community standardization or of a harmonization of laws the determination of the conditions and procedures under which protection of designs is granted is a matter for national rules...”*³¹

Therefore, the national legislation in the Benelux countries made it possible to protect copied designs by granting the copyist an exclusive right, which existence only the author could challenge. The CJEU did not discuss any minimum characteristics, which would generate a measurement for a design right worthy the name intellectual property. However, this type of 'test/investigation' is undertaken every time Article 30 is invoked on behalf of exclusive rights that are suspicious.³² Furthermore, if the judgement were to be taken literally, the Member States would be allowed to grant exclusive rights on the grounds that they sought fit and the rights would be valid against goods from other Member States.

This would lead to the possibility of restrictions on imports based on what national law characterizes as an intellectual property right, no matter the level of its logic. Therefore, it is righteous to say that the CJEU did not mean what it said in its judgement in *Keurkoop*. The judgement must be read with a level of reasonableness, thus the 'actual' statement would be understood as

“the conditions and procedures under which intellectual property rights are granted are a matter for national law, provided that such conditions and procedures are not unreasonable or arbitrary and

²⁸ Ibid, case report 'facts and issues', p 2856.

²⁹ See p. 2860 of the case report.

³⁰ Opinion of Advocate General Reischl, p. 2878.

³¹ Case 144/81, *Keurkoop v Nancy Kean Gifts*, ECR 2853, para. 18.

³² Keeling, p. 32.

*provided that they do not lead to the grant of intellectual property rights for which there is no objective justification.”*³³

The cause for the judgment’s acceptance of copyists being granted an exclusive right is most likely the fact that the copied design was from a third country and that both the proprietor and the infringer were importing the goods directly from a third country. It is unlikely that the court would have accepted that a design created in one Member State is, without authorization, being copied, registered, granted IP protection, manufactured and sold in another Member State and the only challenger could be the creator. The Second Member State would in that case not only be able to create a monopoly for the copyist but also prevent goods, produced in other Member States authorized by the author, from being put on the national market.³⁴

2.3 Existence/Exercise Dichotomy

The CJEU has held that if its existence can be limited in a particular way intellectual property rights would be worthless.³⁵ For instance, preventing the application of national legislation allowing the owner of a design right over car body panels to oppose the manufacture of such panels by third parties would be equivalent to challenging the very existence of that right.³⁶

The CJEU thus emphasizes the importance of not tampering with the existence of trademarks, which will be highlighted in the next section. However, one could wonder how much limitation to its exercise a trademark can take before its existence is affected.

The CJEU have tried to establish a proper way of determining what constitutes justified restriction of the free movement of goods under Article 36. The tests developed are not considered very satisfactory and thus the CJEU are forced to continue the search for a proper solution.³⁷ The well-known case *Consten & Grundig*³⁸ resulted in the Existence/Exercise dichotomy, which means that the Treaty guarantees the intellectual property right’s existence, while the exercise of the right could be limited by prohibitions laid down in the Treaty. The German undertaking Grundig granted the French company Consten an exclusive right to distribute Grundig’s products in France, an exercise of its trademark right according to Article 8 TMD and 22 TMR. Consten was also permitted to register the trademark GINT (Grundig International) in France. Meanwhile another French company UNEF acquired products marketed by Grundig in Germany under the trademark GINT and sold them in France.

³³ Ibid, p. 33.

³⁴ Ibid, p. 34.

³⁵ Case 158/86 Warner Brothers and Metronome v Christianse, 17 May 1988, [1988] ECR 2605, para. 18.

³⁶ Case 53/87, Consorzio italiano della componentistica di ricambio per autoveicoli v Maxicar v Régie nationale des usines Renault, 5 October 1988, [1988] ECR 6039 (*CICRA v Renault*), para. 11.

³⁷ Keeling, p. 50.

³⁸ Joined Cases 56 and 58/64, Etablissements Consten S.A.R.L. and Grundig-Verkaufs-GMBH v Commission, 13 July 1966, [1966] ECR 299 (*Consten & Grundig*).

Consten initiated trademark infringement proceedings against UNEF before a French court. UNEF responded by complaining to the Commission which adopted a decision declaring that the agreement between Consten and Grundig, allowing the first to register the mark GINT was in violation of Article 101.3 TFEU since it was hindering parallel trade.³⁹ With its decision, the Commission ordered the two parties to refrain from preventing others from acquiring products with the GINT trademark with plans to sell them in France.

Consten and Grundig argued that the GINT trademark was an industrial property owned by Consten which Article 101 TFEU could not prejudice according to Articles 36 and 345 TFEU guaranteed that right. Further, they argued that the Commission's decision was in violation of those articles.⁴⁰ The CJEU did not agree with Consten and Grundig, and stated that Article 36, which concerns free movement of goods, cannot limit the field of application of the Competition rules. Regarding the argument of Article 345 TFEU and its guarantee for intellectual property rights the CJEU ruled that though the decision orders the parties to refrain from using its right to hinder parallel trade it

*“...does not affect the grant of those rights but only limits their exercise to the extent necessary to give effect to the prohibition under Article 101.1....”*⁴¹

The Existence/Exercise Dichotomy was born, even though the court did not use the word “existence” until a few years later in the case *Parke, Davies*⁴², when it mentioned an intellectual property right's existence is not affected by the prohibitions in Articles 101.1 and 102 TFEU.⁴³ The Exercise/Existence Dichotomy have been criticized for being too vague and inapplicable and has not been used by the CJEU since 1982 in its judgement in *Coditel II*⁴⁴.⁴⁵ The argument against this distinction between exercise and existence is that if Union law can prevent the exercise of an intellectual property, then it will be weakened and eventually the existence of the right could be threatened.⁴⁶ It can however still be said that the Dichotomy serves a purpose. It serves as a principle stating that no matter what limitations on intellectual property rights exercise Community law imposes, the substance of those rights must never be destroyed.

³⁹ Commission Decision 64/566/EEC of 23 September 1964 (IV/A-00004-03344 'Grundig-Consten'), OJ 2545/64, Article premier-Article 4.

⁴⁰ Joined Cases 56 and 58/64, *Consten and Grundig v Commission*, ECR 299, p 317.

⁴¹ *Ibid*, p. 345.

⁴² Case 24/67, *Parke, Davies v Probel, Reese, Beintema-Interpharm and Centrafarm*, 29 February 1968, [1968] ECR 55.

⁴³ *Ibid*, p. 72.

⁴⁴ Case 262/81, *Coditel SA, Compagnie Générale Pour la Diffusion de la Télévision Brussels, Coditel Barbant SA, Coditel Liège SA, Compagnie Générale Pour la Diffusion de la Télévision Liège, Intermixt, Union Professionnelle de Radio et de Télédistribution and Inter-Régies v Ciné-Vog Films SA, Chambre Syndicale Belge Delacinématographie, Les Films La Boétie SA, Serge Pinon and Chambre Syndicale Desproducteurs Etxeporateurs Defilm Francais, (“Coditel II”)*, 6 October 1982, [1982] ECR 3381.

⁴⁵ Keeling, pp. 54-55.

⁴⁶ *Ibid*.

2.4 Legislation

As known, a trademark right is granted by IP-authorities upon registration, or generated through use.⁴⁷ The proprietor of a trademark is naturally in need of some defensive protection of his mark in order for it to fulfil its commercial purpose without unauthorised use by others. The Member States of the Union are obliged to grant proprietors the right to prevent others from using his mark or marks that are similar or identical to it and that in order to secure the free movement of goods the trademark protection granted by the Members legal systems must be same.⁴⁸

In order to acquire protection as registered trademark the mark must possess a *distinctive character* or *distinctiveness*. This requirement has been implemented in many legal systems since it can be found in the Paris Convention⁴⁹ and the TRIPS-Agreement⁵⁰. Article 6quinques B ii of the Paris Convention is consistent with Article 3(1)(b) of the TMD and Article 7(1)(b) of the TMR⁵¹. All three of the mentioned articles states that Member States shall deny registration if the mark is lacking distinctiveness, while in the TRIPS-Agreement article 15(1) states that marks that are able to distinguish the applicants goods or services from other undertakings shall be able to constitute a trademark, thus be protected. The EU legislation means that there is some harmonization within the Union, at least regarding ‘Community Trademarks’.

It is possible for marks that are not, by its looks, possessing a distinctive character to acquire one through use. The distinctiveness requirement is based on two grounds. Firstly, a mark must possess a certain symbol function, which it gets either by itself (inherent distinctiveness) or through establishment on the market (secondary meaning).⁵² Thus, meaning that even marks that are not ‘special’ through its appearance can have a distinctive character since it is well recognized on the market. Secondly, in order to keep a high level of competition the requirement of distinctiveness is necessary so that very common words and elementary symbols should not be subject to a monopoly.⁵³

The CJEU ruled in *Windsurfing Chiemsee*⁵⁴ that a trademark acquires a distinctive character through use, when it can identify the product for which it has been registered, thus being able to show that it originates from a particular undertaking accordingly distinguishing that product from the goods of other undertakings.⁵⁵

⁴⁷ Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks (TMD), preamble rec. 5.

⁴⁸ TMD, preamble para. 10 and art. 5(1).

⁴⁹ Paris Convention for the Protection of Industrial Property of 20 March, 1883.

⁵⁰ Agreement on Trade-Related Aspects of Intellectual Property Law of 15 April, 1994.

⁵¹ Council Regulation No 207/2009 of February 2009 on the Community Trademark OJ L78, pl, 24/03/2009 (codified Version) (TMR).

⁵² Nordell, Per Jonas, ‘Distinctive Character in Compound Trademarks’, found in ‘National Developments In The Intersection of IPR and Competition Law From Maglite to Pirate Bay’ edited by Lidgard, Hans Henrik, 1st edition, 2011, HART publishing Portland and Oxford, p. 88.

⁵³ Ibid, p. 89.

⁵⁴ Joined cases C-108/97 and C-109/97, *Windsurfing Chiemsee Produktions- und Vertriebs GmbH (WSC) v Boots- und Segelzubehör Walter Huber and – Franz Attenberg*, 4 May [1999] ECR I-2779 (*Windsurfing Chiemsee*).

⁵⁵ Nordell, p. 89.

Any agreement or action that is distorting the balance of competition is considered ‘evil’ and must therefore be prevented. The famous/infamous Articles 101 and 102 TFEU have been protecting the competition on the Union market since the very beginning, leading to big fines for those who violate them.⁵⁶

The articles are governed by the principle laid down by Article 3 of Regulation No 1/2003⁵⁷, which states that the articles become applicable, when an agreement between two or more undertakings might affect the trade between the Member States. The criteria ‘effect on trade’ is based on three elements, 1) the concept of trade between Member States, 2) the notion of ‘may affect’ and 3) the concept of ‘appreciability’.

The term ‘trade between Member States’ is defined as all cross-border economic activity in order to cope with the objective of free movement of goods.⁵⁸ The concept of ‘trade’ has also been extended to include agreements that affect the competitive structure of the market.⁵⁹

According to the test developed by the CJEU, the notion ‘may affect’ implies that it must be possible to foresee with a sufficient degree of probability that e.g. an agreement may have an influence, direct or indirect, actual or potential, on the pattern of trade between Member States.⁶⁰

The last element incorporated in the ‘effect on trade criterion’, the concept of ‘appreciability’ is mainly setting a quantitative level that limits the jurisdiction of Union law to concern e.g. agreements capable of having effects of a certain magnitude. Agreements having an insignificant effect on the market due to the parties’ weak market position fall outside the scope of Articles 101 and 102 TFEU.⁶¹

The setup for the limitation of trademarks are clear. If a proprietor uses measures that affect the trade between the Member States through an agreement, he will fall within the scope of the competition rules and very likely be considered infringing those unless he has a weak position on the market.⁶² This becomes very relevant, as shown by *Consten & Grundig*⁶³, when the proprietor exercises his right to license the trademark in accordance with the TMD and TMR.⁶⁴

2.3.1 Trademarks with reputation

In paragraph 10 of the preamble of the TMD the Member States are granted the right to provide for more extensive protection for trademarks with a reputation. Article 5(2) of the TMD and article 9(1)(c) of the TMR offers an extension of the

⁵⁶ Case T-201/04 *Microsoft v. European Commission*, 28 April 2005, [2005] ECR II-1495 concerning a decision from the European Commission fining Microsoft € 497 million.

⁵⁷ Council Regulation (EC) No 1/2003 of 16 December 2002 on the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty (Text with EEA relevance) OJ L 1/1

⁵⁸ Commission Notice Guidelines on the effect on trade concept contained in Articles 81 and 82 of the Treaty 2004, OJ C 101/07 (Text with EEA relevance), para. 19.

⁵⁹ *Ibid.*, para. 20.

⁶⁰ *Ibid.*, para. 23, see also judgment in Case 172/80, *Gerhard Züchner v Bayerische Vereinsbank*, 14 July 1981, [1981] ECR 2021.

⁶¹ *Ibid.*, para. 44.

⁶² See e.g. Commission Notice on agreements of minor importance which do not appreciably restrict competition under Article 81(1) of the Treaty establishing the European Community (de minimis) OJ C 368/07 (Text with EEA relevance).

⁶³ Joined Cases 56 and 58/64, *Consten and Grundig v Commission*, ECR 299.

⁶⁴ TMD art. 8 and TMR art. 22.

trademark protection to trademarks which have a reputation. In cases of double identity the extended protection for famous trademarks is not very clear so far.⁶⁵ Further, it is stated in Article 4 of the TMD that a permitted ground for refusal to register a new trademark is that there already exist a similar mark with a reputation and a registration would mean that the newer mark would take unfair advantage of the reputed mark.⁶⁶

The Scope of Article 5(2) and 4(4) of the TMD came into question in *Davidoff v Gofkid*⁶⁷, where the CJEU was asked to answer whether the extended protection for reputed marks allows proprietors to prevent the use of identical or similar signs for identical or similar goods or services. The CJEU went in a different direction than AG Jacobs. He argued that the optional protection specified in Articles 4(4)(a) and 5(2) of the TMD only concerns situations in which the goods or services in question are not similar to those for which the trademark is valid. It is for the national courts to decide, by examining the CJEU's case law concerning the protection enjoyed by marks with a highly distinctive character, whether there exists a likelihood of confusion or not where goods or services are similar.⁶⁸

The CJEU stated that the overall objective of the system has to be interpreted and not only the wording of article 5(2) of the TMD in this case. It went on and said that it is not possible to interpret the said article in a manner that would result in less protection for a reputed mark against signs used for identical goods, than for non-identical goods.⁶⁹ If there would be no likelihood of confusion, then a proprietor could not rely on of Article 5(1)(b) in order to protect himself from impairment of the distinctive character or reputation of his trademark.⁷⁰ Thus, Article 4(4) and 5(2) of the TMD allows Member States to provide protection for registered trademarks with a reputation against use of similar marks on identical goods, while unregistered marks seem not to have the same benefits.

The same reasoning was conducted in *Adidas v Fitnessworld*⁷¹, where the CJEU ruled that the Member States must grant protection that is at least as extensive for identical goods as for non-identical goods and the option only concerns the principle itself and not the situations covered by the protection.⁷²

The first case where the requirements for obtaining the extended protection were laid down by the CJEU was in *General Motors v Yplon*^{73, 74}. The case concerns the use of the trademark "Chevy" which is a well-known mark registered for motor vehicles by General Motors (GM), but was used for cleaning products

⁶⁵ Opinion of Mr Advocate General Jääskinen in Case C-323/09, *Interflora Inc. and Interflora British Unit v Marks & Spencer plc, Flowers Direct Online Ltd*, delivered on 24 March 2011, [2011] ECR I(*) para. 9.

⁶⁶ TMD, Article 4(3) and 4(4)(a).

⁶⁷ Case C-292/00, *Davidoff & Cie SA Zino Davidoff SA v Gofkid Ltd*, 9 January 2003, [2003] ECR I-0389.

⁶⁸ Opinion of Mr Advocate General Jacobs in Case C-292/00 *Davidoff v Gofkid*, delivered on 21 March 2002, [2002] ECR I-0389, para. 58.

⁶⁹ Case C-292/00, *Davidoff v Gofkid*, para. 25-26.

⁷⁰ *Ibid*, para. 29.

⁷¹ Case C-408/01, *Adidas-Solomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd*, 23 October 2003, [2003] ECR I-12537.

⁷² *Ibid*, para. 20.

⁷³ Case C-375/97, *General Motors Corporation v Yplon SA*, 14 September 1999, [1999] ECR I-5421.

⁷⁴ Botis, Dimitris and Maniatis, Spyros, 'Trade Marks in Europe: A Practical Jurisprudence', Second Edition, 2010, Sweet & Maxwell London, p. 431.

by Yplon. GM sought an injunction against Yplon's use before Belgian court, which decided to stay the proceedings and ask the CJEU what level of reputation is required in order to benefit from the extended protection of Article 5(2) of the TMD. AG Jacobs investigated the context of the provisions of the Paris Convention and the TRIPS-Agreement regarding well-known marks and found that there seemed to be a very high standard set by those agreements regarding what marks can be deemed as 'well-known'. By looking at national legislation, it was found that the Member States were adopting different terms for 'well-known marks' and 'marks with reputation'. Jacobs stated that a mark with a reputation had to be known to a significant part of the relevant sectors of the public but it still did not need to be as well known as a well-known mark. He recommended that a series of criteria concerning the level of recognition of the mark in the relevant sectors of the public, its duration, the extent of the geographical area the mark is used in and the size of the investments in promoting the mark.⁷⁵

The Commission argued that the Benelux territory, although containing three Member States, should be considered as one Member State under Article 5(2) of the TMD. Since the trademark was registered for the Benelux, thus benefitting the protection of three national jurisdictions, AG Jacobs agreed with the Commission and stated that, it would be enough for the trademark to have a reputation in a substantial part of the Benelux countries, e.g. one of them or part of one of them, in order for it to be deemed as a reputed mark.⁷⁶

The CJEU stated, that in order for a trademark to suffer damage from the use of an identical sign, for products that is not similar, the first mark needs to be recognized to such an extent that the 'public' would associate the two trademarks when confronted by the later mark despite the fact that the products are not similar.⁷⁷ The definition of the 'public' was said to be the public that is concerned by the trademark. Meaning, that it depends on the market whether it will be the public at large or a specialized public such as traders in a specific sector that is considered. No percentage level was set, the court instead adopted a requirement stating that the mark had to be "known by a significant part of the public concerned..." in order to benefit from the extended protection in Article 5(2). To decide this consideration have to be taken to all the relevant facts of the case, such as market shares held by the trademark, the intensity, geographical extent and duration of its use and the size of the investment made by the undertaking in promoting it. It was considered inappropriate to require that a mark should have a reputation throughout the Member State, so the CJEU ruled that the Territorial requirement of Article 5(2) of the TMD is fulfilled when it has a reputation in a substantial part of the Member State. Just like the AG, the court found it to be the Benelux countries in this case.⁷⁸

Almost ten years later, the CJEU was asked if the concept of 'well-known' marks referred to in Article 4 of the TMD could be linked to an even more territorial scope, to also be concerning a region or city in a Member State rather

⁷⁵ Opinion of Mr Advocate General Jacobs in Case C-375/97 *General Motors v Yplon*, delivered on 26 November 1998, ECR I-5423, para. 39-41.

⁷⁶ *Ibid*, para. 46-47.

⁷⁷ Case C-375/97, *General Motors v Yplon*, ECR I-5421, para. 23.

⁷⁸ *Ibid*, para. 24-29.

than a significant part of that State depending on which market the mark is used.⁷⁹ The AG argued that Article 4 of the TMD does not prevent the cancellation of a later trademark on the basis that there is an earlier unregistered trademark which is well known in a more limited geographical area than a substantial part of the concerned State.⁸⁰ The CJEU took another view. Firstly, it stated that the provision in Article 4 lacked a definition regarding territory and that a trademark could not be required to be well known throughout the territory of a Member State, thus reasoning as it did in *General Motors* that, it is sufficient for a trademark to be well known in a substantial part of the Member State.⁸¹ Secondly, it stressed that the meaning of “in a Member State” precludes the possibility of a proprietor to use the provision in Article 4 in order to protect his unregistered trademark if the mark is only well known in a territory that does not constitute a substantial part of the Member State. The court emphasized that it is still possible to protect unregistered marks that has a local repute according to Article 4(4)(b) when appropriate.⁸²

In the *Pago*⁸³ case the CJEU used its ruling in *General Motors* in order to answer when a Community trademark is deemed having a reputation in the Community, as stated by Article 9(1)(c) of the TMR, if its reputation does not exceed the borders of one Member State. The CJEU ruled that it is for the national courts to decide upon whether a mark is known by a significant part of the public and that it has to take in consideration all relevant facts such as market shares, promotion investments and geographical extent of the mark’s use.⁸⁴ The court already had ruled in *General Motors* that it is sufficient that a mark has a reputation in a substantial part of the Benelux countries, like one of the countries, in order for it to be considered as a reputed mark under Article 5(2) of the TMD. Therefore the CJEU ruled that the territory of one Member State is sufficient to constitute a substantial part of the Community and thus a Community trademark with a reputation in one Member State is deemed having a reputation in the Community under article 9(1)(c) of the TMR.⁸⁵

Through its case law the CJEU have shown that proprietors of reputed trademarks benefit from a wider protection. However, the cases concerned the defensive protective measures against already committed infringements. In the chapter 4 reputed trademark protection through preparatory measures will be highlighted with a different result.

⁷⁹ Case C-328/06, Alfredo Nieto Nuño v Leonci Monelló Franquet (Fincas Tarragona), 22 November 2007 [2007] ECR I-10093 (Fincas), para. 12.

⁸⁰ Opinion of Mr Advocate General Mengozzi in Case C-328/06 Fincas, delivered on 13 September 2007, [2007] ECR I-10095, para. 51-52.

⁸¹ Case C-328/06, Fincas, para. 17.

⁸² Ibid, para. 18-20.

⁸³ Case C-301/07, Pago International GmbH v Tirol Milch registrierte Genossenschaft mbH, 6 October 2009, [2009] ECR I-9429.

⁸⁴ Ibid, para. 25-26, see also judgement in *General Motors*, para 26-27.

⁸⁵ Ibid, para. 27-30.

2.5 Limiting Trademark Exercise Through Competition Rules

As understood by the above, the existence of a trademark right is of no concern from a competition perspective; the issue lies with the exercise of that right. In its ruling in *Deutsche Grammophon*⁸⁶ the CJEU limited the exercise of trademark rights. The German undertaking Deutsche Grammophon manufactured and marketed records for gramophones and attempted to fix the retail prices in Germany for its records. The Germany based company Metro was a retailer of Deutsche Grammophon and was selling the records through a chain of stores throughout Germany, however the prices were lower than Deutsche Grammophon requested. This led to a refusal to supply more records from Deutsche Grammophon and Metro had to acquire them through Deutsche Grammophon's retailers in France and then market them in Germany which it did again below the prices fixed by Deutsche Grammophon. Deutsche Grammophon obtained an injunction from a German court prohibiting Metro from selling its products.

The German law gave manufacturers of records an exclusive distribution right. The legislation stated that the proprietor was not allowed to prevent sales of products that he, or someone with his consent, had put on the German market. However, when products were marketed abroad and then imported to Germany it was not clear. The case reached the highest instance in Germany, which in its turn referred two questions to the CJEU, which were not answered.⁸⁷ The CJEU did however start discussing the situation in the light of Articles 34 and 36 TFEU and came up with the principle of exhaustion meaning that a proprietor cannot rely on the said articles in order to prevent sales of products put on the market of the Union by him or with his consent.⁸⁸

One of the questions asked by the German court was concerning dominant position and if Deutsche Grammophon could be considered abusing its position by applying higher prices on its products than the same products imported from another Member State if the principal performers are bound by an exclusive agreement.⁸⁹ The CJEU stated that although possessing an exclusive right to distribute his products is not the same as possessing a dominant position, controlling prices, as in this case, is not sufficient to constitute abuse but it can be a determining factor in such abuse if it is unjustified.⁹⁰

In *Hoffman-La Roche*⁹¹, the CJEU stated that IPRs must be used as an instrument of abuse of a dominant undertaking to be unlawful under 102.⁹²

In *Nungesser*⁹³ the CJEU ruled that an industrial or commercial property right does not possess the elements of a contract or a concerted practise referred to in

⁸⁶ Case 78/70, *Deutsche Grammophon Gesellschaft mbH v Metro-SB-Großmärkte GmbH & Co. KG*, 8 June 1971, [1971] ECR 487.

⁸⁷ Keeling, p. 53.

⁸⁸ Case 78/70, *Deutsche Grammophon*, ECR 47, para. 13.

⁸⁹ *Ibid*, para. 14.

⁹⁰ *Ibid*, para. 16 and 19.

⁹¹ Case 85/76, *Hoffman La-Roche v Commission of the European Communities*, 13 February 1976, [1979] ECR 461.

⁹² Case 85/76, *Hoffman La-Roche v Commission*, para. 16.

⁹³ Case 258/78, *LC Nungesser KG and Kurt Eisele v Commission of the European Communities*, 8 June 1982, [1982] ECR 2015.

Article 101(1) TFEU. The exercise of the right might fall within the prohibitions of the TFEU if it were to manifest itself as the subject, the means or the consequence of an agreement.⁹⁴ In the same case the CJEU states that the grant of an open exclusive licence to an intellectual property, which does not affect the position of third parties, such as parallel importers and licensees for other territories, is not in itself incompatible with Article 101(1) TFEU. This is however dependent on the relevant products of the agreement.⁹⁵ The CJEU also confirmed its judgement in *Consten & Grundig*⁹⁶ when it stated that absolute territorial protection granted to a licensee in order to control parallel trade and maintenance of separate national markets is contrary to the TFEU.⁹⁷ The importance of the product at issue became the convicting factor in the case and meant that the agreement could not benefit from an exemption under 101(3) since the product was dependent upon by so many. The CJEU stated that, absolute and territorial protection goes beyond what is indispensable for the improvement of production, distribution or promotion of technical progress.⁹⁸

The CJEU stated in *CIRCRA v Renault*⁹⁹ that the exercise of an exclusive right could be prohibited under article 102 TFEU, if it gave rise to some form of abusive conduct from a dominant undertaking.¹⁰⁰ While the securing ownership of an exclusive right to prevent unauthorized use of the trademark does not constitute an abusive method of eliminating competition.¹⁰¹

As shown the existence of a trademark right is not an issue not even for a dominant undertaking. The exercise is the issue and what the CJEU have limited.

2.6 Protective measures

There are several ways of protecting a trademark and in order to investigate which are deemed excessive it seems logical to briefly go over them before looking at the other aspects that influence the CEJU's opinion on the matter.

When an infringement is discovered, the most common step is to first compose and send a cease and desist letter to the infringer. This is mainly a measure used as a warning to scare of smaller infringers while larger undertakings might use the letter's arrival as the starting point of its revocation procedure. When the letter is received, the infringer complains to the right authority that the supposedly infringed trademark right is not valid, if no letter arrived then the infringement can continue. The cease and desist letter is not really a protective measure compared to infringement procedures in a courtroom, but it can have the same effect and also generate positive commercial for the proprietor.

Jack Daniel's is a well-known trademark on the liquor market, though made from corn it is known as a whiskey and not bourbon. A few years ago, Jack Daniel's discovered that a book named 'Broken Piano for President' was using a

⁹⁴ Ibid, para. 28.

⁹⁵ Ibid, para. 58.

⁹⁶ Joined Cases 56 and 58/64, *Consten and Grundig v Commission*, ECR 299.

⁹⁷ Case 258/78, *Nungesser v Commission*, ECR 2015, para. 62.

⁹⁸ Ibid, para. 77.

⁹⁹ Case 53/87, *CICRA v Renault* [1988] ECR 6039.

¹⁰⁰ Ibid, para. 16, see also Case C-238/87, *AB Volvo v Erik Veng Ltd*, 5 October 1988, [1988] ECR 6211, para. 9.

¹⁰¹ Ibid, para. 15.

picture for its cover that was identical to Jack Daniel's registered trademark for its 'Old no 7' bottle label. The design and font used for the book's cover was identical with the bottle's label thus deemed an infringement by Jack Daniel's. Instead of threatening with procedures, the large liquor producer told the author that though it appreciated the reference it would be for the best, if the cover was changed for, the book's second edition. However, if the author would agree to change the cover already for the first edition Jack Daniel's offered to reimburse for all the costs that would occur when changing and reprinting the cover. The Author and publisher changed the cover but declined the offer.¹⁰²

This story was published along with the cease and desist letter, meaning that everyone could see how the big undertaking acted so kindly and offered to aid the alleged infringer thus only generating good publicity though acting defensively.

According to the TMD, the proprietor of a mark has the right to hinder unlawful use of his mark,¹⁰³ measures that can be taken are not mentioned in the TMD nor in the TMR, accordingly they have to be found in the CJEU's case law. As stated before the law grants the proprietor the right to prohibit the use of his trademark without his consent. This fairly strong right has been limited by the CJEU by creating the principle of exhaustion. Once a product bearing the proprietor's mark has been put on the market lawfully by him or with his consent the right to those products are exhausted and does not belong to the proprietor any more,¹⁰⁴ unless there exist legitimate reasons for opposing further commercialisation, such as the product's condition have been reduced.¹⁰⁵

The usual step after the cease and desist letter is, if the infringement is not discontinued, a court procedure. As understood, this is not a problem in the eyes of any law of the Union. Both the letter and procedure are so called defensive protective measures that are necessary and not 'questionable' from a competition perspective unless the IPR has been granted unlawfully.¹⁰⁶ Still that can be resolved through an invalidity/revocation request from an accused infringer. Preventing use that gives cause to confusion to the public regarding a product's origin is the core rationale of protection.¹⁰⁷ Although these defensive measures against 'confusion use' have been the subject of several CJEU cases, the problem often concerns whether the situation of the case gives the proprietor the right to use the defensive measure.

The measures causing issues are the active ones, I have chosen to call them preparatory measures. The meaning with these is not to convict infringers but rather make it more difficult, if not impossible, for them to infringe the trademark. Court procedures can be a costly matter that some might not afford, therefore it is necessary to have some preparatory measures available to protect the marks.

¹⁰² Charlie Minato, 'Jack Daniels Wrote What Has To Be The Nicest Cease-And-Desist Order Of All Time', published on 23 July 2012 on the Webb page 'Business Insider', available at <http://www.businessinsider.com/jack-daniels-wrote-what-has-to-be-the-nicest-cease-and-desist-order-of-all-time-2012-7>, last visited 2013-05-23.

¹⁰³ TMD, Article 5, see also Trademark Regulation, Article 9.

¹⁰⁴ Case 15/74, Centrafarm BV and Adriaan de Peijper v Sterling Drug Inc, 31 October 1974, [1974] ECR 1147 and Case C-355/96 Silhouette International Schmied GmbH and Co KG v Hartlauer Handelsgesellschaft mbH, 16 July 1998, [1998] ECR I-4799.

¹⁰⁵ TMD, Article 7(2), see also Trademark Regulation, Article 13(2).

¹⁰⁶ TMD, Article 4 and 5.

¹⁰⁷ Senftleben, 'Adapting EU trademark law to new technologies: back to basics?', p. 140.

Initiating a procedure against an alleged infringer is not an issue, but making an undertaking the proprietor of your trademark in another Member State through a license agreement, thus giving him the right to initiate procedures against infringers is, or at least was.

As an example, we have *Consten & Grundig*¹⁰⁸. Though they were ruled to hinder parallel trade, it was not the fact that they initiated any procedure against an alleged infringer that got them convicted. The problem lied with the agreement between Consten and Grundig allowing one party to register and become the proprietor of the other party's trademark in another Member State. This was considered an act of hindering parallel trade, most likely since it creates an extension of the IPR. Instead of one company keeping a lookout for potential infringements you now have two that can focus on their own national market and thus expanding the protection.

Another action belonging to this category of preparatory measures is imposing rules and limitations to retailers selling the trademarked goods. As will be discussed further down in chapter 4.3, these actions can also cause issues for the proprietor when competition law gets involved.

Proprietors will find different ways of protecting the trademark. Protecting yourself against confusion is as stated earlier the core of the defensive protection but it means that an infringement must occur before the procedure can be initiated. Though basic protection against confusion safeguards the exclusive link between an enterprise and its trademark and offers legal security for substantial investment in the evocation of brand-related associations in the minds of consumers,¹⁰⁹ it is not enough.

There is a need for preparatory measures if the counterfeiting is going to be defeated and it should be in the CJEU's interest to promote these and not increase the limitation the proprietors, however this is not the reality so far.

2.7 Concluding comment

Reflecting the judgment in *Consten & Grundig*, I begin to wonder if it is necessary to rule that allowing the licensee to register the proprietor's trademark in another Member State is hindering parallel trade. With the principle of exhaustion in mind, does the fact that the proprietor of the trademark is dependent on what nation you choose, in this case Consten in France and Grundig in Germany, affect the trade any more than if the proprietor is the same undertaking for both?

Yes, Consten was able to prevent importation of goods bearing the mark GINT into the French market, but this is something that the legislation permits as long as the use is unauthorized. In this case, the goods were put on the market of the Union since they legally where marketed by Grundig or its subsidiaries. Therefore, with the ruling of the CJEU in *Deutsche Grammophon*¹¹⁰ in mind, the actions of Consten and Grundig would not necessarily constitute a hindering of parallel trade more than a proprietor of a trademark already does. The only

¹⁰⁸ Joined Cases 56 and 58/64, *Consten and Grundig v Commission*, ECR 299.

¹⁰⁹ Senftleben, 'Adapting EU trademark law to new technologies: back to basics?', p. 141.

¹¹⁰ Case 78/70, *Deutsche Grammophon*, ECR 487.

difference is that the 'original' proprietor will have some aid in the fight against counterfeited products. Thus it is perhaps appropriate to clarify what is allowed. I interpret *Consten & Grundig* in the light of *Deutsche Grammophon* meaning that, it is appropriate for a licensor to license a right to register a trademark, which is his in one Member State, to a licensee in another Member State and the licensee should be granted a proprietor's protection. Thus, able prevent any third parties from importing and selling goods bearing the said mark, as long as that mark has not been put on the market in the Union by the original proprietor, or with his consent.

3 New Regulation and Directive revising the TMR and TMD.

On March 23 2013, the Commission published the proposals for a new Regulation and Directive that will amend the TMR and the TMD.¹¹¹ The Following Chapter will take a look at the proposed amendments that is concerning the rights and limitations of a trademark.

3.1 Proposed Regulation amendments

The new regulation will not reform the legislation to a point beyond recognition. The main reasons for its creation are efficiency and budgetary but also to increase the legal certainty.¹¹² A study has shown that almost all applications for a ‘Community trademark’ have been made directly through the Office for Harmonization in the Internal Market (OHIM) and not through the national offices. Based on those facts the Commission is proposing that the option for application through national offices should be removed.¹¹³ Other changes that are proposed are the name change of ‘Community trademark’ to ‘European Trademark’ and the name of OHIM will be changed to ‘European Union Trademarks and Designs Agency’.¹¹⁴

There are several changes suggested in order to increase the legal certainty. For instance, the requirement for a graphic ‘representability’ laid down in Article 4 of the TMR is removed due to being “out of date”. It is explained that the legal certainty is suffering because of this graphic ‘representability’ requirement since it is excluding e.g. sound recordings, which according to the commission, is preferred in some cases since it can be identified more easily and thus it would serve the legal certainty good to allow registration of such marks. Further, the removal of graphical representation would make it possible to register ‘marks’ that can be represented by means of technology offering “satisfactory guarantees”.¹¹⁵ However, the Commission is emphasizing that the new article will not be a boundless extension of representation alternatives but rather create more flexibility in the admissible ways to represent a sign thus generating greater legal certainty.

¹¹¹ ‘Proposal for a Directive of the European Parliament and of the Council to approximate the laws of the Member States relating to trade marks’ (Recast) (Text with EEA relevance) COM/2013/0162 final - 2013/0089 (COD) available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0162:FIN:EN:PDF> (Proposed Directive) and ‘Proposal for a Regulation of the European Parliament and of the council amending Council Regulation (EC) No 207/2009 on the Community trade mark’ (Text with EEA relevance) COM/2013/0161 Final - 2013/0088 (COD) available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0161:FIN:EN:PDF> (Proposed Regulation), last visited 2013-05-23.

¹¹² Proposed Regulation, p. 2.

¹¹³ Ibid, p. 5.

¹¹⁴ Ibid, pp. 1 and 5.

¹¹⁵ Ibid, p. 7.

The protection laid down in Article 7 of the TMR shall be amended to offer the same degree of protection granted by other EU-legislation on the matter of marks indicating geographical origin and quality.¹¹⁶ The negative right granted to the proprietor of a ‘European trademark’ by Article 9 of the TMR will be altered and include a clarification of the fact that the infringement claims cannot be invoked against the use of identical or similar marks which has been registered earlier, making the Article correspond with Article 16(1) of the TRIPS-Agreement.

The Commission suggests that ‘trade name’ use of a protected trademark should be considered as an act of infringement if the criteria for ‘use of goods or services’ are met. The reason is that the CJEU ruled in *Céline*¹¹⁷ that Article 5(1) of the TMD is applicable in cases where the public considers the use of an undertakings name as relating to the goods or services offered by the undertaking. In order to further strengthen the legal certainty of Article 9 of the TMR and article 5 of the TMD the Commission proposes that in cases of double identity and similarity the origin function of the matter to establish infringement. The new Regulation might get a provision that will allow a proprietor to prevent the use of his trademark in comparing advertisements, if the use does not satisfy the requirements found in Article 4 of Directive 2006/114/EC¹¹⁸.

It is also possible that the proprietor will be able to hinder the importation of goods from outside the EU that have been sold, advertised, offered or shipped to private consumers in the EU. As long as the consignor (shipper) is acting for commercial purposes, whether located in the EU or not does not matter, the proprietor will have the right to prevent the importation of infringing goods and to discourage the ordering and sale of counterfeit products over the internet.¹¹⁹

It is emphasized that, the legislation should be altered to make it easier for the proprietor to hinder third parties from bringing in goods that without authorization bare marks identical to an EU trademark from third countries, in order to efficiently fight against counterfeiting. This is a result of the CJEU’s decision in *Philips/Nokia*¹²⁰ where it was said that goods imported from third countries could only be classified as counterfeit once it could be proven that they were to be sold or advertised to consumers of the EU. This judgement has met strong criticism from stakeholders arguing that the CJEU has put an inappropriately high burden of proof on the proprietors thus hindering the fight against counterfeiting.¹²¹

It will also be included a rule in the new Regulation and Directive that allows proceedings against distribution and sales of labels and packaging or similar,

¹¹⁶ Ibid, see also Regulation (EU) No 1151/2012 of 21 November 2012 on quality schemes for agricultural products and foodstuffs, Regulation (EC) No 1234/2007 of 22 October 2007 establishing a common organization of agricultural markets and on specific provisions for certain agricultural products, as amended by Regulation (EC) No 491/2009 of 25 May 2009 and Regulation (EC) No 110/2008 of 15 January 2008 on the protection of geographical indications of spirit drinks.

¹¹⁷ Case C-17/06, *Céline SARL v Céline SA*, 11 September 2007, [2007] ECR I-7041.

¹¹⁸ Directive 2006/114/EC of the European Parliament and of the Council of 12 December 2006 concerning misleading and comparative advertising Codified Version.

¹¹⁹ Proposed Regulation, pp. 8-9.

¹²⁰ Joined cases C-446/09 and C-495/09 *Koninklijke Philips Electronics NV v Lucheng Meijing Industrial Company Ltd, Far East Sourcing Ltd, Röhlig Hong Kong Ltd and Röhlig Belgium (C-446/09), NV Nokia Corporation v Her Majesty’s Commissioners of Revenue and Customs and International Trademark Association, (C-495/09)*, 1 December 2011, [2011] ECR I(*) (Philips/Nokia).

¹²¹ Proposed Regulation, p. 9.

which may be combined with unlawful products. Inspiration has been taken from national laws that contain such provisions, and the Commission sees it as an efficient contribution to the battle against counterfeiting.¹²²

It is still going to take some time before this proposal will enter into effect and some of these amendments might not be in the final draft. However, it is positive news for right holders that the legislator is taking steps making the protection for the trademarks stronger. There will be stronger defensive measures that can be taken in order to prevent counterfeit products entering the EU-market and a more dynamic and flexible ‘representability’ requirement, which should be up to speed with today’s modern world. Concerns could be raised though, against the possibility of attempting to trademark mere sound recordings. Though it is true that a simple jingle or short musical number can be relatable to certain products for customers, it might perhaps be necessary to limit this right, in order to prevent a possible ownership dispute between an undertaking and a musical group that composed and performed a sound recording that through the commercial were presented to the public. On the other hand, this new amendment, if ever drafted, will create opportunities for undertakings to hire musicians to compose a trademark for them thus creating a new income market for artists and other in the music industry.

3.2 Proposed Directive amendments

Due to the changing market, the Commission also sees that in order to provide a higher level of legal certainty the legislations of the Member States needs to be altered in order to be more in line with the new Regulation. The proposed Directive is driven by the objective of increasing the legal certainty through clarifying the provisions by alter their scope and limitations. The proposal contains new and altered rules, which will make the Directive correspond with the provisions in the Regulation.

Just as with the proposal for the new Regulation, the Commission plans to remove the requirement on graphical representation in order to make the legislation more modern and flexible. The same concerns the provisions preventing proprietors from invoking their rights against identical signs that are subject to a prior right making it correspond with the TRIPS-Agreement.¹²³ As mentioned above there will be changes to the TMD’s Article 5 making it clear that in cases of double identity and similarity it is the origin function that will determine whether there is an infringement or not, regardless if the case concerns a reputed trademark or not. There will also be an adding of a provision, stating that unauthorized use of an undertaking’s name will also constitute an act of infringement, since trade names can be associated with the products they provide and therefore could constitute a likelihood of confusion.¹²⁴

The provision allowing a proprietor to prevent the use of his mark in comparative advertisements as long as it is considered damaging the marks reputation, which was laid down in the proposed Regulation, can also be found in this proposal. The same is for the provision allowing a proprietor to prevent

¹²² Ibid.

¹²³ Proposed Directive, pp. 5-6 and 18.

¹²⁴ Proposed Directive, pp. 6 and 19.

businesses, EU or non-EU, from importing counterfeited goods located outside the EU that have been sold, offered advertised or shipped to private consumers even when it is only the consignor that is acting for commercial purposes.

The provision, found in the proposed Regulation, allowing the proprietor to prevent third parties from bringing goods, bearing an identical mark as his trademark, without authorization from third countries into the Union, regardless of whether they are released for free circulation, is also found in the proposed Directive. The new provision allowing proprietors to initiate proceedings against distribution and sale of packaging and labels similar to their trademarks that contain unlawful products, is also proposed to be added in the TMD in order to aid in the fight against counterfeiting.

As mentioned above there is need for a distinctive character in order to benefit from trademark protection. The proposed Directive is suggesting adding, in the TMD's sixth Article, an extension of the provision limiting the effects of a trademark. This means that the proprietor will not be able to invoke his rights against use of non-distinctive signs, indications or even referential use of his sign.¹²⁵

Article 4 and 5 of the TMD will be altered in order to increase the legal certainty for trademarks with a reputation. The proposed Decision's fifth and tenth article will not suggest that the Member States provides a more extensive protection for famous trademarks but rather make it mandatory for them do so.¹²⁶ Further, it is proposed that the new TMD should address trademarks as objects of property and contain provisions regarding aspects of its exploitation such as transfer or right in rem. It will then be part of the legislations of the Member States that a trademark right can be transferred and also there will be extensions of the provision regarding licensing a trademark right. The Commission proposes that the licensee shall by law, have a right to initiate procedures against an alleged infringer if the proprietor allows it or after an appropriate period, if the proprietor is reluctant to do so and a formal notice has been given.¹²⁷

What marks that are considered as a trademark will be extended to also include 'Collective marks' and 'Guarantee or Certification marks'.¹²⁸ The reason for this is that the Members of the Union have different legislation on the matter and thus it is provided protection for these marks in some countries and not in others. Therefore, the Commission wants to set some provisions regarding registration and protection of these marks.¹²⁹

3.3 Concluding comment

To summarize, it looks like the proposed amendments for the TMR will generate a more secure protection for European trademarks and perhaps open up a new market for the music industry. Proprietors might then get it easier to use their defensive measures in order to fend off infringers and free riders from using their

¹²⁵ Ibid, pp. 7 and 21.

¹²⁶ Ibid, pp. 8, 15 and 19.

¹²⁷ Ibid, p. 28.

¹²⁸ Ibid, p. 29.

¹²⁹ Ibid, p. 8.

mark on counterfeited goods and reputation wrecking advertisements, while preparatory measures' legality seems to continue being an uncertainty.

The proposed amendments for the TMD will generate more protection for proprietors just like with the proposed Regulation. It seems like the Commission have found a balance though when put in some limitations as well. The limitations for non-distinctive marks is clearly in line with what the CJEU already have ruled in a number of cases, as stated above. Regarding the referential use, this provision has to be handled with caution. Although there is a directive regarding 'comparative advertisement'¹³⁰, this provision could be used by alleged infringers as protection when using a trademark in an advertisement. There is a provision that is stating that third parties use, is not accepted if it is not in accordance with honest practise. Such use is described as e.g. when the third party takes unfair advantage of a marks reputation or is detrimental to it for no reason.¹³¹ This is however a bit vague for my taste and I would rather see that there should be a more clear set of rules regarding referential use or a prohibition of it all together in order to prevent any possible harm being caused a trademark.

It is positive that the Commission acknowledge the importance for a Union wide more extensive protection for trademarks with a reputation. Even though it is very likely that most Member States already have a more extensive protection set by it legislations, it will now be mandatory and a guarantee for proprietors even in the future with new states joining the Union.

¹³⁰ See footnote. 118.

¹³¹ Proposed Directive, p. 22.

4 Case Law

As the title states this chapter of the thesis will present the case law chosen in order to examine measures trademark proprietors are allowed to take without being hindered by competition law. The list is not exhaustive and the thought is to give the reader insight in the CJEU's rulings regarding the limits of preparatory trademark protection.

4.1 BAT

In *BAT*¹³² the CJEU set the standard that trademark law should not be used improperly to undermine the European Union Law.

Background

BAT was the proprietor of the trademark "Dorcet" which was registered in Germany for tobacco products but never used commercially. BAT opposed the registration of the trademark "Toltec" belonging to the undertaking Segers. After negotiations Segers signed an agreement with BAT regarding specification of his application without challenging BAT's registration due to a non-use of its mark. Both marks concern tobacco products and the agreement stated that the use of the "Toltec" mark should not be opposed by BAT as long as it was used for curly cut tobacco (pipe tobacco). There was nothing preventing Segers from using the "Toltec" mark for fine cut tobacco (for rolling cigarettes) but BAT was then not obliged to refrain from opposing the use.¹³³

When the parties later disagree about the definition of the products covered by the agreement Segers, not being able to afford a costly litigation with BAT, stops using the trademark and complains to the Commission, arguing that BAT is infringing Article 101 and 102 TFEU.

The Commission adopts an investigation and finds that BAT through the agreement have infringed Article 101(1) TFEU.¹³⁴ The decision was challenged by BAT and ended up before the CJEU.

Opinion of Advocate General

The AG agreed with the Commission and argued that the agreement prevented Segers from importing fine cut tobacco without the consent of BAT and prevented him from claiming any rights against BAT's opposition of the registration and use of the "Toltec" mark. He had also trouble seeing, just as the Commission, that there was any likelihood of confusion between the two marks.¹³⁵ He Argued that whatever interest BAT may have had in protecting an inactive trademark, there

¹³² Case 35/83, *BAT Cigaretten-Fabriken GmbH v Commission of the European Communities*, 13 January 1985, [1985] ECR 363.

¹³³ Extract from the agreement, found in Opinion of Advocate General Sir Gordon Slynn on case 35/83 *BAT v Commission*, delivered on 16 October 1984, [1984] ECR 363, p. 365.

¹³⁴ Commission Decision 82/897/EEC of 15 December 1982 relating to a proceeding under Article 85 of the EEC Treaty (IV/C-30.128 - *Toltecs-Dorce*), OJ L 379, art. 1-5.

¹³⁵ Opinion of AG Sir Gordon Slynn, p. 369.

was no justification for restricting Segers' liberty to choose to whom he wished to deal, interfering in the business relations between Segers and its importers or for requiring Segers to take back stock held by one of its importers. AG Slynn considered that such restrictions may be appropriate in a distribution agreement or a licensing agreement in the true sense but, taken as a whole, went beyond a simple compromise in a trademark dispute and amounted to a prevention or restriction of competition.¹³⁶

Slynn's considers that BAT's objection is unfounded and that his claim for annulment of the Commission's Decision should be rejected.¹³⁷

Decision of the CJEU

The CJEU started with investigating what the agreement concerned. It found the agreement to be objectively ambiguous which was a result of Segers' suggestion, however, it felt that BAT took an advantage of this ambiguity in order to prevent Segers from marketing the tobacco he manufactured, fine cut tobacco. The curly cut tobacco that Segers could market was not even produced by him. BAT argued that the agreement was a "delimitation" agreement which contained a no-challenge clause which intended to consolidate the position of the "Dorset" mark even after it had ceased to be legally protected.¹³⁸ The German government supported the general argument of BAT that there was a real risk of confusion between the marks since they were phonetically similar. It also emphasized the importance of these "delimitation" agreements in the course of trademark law. It was, according to the government of Germany, an important part in preventing legal disputes enabling proprietors to define the extent of their respective rights by amicable agreement. A delimitation based on the goods involved is the foundation of nearly all such agreements. The same applies to so-called 'no-challenge' or 'priority' clauses, which are also typically included in such agreements. The validity of such agreements should be governed by national law according to the German government.

The CJEU accepted that "delimitation" agreements are lawful and useful if they serve to restrict the spheres within which the parties trademarks may be used in order to avoid confusion or conflict between them and as long as it is the mutual interest of the parties. However, as long as the agreement also has the aim of dividing the market or restricting competition in other ways the agreement will fall under the scope of Article 101 TFEU.¹³⁹ The court referred to its judgment in *Consten & Grundig*¹⁴⁰ where it stated that the competition law of the Union does not allow the improper use of rights under any national trademark law in order to frustrate the Union law on cartels.¹⁴¹ The CJEU states that BAT's efforts to control the distribution of Segers' products constitute an abuse of the rights conferred by its trademark ownership.

The CJEU ruled that the agreement was in violation of Article 101(1) TFEU since it affected the trade between Member States and served no other purpose than making it possible for BAT to control Segers' marketing. It also ruled that no

¹³⁶ Ibid, p. 370.

¹³⁷ Ibid, p. 374.

¹³⁸ Case 35/83, *BAT v Commission*, ECR 363, para. 26.

¹³⁹ Ibid, para. 33.

¹⁴⁰ Joined Cases 56 and 58/64, *Consten and Grundig v Commission*, ECR 299.

¹⁴¹ Ibid, p. 346.

exemption could be granted in accordance with Article 101(3) TFEU since the agreement was not contributing to any improvement of the distribution of tobacco and it was hindering Segers from marketing his product.¹⁴²

Discussion

The reasoning of AG Slynn amounts to an indication to some limitations that a proprietor would be able to inflict upon its licensees. I can also relate to the wish to protect a trademark that is not used. It is possible that a mark is registered well before it is actually launched, in order to be assured that someone else does not register it. It would also be understandable that the proprietor in this case would want to ensure that the mark is not infringed, by using a delimitation agreement as in this case. I do however agree with the CJEU that BAT went over the line in this case. In the way the agreement was structured it was not proportionate in order to protect the trademark. Whether there was any actual risk of the marks being confused with each other, was a national matter. The German court stated that the marks sounded similar which in my opinion depends on whom you are asking. In the German tongue, it is possible for confusion while I cannot hear a resemblance.

Although the CJEU limits the trademark right in this case, I consider that the measures taken by BAT to be excessive. It would have been good though if the reasoning regarding license agreements would have been put forward by the CJEU.

4.2 BMW v Deenik

In *BMW v Deenik*¹⁴³, the CJEU deals with the limitations of a trademark's rights in Articles 5, 6 and 7 of the TMD.

Background

In the Benelux BMW is the registered proprietor of the BMW trademark that consists of the acronym BMW and two figurative trademarks. The mark covers motor vehicles, spare parts and accessories. BMW's cars were marketed through a network of dealers, which are selected if fulfilling requirements, laid down to ensure that the dealers met BMW's standard. Ronald Karel Deenik (Deenik) ran a repair shop where he specialized on repairing BMWs and trading second-hand BMWs. In some advertisements, Deenik had stated that he repairs and performed maintenance of BMW. BMW initiated a procedure before Dutch court, stating that Deenik was infringing its trademark. The court ruled that even though the use of the BMW marks could make the impression that Deenik was part of the BMW dealer's network, Deenik was allowed to use statements such as the one mentioned above and he could state that he was a Specialist in BMWs since it only refers to products bearing the BMW mark. The court of Appeal came to the same conclusion and the case ended up before the Hoge Raad (the referring court), which decided to stay the proceedings and referred several questions to the CEJU.

¹⁴² Case 35/83, *BAT v Commission*, para. 35, 38 and 41.

¹⁴³ Case C-63/97, *Bayerische Motorenwerke AG (BMW) and BMW Nederland BV v Ronald Karel Deenik (BMW v Deenik)*, 23 February 1999, [1999] ECR I-905 (*BMW v Deenik*).

The second question concerned, if the unauthorized use of a trademark in advertisements for the purpose to inform the public of the alleged user's business of repair and maintenance of, or that he is a specialist, on the trademarked products, which have been put on the market by the proprietor or with his consent, constitute use of a trademark as defined by Article 5 of the TMD?

The third question asked if there is a difference between using the trademark for announcing repairs and maintenance of the trademarked products and announcing that he is a specialist on the trademarked products?

In its fourth question the referring court asked whether application of the provision in Article 7 of the TMD is dependent on which of the paragraphs of Article 5 of the same directive the alleged use would be submitted to.

If the CJEU would rule that there was a use of the trademark in this case the referring court asked if the proprietor can prevent that use only where the person is using the trademark and creates the impression that his undertaking is affiliated to the trademark proprietor's network, or can the proprietor also prevent that use where there is a good chance that in the manner the trademark is used for creates an impression among the public that the trademark is used for the purpose of advertising the users business as such by creating a specific suggestion of quality?¹⁴⁴

Opinion of Advocate General

On the second question, AG Jacobs noticed that the trademark was not registered for the services relating to the products for which the mark had been registered and thus the use had to be examined both for goods and for services. He emphasised that the court should not give guidance to the specific wording at issue but rather on the applicable principles.¹⁴⁵ AG Jacobs finds that both the advertisements regarding the sale of second-hand BMWs and the repairs and maintenance of BMWs constitute use of trademark for goods under article 5(1)(a) since it is describing what can be repaired and serviced and is thus used 'in relation to' the cars rather than Deenik's service.¹⁴⁶

However, Jacobs believes that the reseller should be free to make use of a trademark in order to bring attention to the public regarding the further commercialisation of the goods and the proprietor cannot oppose this unless it is seriously damaging to the trademark or its reputation.¹⁴⁷ This was stated by the CJEU in *Dior*¹⁴⁸ and means that BMW's trademark right has been exhausted according to Article 7(1) of the TMD and BMW can only prevent Deenik's use if it is damaging his mark according to Article 7(2) of the same directive. In the end, this was for the national court to decide.¹⁴⁹

For the use of the trademark relating to services, Jacobs states that it is possible that the use regarding repair and maintenance could fall under Article 5(1)(b) of the TMD. It is for the national court to assess the likelihood of confusion according to the case law of the CJEU. Jacobs states that, the fact that resellers

¹⁴⁴ Ibid, para. 12.

¹⁴⁵ Opinion of Advocate General Jacobs on case C-63/97, *BMW v Deenik*, delivered on 2 April 1998, [1998] ECR I-909, para. 31-33.

¹⁴⁶ Ibid, para. 35.

¹⁴⁷ Ibid, para. 28-30.

¹⁴⁸ Case C-337/95, *Dior v Evora*, ECR I-6013.

¹⁴⁹ AG Jacobs Opinion, para. 38-40.

derives advantage from the trademark and the mark's aura of quality gives him a high quality image it is not sufficient for applying article 5(1)(b), if there is an absence of such likelihood of confusion as mentioned above.¹⁵⁰

Jacobs states that it is possible to apply Article 5(2) on the use but that it again is for the national court to determine. He does however believe that it is unlikely that the application is possible since, it would be difficult to consider advertisement of a legitimate economic activity as use of the trademark without due cause or that the use would be detrimental to the mark.¹⁵¹

The same unlikeliness was considered with Article 5(5) since it just as 5(2) requires the use to be without due cause.¹⁵²

Without the question being asked by the referring court, Jacobs discussed the application of Article 6.1 of the TMD since it was raised by BMW some observing governments and the Commission in a response to a question put by the CJEU.¹⁵³ Article 6(1)(c) states that the proprietor cannot limit the use of a third party if the use is considered necessary in order for him to indicate the intended purpose of his service and BMW argued that Deenik's use was not necessary.

Even though this is matter for the national court, AG Jacobs stated his view on the matter and considered that since Deenik specialized in BMWs it would be very difficult for him to, efficiently, communicate that fact to his customers without using the BMW signs. That Deenik benefits from the use of the sign was not the issue, the issue was to what extent a trader in his position should be free to describe the nature of the services he is providing. Unless the use of the trademark would confuse the public to believe that Deenik was an authorized BMW dealer/mechanic and that his use of the mark would not be considered honest practice in commercial matter, BMW cannot prevent the use according to Article 6(1)(c). To merely derive advantage from use of a mark is not contrary to article 6(1)(c) of the TMD.¹⁵⁴

Regarding the referring court's last question on quality Jacobs stated that, if there is no likelihood that the public would be confused to believe that there was some sort of trade connection between Deenik and BMW there is no legitimate reason for BMW to invoke Article 7(2) of the TMD against Deenik's advertisements. The fact that a reseller obtains an advantage by using the trademark because the sale of the marked goods gives his business an aura of quality is not a legitimate reason for the proprietor to object the advertising of his goods. If it would, traders would have an immense problem to, efficiently, inform the public of his business.¹⁵⁵

Decision of the CJEU

Before discussing the questions regarding Article 5, 6 and 7, the CJEU stated that deciding what provision under Article 5 of the TMD the use would fall under it would not determine whether the use is permissible.¹⁵⁶

¹⁵⁰ Ibid, para. 45.

¹⁵¹ Ibid, para. 47.

¹⁵² Ibid, para. 49.

¹⁵³ Ibid, para. 50.

¹⁵⁴ Ibid, para. 54-56.

¹⁵⁵ Ibid, para. 42.

¹⁵⁶ Case C-63/97, BMW v Deenik, para. 30.

The CJEU found that the trademark was only registered for goods. The Court ruled that the use of the trademark for the purpose of informing the public of Deenik's business of repairing and maintenance BMWs or that he is a specialist on BMWs constitute such use for goods within the meaning of Article 5(1)(a) of the TMD. That conclusion came through looking at the applicability of Article 5(1), 5(2) and 5(5) of the TMD and their applicability depended on whether the trademark was used for the purpose of distinguishing the goods from one undertaking from another or if the purpose is for something else. Since the use of BMW in Deenik's advertisements is to distinguish that he performs services or repairs on those types of cars rather than others, he is distinguishing the goods and thus is using the mark for goods.¹⁵⁷

The provisions in Article 5(2) or 5(5) TMD only becomes available when the use of a trademark is equal to taking advantage of, or harming, the trademarks reputation by e.g. making the public believe that there is a relationship between the user and the proprietor. In these situations, account should only be taken to these matters when assessing the use's legality and not when classifying the use. The court concludes that the use is 'in the course of trade' under Article 5(3) TMD and can be prohibited by Article 5(1) and 5(2) TMD.¹⁵⁸

The court distinguished a difference between the use of the trademark for adverts regarding repairs and sales of second-hand cars in order to determine whether the use is allowed under Article 6 and 7 TMD.

Regarding the use for selling second-hand BMWs adverts, the CJEU states that as long as the adverts concerns cars that are put on the market by BMW or with its consent, BMW cannot oppose the use of its mark unless it is damaging to its reputation. If the advertisements would confuse the public to believe that Deenik was part of the BMW dealer network or that the two undertakings have a special relationship, BMW could be able to invoke Article 7(2). The CJEU bases its ruling on its decision in the earlier *Dior* case where it stated that for marks with a reputation, the reseller using the mark has to make sure that his advertisements does not harm the marks prestigious image and that he does not act unfairly in relation to the legitimate interests of the proprietor.

So if the trademark right is exhausted but the use harms or takes unfair advantage of the trademark's reputation or if the reseller is not act fairly in relation to the legitimate interests of the proprietor thus violating the subject matter of the proprietor's trademark right, the resellers use could be opposed by the proprietor.¹⁵⁹ The CJEU concluded that since Deenik is a specialist on BMWs he could not communicate this fact to his customers without using the BMW mark and it was for the national court to decide if the advertisements make the impression of a commercial connection between BMW and him, if there would be then BMW could oppose the use. The use was deemed necessary to guarantee the right of resale under Article 7 and it does not take unfair advantage of the mark's reputation.¹⁶⁰

As for the advertisements regarding repairs and maintenance of BMWs the CJEU stated that the principle of exhaustion does not apply since the adverts does

¹⁵⁷ Ibid, para. 38 and 39.

¹⁵⁸ Ibid, para. 40 and 41.

¹⁵⁹ Ibid, para. 48-52, see also Case C-337/95, *Dior*, para. 38, 45 and 48, further see Case 10/89, HAG II, ECR I-3711, para. 14.

¹⁶⁰ Case C-63/97, *BMW v Deenik*, para. 54 and 55.

not affect the further commercialisation of the cars.¹⁶¹ The court looked at whether the use could be legitimate under article 6(1)(c) TMD and took the same view as AG Jacobs, that it would not be possible for Deenik to communicate his business to consumers without using the BMW trademark. The conclusion for the repair and maintenance adverts was that it is acceptable as long as it complies with the conditions set for the adverts for resale of BMWs, like acting fairly in relation to the legitimate interest of the proprietor, confusion of origin and taking unfair advantage of the trademark's reputation.

Discussion

As with *BAT*¹⁶² I agree with the reasoning of AG and the CJEU. Unlike the situation in *Dior* the advertisement is unlikely to damage the trademark. It is perhaps not desirable that others can get attention due to the trademarks reputation and thus the marks qualitative aura rubs off on the user, the CJEU finds no problem with this. I can see that it would depend on the likelihood of confusion. If it would be possible to believe that Deenik was a part of the BMW dealer network then it would be a different matter. Perhaps the investigation needed to go further in order to look into the possibility that Deenik's facilities did not damage the mark. Let's say that Deenik is believed to be a member of the BMW dealer network, through his advertisements. It is not necessarily the advertisements that then harms the trademark but rather his facilities that are not up to the standards as BMW customers would expect and thus he could be considered damaging the image of BMW.

Since the advertisements are a description of Deenik's business, I consider it as too excessive protection if BMW would have been allowed to prevent him from using their name. I do not think use of the logo is acceptable though, the word BMW has to be used to describe the cars sold or repaired, but the logo is not necessary for that purpose and should not be allowed to be used. The CJEU should make a distinction between the use of the trademark and the logo that belongs to it. The trademark name could then be used in descriptive advertisements but the logo should not be used without authorization since it is more likely to cause confusion.

4.3 Der Grüne Punkt

In *Der Grüne Punkt*¹⁶³ the CJEU dealt with the abuse of a dominant position in connection with the function of a trademark. The CJEU had to consider whether Duales Systems Deutschland (DSD) could rely on the trademark logo to justify the fee taken for its use by others.

Background

¹⁶¹ Ibid, para. 56 and 57.

¹⁶² Case 35/83, *BAT v Commission*, ECR 363.

¹⁶³ Case C-385/07 P, *Der Grüne Punkt-Duales System Deutschland GmbH v Commission of the European Communities*, 16 July 2009, [2009] ECR I-6155 (*Der Grüne Punkt*).

German law required that manufacturers and distributors of packaging took back the packaging they had placed on the German market.¹⁶⁴ DSD provided a service which manufacturers could use in order to be exempted from the law by placing DSD's registered trademark Der Grüne Punkt (DGP) on their packaging. This "exemption system" meant that DSD would recover, collect and sort the packaging in return for a fee that would cover the costs including administrative and the members of the system would not have to self-manage the collecting of the packaging.

The exemption system covered all of Germany through subcontractors and the membership was established through standard trademark license agreement covering the use of the logo and the corresponding fee was calculated on the basis of the weight and volume of the packaging and the type of material it consisted of.

During a procedure before the Commission DSD pointed out that it used measurers assuring that, users of alternative exemption systems or that self-managed their packaging would not have to pay the fee, but it required evidence that the packaging would be recovered. There were some licensees that used alternative systems for some of the packaging and if showing proof that the packaging would be taken care of not fee needed to be paid.

The Commission stated that DSD was in a dominant position collecting 70% of the sale packaging in Germany and 82% of the packaging collected from end-consumers. In the view of the Commission the fee was not based upon the actual use of DSD's system. It was actually calculated on the number of packages bearing the DGP trademark put on the German market. Based on these facts the Commission drew the conclusion that the method used for calculating the fee was an obstacle for the desire those packaging manufacturers who wants to use DSD's system for some of its packaging and another, or its own solution, for the rest. This obstacle constituted an abuse of DSD's dominant position and the solution provided for by DSD, that the manufacturers should not put the DGP logo on the packaging not covered by DSD's system, was considered economically unrealistic. This solution would demand selective labeling which constitutes "considerable" additional costs and it would require that the manufacturers and distributors using "mixed systems" ensured that the packaging without the DGP logo were disposed in places where the other system provider could collect it, which according to the commission would be impossible in practice. It was considered impossible to know where the end-consumer would dispose of the packaging after using it and the Commission held that it would be impossible to determine the correct quantity of packaging that should be marked with the DGP trademark.¹⁶⁵

The said abuse was considered to be exploitative, by imposing unfair terms and prices on the users of DSD's system, and obstructive, by effectively preventing DSD's customers from using alternative systems and was not considered to be objectively justified under trademark law, because DSD's system went beyond what was necessary to fulfill the essential function of the trademark right, which in this case was to indicate to consumers that they could dispose of the packaging through DSD's system. DSD was therefore ordered to not charge a license fee for

¹⁶⁴ The German 'Ordinance on the avoidance of packaging waste', Verordnung über die Vermeidung von Verpackungsabfällen, BGBl. 1991 I, p. 1234.

¹⁶⁵ Commission Decision 2001/463/EC of 20 April 2001 relating to a proceeding pursuant to Article 82 of the EC Treaty, (COMP D3/34493 – DSD), OJ 2001 L 166, para. 95, 100-107.

packaging which the manufacturer collected and recycled in some other way. The fee was considered to be likely to appreciably affect the trade between Member States.¹⁶⁶

DSD appealed the decision to the GC but the appeal was rejected and the case ended up before the CJEU

Opinion of Advocate General

AG Bot followed the GC's reasoning stating that the DGP logo had an economic value and just placing the mark on packaging was likely to have a price however there had to be made a distinction between the fee that covered costs associated with the actual use of the system and a fictional fee just covering the use of the DGP logo.¹⁶⁷

Bot argued that the fee was abusive while the requirement that the manufacturer or distributor wishing to use DSD's system had to fix the DGP logo to each piece of notified packaging was not. The reason was that in some cases the fee was charged even for packaging that was taken back by a competitor's system.¹⁶⁸ He agreed with the GC stating that the DGP logo had no relationship with the trademark agreement but rather an identifying role and informed the consumer what he had to do with the packaging.¹⁶⁹

The function of the logo meant that it could co-exist with other logos allowing the manufacturers or distributors to participate in other exemption systems, according to Bot this meant that the Commission's decision did not constitute a disproportionate deficiency of the trademark right or damage which is not justified by the need to prevent an abuse of a dominant position in accordance with article 102.¹⁷⁰

DSD argued that the coexistence would be confusing to consumers since there would be contradictory information appearing on the packaging. Further it was argued that if the packaging not disposed of by DSD's system was allowed to carry the DGP logo there was a risk that the logo would lose its distinctiveness and that by not being able to benefit from the exclusivity of its mark the GC had infringed trademark law.¹⁷¹

AG Bot went on the GC reasoning that the trademark agreement concerned manufactures and distributors of packaging rather than consumers and that the cumulative marking would mean that DSD and another system could be applied for the same piece of packaging. Also Bot considered that the GC had not infringed trademark law.¹⁷²

Looking at the effect of trademark law Bot considered that the specific object of trademark law was to guarantee the owner the exclusive right to prevent third parties from using identical signs. However, in this case the undertakings using DSD's system for parts of their packaging or those marketed in another Member State could not be regarded as competitors of DSD or as third parties improperly

¹⁶⁶ Ibid, para. 111-115, 136-153, 155-160 and Article 3.

¹⁶⁷ Opinion of Advocate General Bot on Case C-385/07 P, *Der Grüne Punkt – Duales System Deutschland GmbH v Commission of the European Communities* delivered on 31 March 2009, [2009] ECR I-6155, para. 97.

¹⁶⁸ Ibid, para. 110 and 115.

¹⁶⁹ Ibid, para. 114.

¹⁷⁰ Ibid, para. 131 and 137.

¹⁷¹ Ibid, para. 134.

¹⁷² Ibid, para. 135 and 193.

selling goods covered by the DGP logo.¹⁷³ The essential function of the DGP logo was to ensure that the packaging bearing it could be taken back by DSD. If it had meant that the packaging was recyclable so consumers could have based its product selection on it, the mark would have followed the scheme of trademarks but in this it was not like a normal trademark that allows consumers to choose between products.¹⁷⁴

Regarding the abuse AG Bot, just like the GC, contrary to DSD considered that the decision of the Commission did not amount to a compulsory license but mainly required DSD not to charge a fee on the total amount of packaging bearing its logo where it is shown that some of that packaging has been taken care of by another system.¹⁷⁵ Bot also stated that there was no need to add a note which would neutralize the DGP logo, in order to prevent products bearing double logos ending up in its system, was not proportionate since the behavior of consumers is unpredictable and thus the note would be irrelevant.¹⁷⁶ The last part can be explained as meaning that the note would not ensure that a packaging bearing it would not end up in DSD's system since a consumer might not care where he disposes of the packaging.

Decision of the CJEU

The CJEU started with the first plea and considered that DSD's might be taking a fee for the use of its logo was one issue and the fee charged for the packaging actually taken back was another. The CJEU considered that the Commission and the GC had not committed any errors when ruling that the calculation of the fee was abusive.¹⁷⁷ The CJEU also held that the affixing of logos of other exemption systems alongside the DGP logo does not go against the principle of transparency, contrary to DSD's claim. The CJEU argued that the DGP logo basically notifies consumers and the relevant authority that the packaging will not have to be brought back to the point of sale or in the area around them, consumers will not know which system that will collect the packaging, but DSD will know.¹⁷⁸

As for the use of the trademark through the agreement the CJEU discussed the invocation of Article 5 of the TMD and found that it does not concern use by third parties with consent from the proprietor. It would however be possible for DSD to invoke Article 8 TMD arguing that the licensee is breaching the license agreement due to its use. However since DSD itself set up the system and demanded that all packaging notified to it wore its trademark, even those that were not collected by DSD, in the license agreement the licensee's did not breach the agreement but rather followed it.¹⁷⁹

The CJEU did not consider the Commission's decision leading to an imposing of a partial free use of the DGP logo. DSD argued that the decision is diminishing the trademark right granted by the TMD, while the CJEU considered that the decision is mainly preventing DSD from charging a fee for a service that is not

¹⁷³ Ibid, para. 190.

¹⁷⁴ Ibid, para. 199 and 200.

¹⁷⁵ Ibid, para. 224 and 226.

¹⁷⁶ Ibid, para. 237 and 238.

¹⁷⁷ Case C-385/07 P, Der Grüne Punkt, para. 92.

¹⁷⁸ Ibid, para. 118.

¹⁷⁹ Ibid, para. 125 and 129.

provided and this is not in violation of the TMD. Further the CJEU stated that the decisions of the Commission and GC do not allow third parties, who are not in an agreement with DSD, to use its trademark and there is nothing preventing DSD to initiate proceedings against such infringement.¹⁸⁰

As for the abuse of DSD's dominance the CJEU cited its ruling in *British Leyland*¹⁸¹ where it stated that the charging of a fee for its services which does not correspond to the value of those services constitutes abuse of a dominant position.¹⁸² The charging of a fee for a service that was not provided should be considered equal to such abuse.¹⁸³ DSD considered that the Commission and the GC imposed a compulsory license through the decisions. The CJEU considered that the obligation on DSD, set by the Commission and confirmed by the GC, to not charge a fee for quantities of packaging bearing its logo put on the German market but for which DSD's service was not used and fulfilled in another way, did not constitute a compulsory license. The decision would not affect DSD's freedom to choose the parties with which it entered into an agreement, it was simply a consequence of the finding of an abuse of a dominant position and the Commission exercising its power in order to end the infringement.¹⁸⁴

DSD considers that the decisions of the Commission and the GC to reject the enforcement of placing a note on packaging, not intended to be processed by DSD's system, thus neutralizing the distinctive effect of the trademark, violates the principle of proportionality laid down by Article 3 of Regulation no 17/62¹⁸⁵. The CJEU agreed with AG Bot and the GC that it would be impossible to make a distinction between the packaging bearing the logo that would be processed by the DSD system and the ones being processed by a mixed or self-managed system. So the explanatory note would be useless since it was impossible to determine which route an item of packaging would follow in advance, therefore the CJEU considered that there was no infringement of the principle of proportionality.¹⁸⁶

Discussion

I understand the worries of DSD in this case. The mark is associated with a duty to collect packaging, however, the fee is not calculated properly. Perhaps if the fee were to be fixed and set to different levels, meaning that the members of its system would have some margins to work within when choosing the amount of products to be included under DSD's system would not have generated the same negative decision of the CJEU. It is likely that a smaller undertaking would have been able to use the same provision in an identical agreement. If an exemption service provider is allowed to base the fee on the actual number of packaging covered by the system it would be able to calculate the cost of collecting the packaging and perhaps the fee would be lower than if it should be one fixed fee for just membership. A lower fee would be appreciated by smaller undertakings.

¹⁸⁰ Ibid, para. 130, 132 and 133.

¹⁸¹ Case 226/84, *British Leyland Public Limited Company v Commission of the European Communities*, 11 November 1986, [1986] ECR 3263.

¹⁸² Case C-385/07 P, *Der Grüne Punkt*, para. 142, see also, Case 226/84 *British Leyland v Commission*, para. 27.

¹⁸³ Case C-385/07 P, *Der Grüne Punkt*, para. 146.

¹⁸⁴ Ibid, para. 145.

¹⁸⁵ Replaced by Council Regulation No 1/2003.

¹⁸⁶ Case C-385/07 P, *Der Grüne Punkt*, para. 149-157.

However, the reasoning of the court is understandable, since it would be illogical to allow a fee to be taken for products that would not be collected. Although a fee taken for products that is not in need of being collected is very similar. The conflict of competition and trademark is quite clear, however, as the court states the trademark is not having the effect of a normal trademark. A mark usually identifies a product's origin, while DGP just states that the product can be collected by DSD. It does not affect the purchase of a regular consumer like Coca-Cola or Pepsi. The CJEU have stated that there exists a different type of trademarks that has a different effect and perhaps then are subjected to different limitations.

4.4 Pierre Fabre

The case *Pierre Fabre*¹⁸⁷ concerns a clause in a selective distribution agreement that constitutes a ban on internet sales and its effect on competition. The core of the case is mainly if such a ban is classified as a 'hardcore' restriction and thus cannot be exempted from Article 101(1) TFEU under 101(3) TFEU according to the 'Block Exemption Regulation'¹⁸⁸.

Background

Pierre Fabre Dermo-Cosmétique (Pierre Fabre) is a French company that is active in the production and sale of cosmetics and personal care products. Pierre Fabre is part of the Pierre Fabre Group which is a Subsidiary to L'Oréal. Its subsidiaries create products that are sold, under the trade names: Klorane, Ducray, Galénic and Avène, the respective subsidiaries, at pharmacies around France and Europe. Pierre Fabre owned in 2007 20% of the French product market. In the contracts between Pierre Fabre and the pharmacies there was a clause that stated that, there had to be at least one qualified pharmacist present during the opening hours, who is trained to acquire the thorough knowledge, of the products, necessary to give the consumer all the information about proper use of the products. There was also demanded that the products were made available for the consumers at a physical space, eliminating any possibility to make sales on the internet.¹⁸⁹

The French competition board opened an investigation of the market for cosmetics and personal care products and through its decision on 27 June 2006 it approved and made binding the commitments from the undertakings under

¹⁸⁷ Case C-439/09, *Pierre Fabre Dermo-Cosmétique SAS v Président de l'Autorité de la concurrence, Ministre de l'Économie, de l'Industrie et de l'Emploi, Ministère public and the European Commission*, 13 October 2011, [2011] ECR (*) (Pierre Fabre).

¹⁸⁸ Commission Regulation (EC) No 2790/1999 of 22 December 1999 on the application of Article 81(3) of the Treaty to categories of vertical agreements and concerted practices OJ L 336/21 (Text with EEA relevance), replaced by Commission Regulation (EU) No 330/2010 of 20 April 2010 on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of vertical agreements and concerted practices, OJ L 102/1 (Text with EEA relevance).

¹⁸⁹ Opinion of Advocate General Mazak on Case C-439/09 *Pierre Fabre*, delivered on 3 March 2011, [2011] ECR(*), para. 9-14.

investigation to amend their contracts in order to enable the members of the sales network to sell products via the internet. Pierre Fabre however, was exempted from this and was subjected to a separate examination.

Pierre Fabre argued in the hearing before the Rapporteur on March 11 2008 that the ban on internet sales were justified by the fact that the products requires advice from a qualified pharmacist since they are developed as health care products best suited for specific skin problems for instance intolerant skins can get an allergic reaction. Selling the products over the internet would not meet the expectations of its consumers have and Pierre Fabre emphasized the fact that the products are recommended by the medical profession. Defending the ban on internet sales, Pierre Fabre claimed that it had the right to do so since the organiser of a network has the right to ban sales made out of an unauthorized place of establishment, even when it is made by an authorized distributor. Also the coverage by its distributors is enough to make it possible for all customers interested in Pierre Fabre's products to access them and therefore the ban has no effect on the intra-brand competition.¹⁹⁰

To summarize, the competition board decided that, the ban constitutes a 'hardcore' restriction on competition by object and cannot benefit from the exemption despite its market position. A web page is not considered as a place of establishment as found in Article 4(b) of the Block Exemption Regulation. Pierre Fabre had failed to show that the ban constituted any positive effects on the competition, distribution or consumer welfare. The decision gave Pierre Fabre three months to amend the distribution agreements, removing the ban and if it wanted, set up rules for how the design should be on the distributors' web pages.¹⁹¹

On 24 December 2008, Pierre Fabre brought an action for annulment of the decision before the Court of Appeal in Paris (the referring court). It argued that the decision was flawed by an error of law since it was not based on a proper analysis of the legal and economic context of the case, which is mandatory in order to establish the existence of an infringement by object. The ban was 'necessarily' anticompetitive and its purpose was to ensure satisfactory service for the consumers, not restrict competition. Lastly, Pierre Fabre argued that there was an error of law made when it did not benefit from the block exemption or from Article 101(3) TFEU since the ban is ensuring consumer welfare, limiting risks of free-riding, removing it would not generate any further competition or price reduction and they had not been given the possibility to present their objective justification.

In a written observation submitted on 11 June 2009, the Commission stated that the ban does restrict competition by object, thus infringing article 101(1) TFEU and the market shares does not matter since it is a 'hardcore' restriction limiting active and passive sales. An exemption based on objective justification for 'hardcore' restrictions is granted only in exceptional cases. It is for Pierre Fabre to prove that the ban is fulfilling the four conditions for an exemption under Article 101(3) TFEU.

Based on this observation the Court of Appeal stayed proceedings on 29 October 2009 and asked the CJEU for a preliminary ruling. The question referred was if a ban on internet sales for distributors constitute a 'hardcore' restriction of

¹⁹⁰ Ibid, para. 7 and 10.

¹⁹¹ Ibid, para. 7, 9-11 and 13.

competition by object, violating Article 101(1) and is not covered by the Block Exemption Regulation but potentially eligible for an exemption under Article 101(3) TFEU?

Opinion of Advocate General

AG Mazak divided the question into three parts.

First, if the ban constitutes a restriction of competition under Article 101(1) TFEU, second, if the restriction can be granted an exemption under the Block Exemption Regulation and third if it does not fall under the scope of the Block Exemption Regulation can the ban benefit from an individual exemption under Article 101(3) TFEU.

Mazak noted that most of the observing governments and the Commission considered the ban an infringement of Article 101(1) by object. The French government gave an alternative view that there is a lack of knowledge of whether this ban actually has by its nature the object of restricting competition and that it is fully possible that this ban contributes to an improved image of the trademark and leads to better intra-mark competition.¹⁹² The Commission clarified that the prohibition of the ban on internet sales does not prejudice manufacturers from choosing its distributors based on criteria and qualitative conditions regarding advertising and sales of the products.

EFTA argued that the ban can only be regarded as proportionate if the legitimate requirements, that the distribution system is based on, cannot be fulfilled through internet sales. Further the ban constitutes a restriction by object if it makes the national market more difficult for interpenetration, thus limiting parallel trade.¹⁹³

Mazak states that the case law of the CJEU,¹⁹⁴ establishes that regard must be taken to the content of the provisions of the agreement, the objectives it seeks to attain and the economic and legal context of which it forms a part in order to establish that there is an infringement by object.¹⁹⁵ He also pointed out that even if an agreement contains a restricting provision that after examination would be considered as being restrictive by object, there is no legal presumption that it infringes Article 101(1) TFEU.¹⁹⁶ The CJEU's case law have stated that if an agreement does not fulfill all the conditions of exemption in a regulation then it falls under Article 101(1) if it is restricting competition by object and effects the trade between Member States. The agreement would be void according to Article 101(2) if it cannot be granted an individual exemption through Article 101(3).¹⁹⁷

Mazak notices that it is fully possible for an agreement to not fulfill the conditions for an exemption and thus still not have the objective or effect of restricting competition pursuant to Article 101 TFEU.

¹⁹² Ibid, para. 21.

¹⁹³ Ibid, para. 22.

¹⁹⁴ Ibid, para. 25.

¹⁹⁵ Joined Cases C-501/06 P, C-513/06 P, C-515/06 P and C-519/06 P *GlaxoSmithKline Services v Commission*, 6 October 2009, [2009] ECR I-9291 (GSK), para. 58.

¹⁹⁶ Opinion of AG Mazak, para. 28.

¹⁹⁷ Case C-260/07, *Pedro IV Servicios SL v Total España SA*, 2 April 2009, [2009] ECR I-2437, para. 68 and Case C-230/96, *Cabour SA, Nord Distribution Automobile SA, Automobiles Peugeot SA and Automobiles Citroen SA v Amor 'SOCO' SARL*, 30 April 1998, [1998] ECR I-2055, para. 48.

In order to avoid Article 101 TFEU there has to be an objective justification for the ban on internet sales. AG Mazak does not accept Pierre Fabre's argument that it is for the health and safety of the consumers that there is mandatory with the presence of a pharmacist in a physical store. Some voluntary measures might fall outside the scope of Article 101(1) TFEU if they are in line with the agreement's objective and does not go beyond the principle of proportionality. The intention to give advice regarding proper use of its products was deemed as not constituting an objective justification for the ban, so Mazak rejected that claim from Pierre Fabre.

He also rejected the argument that the ban was used as defense against free-riding and counterfeiting. Though Mazak confirms that free-riding is a legitimate concern he argues that there could be non-discriminatory conditions put on the distributors' web sales which would limit the risk of free-riders and counterfeiters.¹⁹⁸

Mazak considers that the ban on internet sales is a part of the selection of members to Pierre Fabre's distribution system and acknowledges that there are other factors than prices that can constitute a legit reason for restricting competition.¹⁹⁹ It is apparent from the case that Pierre Fabre choses its distributors in a non-discriminatory matter and the conditions laid down, are for protection of the image of the trademark. For Mazak it is appears that the conditions for a distribution agreement leading to a restriction of parallel trade does not have the object to restrict competition but rather the aim to protect the image of the trademark.²⁰⁰

Mazak states that it is fully possible that a ban on internet sales could be accepted, however, only in exceptional cases and it is for the national courts to decide e.g. by examining whether the advisory service that is provided in the physical stores could be provided over the internet.²⁰¹

He takes the view that the ban on internet sales has the object of restricting competition, falling under Article 101(1) TFEU, if it goes beyond what is objectively necessary in order to distribute the products in a way that does not harm the quality or image of them.²⁰² The ban cannot be granted an exemption under the Block Exemption Regulation since it is restricting parallel trade. A web page cannot be considered as a place of establishment, thus it is not possible for a manufacturer to oppose distributor selling of the products on it. Lastly Mazak considers that it is insufficient information provided in order to answer the third question regarding Article 101(3) TFEU and states that it is possible for the ban to be awarded an exemption under the said article if it improves distribution or production, benefits consumers, does not impose any unnecessary restrictions on the parties and does not risk eliminating the competition for a substantial part of the products in question.²⁰³

Decision of the CJEU

Just as AG Mazak the CJEU divided the question into three parts. The court considers, just like the commission that the requirement of a physical space and

¹⁹⁸ Opinon of AG Mazak, para. 37-41.

¹⁹⁹ Ibid, para. 46 and 48.

²⁰⁰ Ibid, para. 52-53.

²⁰¹ Ibid, para. 55.

²⁰² Ibid, para. 57.

²⁰³ Ibid, para. 61-62, 65 and 68.

presence of a pharmacist reduces the ability for distributors to sell the products to customers outside the contracted territory of activity. The court refers to earlier case law where it has been established that selective distribution systems affect competition of the Union and unless there is an objective justification for it, they are considered as restrictions by object.²⁰⁴ If a selective distribution system has a legitimate goal that is capable of improving competition in factors other than price, it can constitute a justification for reducing competition.²⁰⁵

The CJEU considers that the distributors in Pierre Fabre's distribution system are chosen on the basis of an objective criterion, which has not been used in a discriminatory manner, in order to protect the quality of its products. However, providing advice and protecting a prestigious image of the trademark does not constitute justification for banning internet sales and thus falls under the scope of Article 101(1) TFEU.²⁰⁶ The CJEU states that Pierre Fabre's market position makes in eligible for an exemption from the competition rules in accordance with the Block Exemption Regulation. However, the ban on internet sales has, at least, the object of restricting passive sales to customers outside the territory of the distributors' physical establishment. Pierre Fabre's argument that web pages are the same as unauthorized places of establishments was rejected. According to the CJEU the ban on internet sales cannot be exempted from Article 101(1) TFEU through the Block Exemption Regulation.²⁰⁷

Due to lack of information the CJEU is unable to provide guidance regarding the possibility of an individual exemption under Article 101(3) TFEU. It states however that it is possible that the ban can benefit from an individual exemption if the four conditions laid down in Article 101(3) TFEU are met.²⁰⁸

Discussion

The case does not concern trademark legislation but still it discusses a very important question: Can the protection of a trademarks prestigious image justify a ban on internet sales?

AG Mazak is not positive in this case but he does agree that it is possible that there can be situations where it is justified, although only in exceptional cases. The CJEU does not follow his belief. Instead it states that protecting the image of the trademark does not justify such a ban.

The court's decision results in a limitation of the exercise of the trademark right in a way that I cannot agree with. As stated by AG Jacobs in his opinion in *HAG II*²⁰⁹, it is the proprietor who is responsible for the quality of the goods bearing his mark, should it then not be up to him to protect the reputation and image of that mark to a larger extent than the CJEU is giving him in this case?

Some consumers might consider it negative that the product is available online since it then makes it less exclusive, I mean, anyone can purchase it no matter what location. Those consumers could then be the clientele that a proprietor is

²⁰⁴ Case C-439/09, *Pierre Fabre*, para. 38 and 39, see also Case 107/82, *AEG-Telefunken AG v Commission*, 25 October 1983, [1983] ECR 3151, para. 33.

²⁰⁵ *Ibid*, para. 40.

²⁰⁶ *Ibid*, para. 43-47.

²⁰⁷ *Ibid*, para. 53-55 and 58.

²⁰⁸ *Ibid*, para. 50 and 59.

²⁰⁹ Case 10/89, *HAG II*, ECR I-3711.

interested in and not allowing him to decide where the goods should be sold would effectively damage his trademark's value.

5 Discussion

The case law used in the thesis, although not exhaustive, shows that there is not the existence of the trademarks that is anticompetitive. Actually, neither the existence nor exercise of a trademark right is really the cause of interference between Intellectual Property law and Competition law. It is rather how the exercise of the right is performed.²¹⁰ As stated by the CJEU in *Hoffman La-Roche*²¹¹ the IPR is not anticompetitive unless it is used as an instrument. This was confirmed by the CJEU in *Magill*²¹².²¹³ In this case, the CJEU stated that the exercise of an exclusive right in exceptional cases might involve abusive conduct. Dominant TV-companies not providing a publisher of a TV-guide with information about its programming abused its dominant position, since no objective justification was presented by the TV-companies.²¹⁴ As shown by the judgements in *CICRA v Renault* and *Volvo v Veng*²¹⁵ the exercise of an exclusive right resulting in a refusal to supply the protected goods is seen as a violation of Article 102 TFEU if the undertaking, at least, has a dominant position.²¹⁶

The judgement of the CJEU in *Consten & Grundig*²¹⁷ is not very well thought by some scholars.²¹⁸ It has been said that the judgement is a result of the Commission being “overzealous” in its interpretation of its role as a protector of the trade between Member States.²¹⁹ I would like to see an identical situation to the one in *Consten & Grundig* today. I believe that the outcome could be different. After *Consten & Grundig* the CJEU came with the principle of exhaustion in *Deutsche Grammophon*²²⁰. Could the conclusion be the same that the granting of an exclusive license to a licensee to register and become the proprietor of the trademark in a second Member State can be considered as hindering parallel trade?

I have a hard time seeing the answer being anything else but in the negative. If a product has legally been put on the market by the proprietor, his right is exhausted. Therefore, it should not be an issue to have a licensee being the proprietor of the trademark in another Member State, being able to prevent infringements of the trademark. Preventing infringements is a right granted by EU law and I do not see it being in violation of the competition laws.

²¹⁰ Botis, p. 819, see also Anderman, Steven and Schmidt, Hedvig, ‘EU Competition law and Intellectual Property Rights’ the Regulation of Innovation, Second Edition 2011, Oxford University Press New York, p. 21.

²¹¹ Case 85/76, *Hoffman La-Roche*, ECR 461.

²¹² Joined Cases 241-242/91 P, *Radio Telefis Eireann and Independent Television Publications Ltd v Commission of the European Communities and Magill*, 6 April 1995, [1995] ECR I-0743 (*Magill*).

²¹³ Anderman, p. 24.

²¹⁴ Joined Cases 241-242/91 P, *Magill*, para. 54-55.

²¹⁵ Case C-238/87, *Volvo v Veng*, ECR 6211.

²¹⁶ Käseberg, Thorsten, ‘Intellectual Property, Antitrust and Cumulative Innovation in the EU and the US’, First Edition 2012, Hart Publishing Oxford and Portland, p. 219.

²¹⁷ Joined Cases 56 and 58/64, *Consten and Grundig v Commission*, ECR 299.

²¹⁸ Keeling, pp. 54-55.

²¹⁹ Anderman, p. 236.

²²⁰ Case 78/70, *Deutsche Grammophon*, ECR 487.

It can be argued that at this point the Union is in need for more harmonized trademark legislation. As *Keurkoop*²²¹ shows, some national legislation can contain provisions that are not supported by other legislations. It was a while ago since the case was before the CJEU and changes have been made to the EU-legislation since then. The strange provision of the Benelux legislation in the case has been questioned and it has been argued that it is next to, if not impossible, to see any possible justification for granting a copyist an exclusive right to someone else's work, without the authorization of the creator.²²²

It has been argued that the CJEU have systematically made it easier for proprietors to invoke anti-dilution protection and thus created an overbroad brand image protection.²²³ However, it can also be argued that the CJEU recently have taken steps that limit the trademark protection and through its unqualified judgement it weakened the protection for trademark's images.²²⁴

The CJEU did, in its ruling in *Nungesser*²²⁵, state that an open exclusive license that provides protection for licensee against competition is not in itself incompatible with Article 101(1) TFEU. However, the protection can only concern competition from other licensees or the licensor itself. This is a limitation of the protection,²²⁶ but it is not surprising since placing limits on licensees of other territories and parallel importer would take the license outside the scope of an open license.²²⁷

The case law presented shows different levels of limitations of the exercise of trademark rights. The receptions of those decisions are however with mixed feelings. Some cases like *BAT*²²⁸ and *Der Grüne Punkt*²²⁹ consist of behaviour that could be considered as questionable business ethics. In the first, the proprietor acted on behalf of a trademark right, which was not being used. This is understandable since a trademark might be registered and not used e.g. due to the launching campaign not being completely prepared. However, preventing sales of another mark, whose similarity can be questioned, in the way BAT did cannot be accepted due to its low business ethics.

The latter case concerns a mark whose objective is not that of a normal mark. Therefore, the exercise of that mark could be submitted to different restrictions. The judgment of the CJEU did however; lack the possibility for a wider scope of protection of trademark rights under license agreements as presented by AG in his opinion.

²²¹ Case 144/81, *Keurkoop v Nancy Kean Gifts*, ECR 2853.

²²² Keeling, p. 33.

²²³ Senftleben, Martin, 'Bringing EU Trademark Protection Back Into Shape' – Lessons to Learn From Keyword Advertising, Vrije University Amsterdam p. 7, available at <http://www.epip.eu/conferences/epip06/papers/Parallel%20Session%20Papers/SENFTLEBEN%20Martin.pdf>, last visited 2013-05-23.

²²⁴ A general and absolute ban on internet sales in the context of a selective distribution network constitutes a restriction of competition "by object", White & Case LLP October 2011, p. 3, available at: http://www.whitecase.com/files/Publication/8c59d776-237b-46fc-9cfd-d12d7bc163e4/Presentation/PublicationAttachment/036e65cc-563b-42c0-9918-d893255f2916/alert_WC_Pierre_Fabre_judgment.pdf, last visited 2013-05-23.

²²⁵ Case 258/78, *Nungesser v Commission*, ECR 2015.

²²⁶ Anderman, p. 242.

²²⁷ Case 258/78, *Nungesser v Commission*, ECR 2015, para 53.

²²⁸ Case 35/83, *BAT v Commission*, ECR 363.

²²⁹ Case C-385/07 P, *Der Grüne Punkt*, ECR I-6155.

In *BMW v Deenik* the CJEU do limit the exercise of trademark rights but it still keeps the option for a wider protection open. Although the decision ruled against BMW, the CJEU did state that proprietors of a reputed mark could prevent the use of its mark in advertisements, even descriptive ones, for products that have been put on the market with the consent of the proprietor. The issue of course is that there has to be some damage inflicted upon the marks value or image in order for the proprietor to invoke its rights of the TMD and the TMR.

In *Pierre Fabre*, the court however shuts the door for proprietors wanting to protect their marks image. The case does not concern the prevention for competitors of using the mark. The decision in *Pierre Fabre* reflects the attitude of the CJEU mentioned in the beginning of the paper.

Although the legal history presented in Chapter 2 shows that the CJEU has become less negative towards intellectual property, some of it seems to be still there. The cases presented in Chapter 4 are all very different but they all have in common limitations put on trademarks exercise.

As shown by the CJEU there can be a debate of the actual damage caused by internet sales. Further evidence regarding its risks is the extended protection proposed by the commission regarding proprietors' prevention of third parties import of counterfeited goods from third countries. The latter being a measure available to deter purchases of such counterfeited goods online. There cannot however be a discussion about the internet putting trademarks at risks. In the recent past the CJEU handled a new type of trademark infringement, namely pay per click advertisements. In the case *Google France*²³⁰, the court was faced with the question if the provider of a reference service infringes the trademark when he makes the mark available as a keyword for competitors to use for reference to their advertisements.

The case concerns Google's reference service 'AdWords', for which Google charge the users a fee and the service provides with sponsored links in a window besides the search engine's results from advertisements corresponding with the searches word or phrase. The issue is that undertakings choose keywords identical to its own name but also to competitors, some even had famous trademarks as keywords that used together with words indicating forgeries would display its advertisements under the heading 'sponsored links'. The list under sponsored links would not necessarily give the most visited or relevant ads, since it was based on how much the undertakings were paying, the more you pay, the higher up on the list you come. Several undertakings, including the very well-known Louis Vuitton, discovered the use of their trademarks as described above and initiated procedures against Google and its French subsidiary.

The French Cour de Cassation received the case through appeal from the earlier instances by Google who was found infringing the trademarks concerned. It stayed its proceedings and asked the CJEU if Google and the advertisers are infringing the trademark proprietor's exclusive right within the meaning of Article 5(1) TMD and Article 9(1) TMR when selling/purchasing keywords, which are similar or identical to the proprietors' trademarks to trigger the display link to the advertiser's website and if the proprietors are able to prohibit it. Further, it asked

²³⁰ Joined cases C-236/08-C-238/08, *Google France SARL and Google Inc. v Louis Vuitton Malletier SA, Viaticum SA, Luteciel SARL, Centre national de recherche en relations humaines (CNRRH) SARL, Pierre-Alexis Thonet, Bruno Raboin and Tiger SARL*. 23 March 2010, [2010] ECR I-2417 (*Google France*).

whether the proprietor of a reputed mark can oppose such use, as stated above, in accordance with Article 5.2 TMD and Article 9.1(c) TMR.²³¹

The CJEU ruled that although Google carried out a commercial activity by charging the advertisers a fee for the keywords and provided competitors and imitators with trademarks without the proprietors consent, it did not use the trademarks itself within the meaning of the TMD and TMR. The advertisers however were.²³² The CJEU argued that, creating the technical conditions necessary for a sign to be used and then being paid for that service does not mean that the party that offers said service is using the sign itself.²³³ There is no use “in the course of trade” thus no infringement by Google, within the meaning of Article 5 TMD and Article 9 TMR, the CJEU did not examine Google’s use relating to goods and services or if the use has an adverse effect on the trademark.²³⁴

The case made it clear that trademark owners will not be able to stop Google providing their trademarks as keywords to competitors through their reference service ‘Adwords’. Advertisers using their trademarks in the text of their advertisements in the sponsored links can be prevented from doing so if the end user cannot ascertain whether the goods/services in the ad belong to the trademark owner or the advertiser. Google’s involvement with choosing keywords and the text of the advertisements must be non-existent. If Google gets involved with drafting advertisements or helping customers to choose keywords in the future it might no longer benefit from reduced responsibility. To sum up, the simple supply and purchase of keywords does not constitute trademark infringement. Google is free from liability at the moment as long as its role remains passive.

The internet constitutes another way for infringements to take place and as shown by the CJEU’s judgment in *Google France* trademark infringements occur when a trademark is used by a competitor or imitator through a keyword to trigger the display of his advertisements in a reference service such as Google’s ‘Adwords’ and the proprietor can prohibit the use. As a preparatory measure to ensure that the mark is not used in such a manner the proprietors cannot prohibit the provider of such a service from making the words available, as long as the provider is passive and does not e.g. aid the advertisers to choose keywords.

Preparatory measures can take very different forms. It has been attempted by proprietors, through agreements, to a) license its trademark right and all protective powers it is granted,²³⁵ b) limit another trademark by not allowing its use for the products it is actually registered for.²³⁶ In both situations the CJEU found that the measures was in violation of Article 101 TFEU. The second situation is understandably not acceptable. The conduct of limiting the use of a competing trademark in such a manner that it cannot be used for the products it actually concerns is not only distorting competition but is not in line with good business ethics. There is a need for protecting registered marks which has not been used for several reasons. The marketing plan might not be finished so there would not be possible to do a good ‘launch’ of the product bearing the mark. It might not be time

²³¹ Ibid, para. 41.

²³² Ibid, para. 52-55, 58, 99 see also para. 105, regarding trademarks with a reputation.

²³³ Ibid, at 57.

²³⁴ Ibid, at 59.

²³⁵ Joined Cases 56 and 58/64, *Consten and Grundig v Commission*, ECR 299.

²³⁶ Case 35/83, *BAT v Commission*.

for ‘launch’ for the product due to its connection to a special date. It is necessary to protect trademarks that have yet to be commercially used since it otherwise could be taken by someone else. However it is important that the measures taken for the protection is reasonable and justified, and although there is a need for BAT to protect its mark, but the limitation of the other marks use was neither reasonable nor justified, since the similarity between the marks were not very apparent. It could occur situations where more similar marks could be faced with the same issue. The type of agreement used in this case, limiting the use of the marks for certain products, could most certainly be accepted as long as it does not restrict one of the contracted parties to a larger extent than the other and does not divide the market without bringing any significant positive effect for the benefit of consumers.

As for licensing the proprietary right the competition issue should not occur as a result of the principle of exhaustion. The licensee acting as a proprietor of the licensors trademark in another Member State, thus being able to hinder any unauthorized use of the trademark should not restrict the competition on the market today in the same way it was considered doing in the 1960s. The TRIPS-Agreement acknowledges that licensing of IPRs can restrict competition,²³⁷ and yes the licensee will be able to limit the use of the trademark on the market, but it is still regarding unauthorized use. It can be agreed that if there are two proprietors of the same mark in two Member States, it will not be possible for third parties to purchase and sell the trademarked goods if the proprietors does not allow them. X can’t purchase Y’s products with the goal to sell them in Member State B because Z is the exclusive licensee and proprietor of the trademark in B. Naturally X would not sell goods which risks infringing the licensee’s exclusivity. However, the third party’s marketing of the goods cannot be opposed by either of the proprietors as long as the goods have been put on the market with the approval of one of them. It is true that the licensing in this case would result in a limitation of the market, since there will be a lesser chance that authorized products would find its way to the territory covered by the proprietors. This would however not be any different if the licensee would just be the exclusive distributor of the mark.

The products would not be marketed there by another undertaking with authorization from the proprietor since that would violate the exclusivity of the licensee. The difference is that the mark would have a stronger protection where another undertaking than the original proprietor could claim the trademark right infringed without the original proprietor having to be concerned since the licensee would have the same right and it would not be possible to hinder parallel trade of goods that are lawfully put on the market with the proprietors consent. It could occur questions regarding which of the proprietors’ consent are needed but most likely one would not grant consent without consulting the other, at least not the licensee. Guidance could be laid down by the license agreement, where this situation and its solution is treated.

Depending on the purpose of the mark the measures taken to protect it can be seen differently in the light of competition law.²³⁸ A normal trademark’s identification purpose is vital for consumers to distinguish undertakings’ products from each other, if the purpose of the trademark is diminished so is the trademark, as having the trademarks for two cola flavored beverages on the same package

²³⁷ TRIPS-Agreement, art. 40.

²³⁸ See Case C-385/07, *Der Grüne Punkt*.

would cause major confusion of the products origin. If the marks purpose however is of a different nature, as informing what happens with the product after consumption or at least the packaging, then a competing trademark next to it won't perhaps affect the consumer in the same way as in the earlier situation. Surely the distinctiveness of the mark and its purpose will not be as great when it shares space with another trademark, but the nature of the mark will most likely not affect sales and result in damage. The measures then taken in order to protect the mark, receiving payment for packaging bearing the trademark but the service connected to it is not performed due to coexistence of a competing mark cannot be considered as acceptable according to competition law since it in this case constitutes abuse of a dominant position, perhaps it would be allowed for smaller undertakings but it is still not good business ethics to charge a fee for a service not provided. Understandably the proprietor wishes to ensure that his mark is not diminished but as stated the nature of the mark in this case makes the mark less likely to suffer damage from coexistence with another mark since it is not a decisive factor for consumers.

Reputed trademarks can to a larger extent be protected since the line for infringements is drawn more generously for those proprietors. This is settled by the CJEU in several cases, and a possibility through national law, in a not too distant future perhaps even an obligation for national legislations.²³⁹ However, both defensive and preparatory measures can be considered violating competition law or just not be lawful according to trademark law.²⁴⁰ The unauthorized use of a trademark identical to the proprietor's trademark for products both identical and not identical products can be prohibited if the proprietor's mark has a reputation. Further, it is even possible to circumvent the principle of exhaustion if the mark is reputed, however, only if the unauthorized use is damaging the reputation of the mark or not in line with the proprietors will. An absolute ban on internet sales is not justified, not even if the reason is to protect the respectable image of a mark. A respectable image is not necessarily the same as a reputation, if a similar situation would occur with a reputed trademark the ban could be considered a necessity. However, the CJEU's judgment gives little cause to believe that it would be a possibility. It stated that passively making it possible to infringe trademarks is not considered an infringement and thus proprietors are not able to prohibit it, not even proprietors of famous marks,²⁴¹ so banning internet sales would then not be possible even for those proprietors. Although the internet has proven to be a risk zone for trademark infringements the CJEU clearly does not consider the risks to be great enough for ban on online sales. Perhaps with the new amendments there might be a change of the CJEU's decisions in the future but for now it seems reluctant to protect trademarks on the internet.

²³⁹ Presented in Chapter 2.3.1 and Chapter 3.

²⁴⁰ See Case C-439/09, *Pierre Fabre* and Case C-63/97, *BMW v Deenik*.

²⁴¹ See Joined cases C-236/08-C-238/08, *Google France*.

6 Analysis

In the eyes of proprietors, the CJEU have made a lot of progress since its foundation. What started with a statement by a AG sarcastically comparing the amount of gratitude that should be given a slogan of a trademark and one of the world's most important scientific discoveries, has now led to decisions allowing proprietors limiting the use of its trademark in unapproved advertisements or the use of identical signs for similar or non-similar goods. The legislation has of course evolved since then but the CJEU is setting the limitations and its judgments are the foundation of the national court's rulings.

A very important factor to the protection of trademarks is the distinctiveness of it. It was for instance put forward in the *Der Grüne Punkt* that the distinctiveness of the trademark was of concern and, it was one of the factors behind the measure found restricting the competition according to the CJEU. An interesting factor of the case was that the proprietor proposed the adding of a mark that would reduce the distinctive effect of its mark but this was considered unnecessary according to the CJEU.

A breakthrough for trademarks is perhaps the principle of exhaustion arriving from *Deutsche Grammophon*. Although proprietors would like to always be in control of the trademark right the principle of exhaustion reduces, in my opinion, the risks of agreements like in *Consten & Grundig* to fall under the scope of the competition rules. Since the trademark right is exhausted as soon as the product has been put on the market with the consent of the proprietor, what constitutes the negative effect on competition when the licensee is the proprietor of the trademark in the second Member State if the products it is allowed to prohibit, is not legal. Some clarity is needed on the matter, as for the consent from the proprietor in cases with two proprietors. It would then be recommended to include provisions in a licensing agreement, for the purpose as in *Consten & Grundig*, regarding whose consent is needed or how such consent is granted, by both or by one.

The extended protection granted to marks with a reputation is confirmed by the CJEU in, for instance, *Davidoff v Gofkid*. The simple explanation given by the CJEU generated a more extensive protection for reputed marks against use of identical signs for similar goods. Though the explanation is simple the CJEU has a point. The protection cannot be weaker for a reputed mark against similar goods than non-similar.

Without harmonization of the trademark legislations situations like in *Keurkoop* can occur. To grant the protection of an intellectual property right to a design that is copied from another undertaking outside the EU is not a good way to go. Although it is possible to get the right revoked, it is only the original proprietor that could do so. The justification for this type of grants is most likely non-existent since it would have a negative effect on the intellectual property rights in general. If it would be possible to just copy a non-EU mark, not known on the EU market either, and benefit from a trademark protection with only the original proprietor being able to object the registration, the innovative part of the trademark will become obsolete. The creation of new trademarks will be halted and the energy will be focused on finding a quite well used mark that is not

known in the EU and register it. This is however, thanks to the international agreements such as the Paris Convention and TRIPS-Agreement, not accepted.

The difference made between the existence and exercise of a trademark right is vital for the trademark protection. It was founded almost 50 years ago and is still of importance today. Scholars argue that the Existence/Exercise Dichotomy is too vague and inapplicable and not used any more. I believe that it still serves a purpose and following the case law used in this thesis, one can see that the issue is always the exercise of the trademark right. The Dichotomy is a principle of law acting as a reminder that though the competition law can limit the exercise of a trademark right it must never affect the rights existence. Here the opinions can differ. Looking at *BAT*, *BMW v Deenik* and *Der Grüne Punkt* I consider there to be restrictions of the exercise of the trademark right but the restrictions are however not damaging to the marks in question.

In *BAT* the actions of the proprietor was very questionable for being aimed at protecting the mark, it seemed like the most important goal of the agreement in question was to prevent the sales of Seger's trademarked goods. *Der Grüne Punkt* concerns a similar problem with several factors affecting the judgment. The quality of the service the trademark concerned did not correspond with the fee charged for it. This together with arguments that did not constitute justification for trademark protection resulted in a limitation and in the eyes of the proprietor a compulsory license. DSD argued that the marks distinctiveness would be affected by the placing of another mark alongside its DGP mark. The CJEU did not see this as an issue mainly due to the marks special object of the mark indicating that the product would get recycled rather not informing of the packaging's origin.

In *BMW v Deenik* the CJEU mainly confirmed the wording of the TMD. The principle found in Article 7(2) TMD meant that the exhaustion principle created by the court in *Deutsche Grammophon* could be overruled if it exist a legitimate reason for the proprietor to oppose use of his trademark for products even put on the market by him. Although this was actually stated in *Dior* before the ruling in *BMW v Deenik*, the latter case concluded that advertisements describing the business of the alleged infringer are not considered as damaging the trademark it uses and the advantage the use brings through the qualitative aura of the mark is not equal to the unfair advantage mentioned in 5(2) TMD. Therefore the proprietor cannot oppose such use since it is not damaging, hence the difference between the decisions in *Dior* and *BMW v Deenik*.

As presented in the previous chapter the limitations of trademark exercising is guided by the principle of proportionality. *Pierre Fabre* is a key example of the collision between the competition rules and trademark protection. The CJEU rules that the prohibition of internet sales is restricting the market, which is true but should it not be up to the proprietor to decide?

Since the products in question was not deemed as medicines and not of the nature as being required to be sold with a pharmacist present, the need for the products are not so vital that there is a need for internet sales. As Pierre Fabre argued, it has pharmacies all over the territory of France that is selling the products so the geographical limitation is not so severe. Further, I would like to add that the mark is perhaps not so well known on the Union market, meaning that the products not being available online does not constitute a major restriction of the consumers of cosmetics and personal care products. Pierre Fabre felt that internet sales could damage its trademarks' respectable image, which most likely the sales

with the consultation possibility of a pharmacist would perhaps not only maintain but maybe even strengthen. The Commission considered that the ban on sales in order to protect the trademarks image in this case, was not justified since there were less restrictive measures that could have been taken, such as specifications on how the web display of the products should be. Despite this the AG still remained open to the possibility of cases where a ban on internet sales could be justified by the aim to protect the respectable image of a trademark, although emphasizing that the circumstances has to be exceptional. The CJEU was much narrower in its view and perhaps not completely aware of the issues that can occur through the internet. It considers that the cosmetics as not being a risky product in need of a trained professional present during a sale. Agreed that the products are not equal to medicines but this argument is missing the point that even cosmetics such as makeup can cause allergic reactions. It is however, another factor making the product more extravagant. It can only be purchased in a physical store and a 'trained professional' is present so recommendations and help can be provided, that gives the image of a very exclusive product and if it just as well can be bought via the internet then it is not more special than other brands. Customers can be just as superficial as that and, maybe that is the target group for the product, it is not right that the CJEU is limiting the proprietors right in creating his desired image for his trademark.

As stated by AG Jacobs in *HAG II* the manufacturer decides upon the quality of his goods and is the one to pay the price if alternating with the quality of the product, it should then be up to him to decide upon sales as well. Even if the reason for not wanting a product to be available online is as superficial as just making it seem more exclusive, shouldn't that be up to the proprietor to decide?

If the CJEU still wants to prevent Pierre Fabre from prohibiting sales of its products on the internet, it should at least be open for the possibility that there might come cases where the situations where the image of the trademark is being damaged by internet sales. I believe that the standpoint of the CJEU in this case is the type of restriction of a trademark right's exercise that affects its existence. If the image of the mark cannot be protected, then how is the existence of the mark to be protected?

The proposed legislations are not going to alter the decisions of the CJEU. They will amend the existing legislation by adding to the provisions of what can be protected. In addition, the proprietors will be granted a stronger right to prevent the importation of counterfeit products from outside the EU. Without pointing any fingers at any nation it is known that there are parts of the world, outside the EU, where counterfeiting is a major issue. Making it harder for these products to appear on the European market is vital for the reputations of the trademarks of the Union. In Certain categories of products, such as medicines, it is beneficial for consumer safety that the counterfeited products can be prevented to circulate the Union market, while perhaps for clothing it is rather for the safety of the trademarks. Granting proprietors greater powers to make it less attractive to acquire counterfeit products online might not be appreciated by consumers wishing to purchase some cheap copies online. However, in order to maintain the marks reputed image and prevent the illegal use of their property the proprietors are in need of this extra strength.

This is a very positive piece of news, if it will be part of the final draft. The legislation of the Member States, through these amendments, will be brought

closer together and perhaps in a not too distant future we will have harmonized trademark legislation in the EU.

We still face the dilemma of the conflict between competition and trademark law. As shown by the cases in this thesis the situations differ widely and to give more direct statements is not possible for the CJEU, GC or AG. The judgments have to be made on a case-by-case basis with the Existence/Exercise Dichotomy in mind, perhaps a bit modernized. With the judgement in *Pierre Fabre* in the back of my mind, it is daunting to say that the CJEU actually risks limiting the exercise of a trademark right to such an extent that its existence risks being damaged.

It seems like the CJEU does not consider the trademark image as important enough to protect from the risks internet bear. As shown by *Google France* the internet have opened for a new range of possible infringements and the proprietors need to have the means to protect themselves from damage before it occurs. Court procedures can be a costly matter that some might not afford, therefore it is necessary to have some preparatory measures available to protect the marks.

Although the internet is a risk zone as shown in *Google France* the CJEU is not willing to accept the risks internet cause for trademarks images' reputation. It is not necessary to accept Pierre Fabre's argumentation for banning internet sales, but the AG recognizes that situations might occur in the future, where the respectable image of a trademark is justification for limiting distribution online. It would have been a welcomed recognition from the CJEU if it could have followed that reasoning thus recognizing the value of a mark's image, unfortunately the CJEU is still not as positive towards trademarks as one would hope.

To summarize, the CJEU have given some guidance on the difference between excessive and acceptable protective measures. The cases presented shows that so far the CJEU seems to, not accept preparatory measures that limit the market without positive results for the benefits of consumers. Defensive measures are not of concern since trademark law guarantees them. The same regards the right to license the intellectual property right but perhaps with the principle of exhaustion it is not an issue for the trade between Member States today as it was almost 50 years ago. Factors as the trademarks purpose and reputation are of importance whether the measures taken are acceptable or not. The reputed marks can benefit from an extended protection that might even circumvent the principle of exhaustion as long as damage can occur to it. However, preparatory measures seems at this stage not be accepted by the CJEU and even if an undertaking's trademark is considered having a reputation it is not likely that the measures presented in this thesis would be accepted on that basis. The amendments will generate more tools for proprietors to use against infringers and a greater level of legal certainty. Further, it seems possible that the extensive protection for reputed marks will become an obligation. Perhaps in the future it will be possible for proprietors to justify e.g. bans on internet sales as protection for their famous trademarks' images, but at the time, sadly, the CJEU have stated that this type of preparatory measures are not in accordance with the competition rules.

7 Conclusion

What measures a proprietor can take in order to protect his trademark differs.

The EU-legislations provide a non-exhaustive list of different situations that allow a proprietor to hinder the use of his mark without his authorization. Proprietors need to be creative in their solutions in order to hinder infringements from occurring. The defensive measures are not an issue for the competition rules while the preparatory measures represented in e.g. *Consten & Grundig* and *Pierre Fabre* both were considered as violating Article 101 TFEU. Using agreements with clauses laying down rules for the trademark for licensees is one way. By writing a very nice cease and desist letter and then use it for commercial purposes generating good publicity by looking like a responsible undertaking is another way. The measures can take many different forms but as long as they are restricting competition without objective justification and no positive effect on distribution or development, they will not escape the scope of Article 101 TFEU.

It was obvious for the CJEU that a famous trademark should benefit from at least an identical protection against use of similar marks for similar goods. A proprietor of a reputed mark should also have the right to prevent the use of his trademarked products, for which his right is exhausted, in advertisements that is damaging to the trademarks reputation. However, a proprietor of a trademark cannot prevent his products from being sold over the internet by his contracted dealers in order to protect the trademarks respectable image and it is unlikely that a proprietor of a reputed trademark would have that right, since the image protection is not a justification. What this mean is that the proprietors of famous trademarks are not allowed to take the measures necessary to make sure that their clientele does not refrain from its products due to its image not being satisfactory respected.

The case law of the CJEU states that the proprietor of a reputed trademark can go further when protecting his trademark, but there are limits to that right as well. The proposed amendments for the trademark legislation are going to generate a stronger legal certainty. The legislations of the Member States will be closer to each other and the extensions of what can be protected as trademarks will upgrade the legislation for the modern time we are in. It will no longer be an option to generate stronger protection for reputed trademarks, instead it will be mandatory, making sure that the legislation will be in line with the judgments of the CJEU.

The proprietors will be given more powerful tools to combat counterfeiting and the EU market will be more difficult to penetrate with infringing products from outside the Union. The amended legislation will make the Union somewhat safer for trademarks, which is desirable.

It is clear that the CJEU is of the opinion that internet sales are a distribution right and cannot be limited by proprietors wanting to protect the image of their trademarks. It should be noted that there might occur situations when the CJEU will accept a restriction on internet sales but protecting trademarks apparently is not a justification. A mark value is connected to its image and if the image's value can be diminished then what is left of the mark?

Taking actions against infringers is dependent on if the use constitutes use in the course of business, the exhaustion principle can only be overruled by marks

with reputations, only if there occur damage to the marks reputation. Granting a contract partner trademark ownership of your mark in a second Member State is considered as hindering parallel trade and not in accordance with 101 TFEU, just as a ban on internet is not accepted if the reason is to protect your trademark's image.

The line between excessive and acceptable trademark protection is not clear. The case presented in this thesis is not exhaustive but they paint the picture that preparatory measures, such as licensing agreements, that are considered limiting the market without positive results for the benefits of consumers will not be accepted. Whether it is limiting a competing trademarks use, charging a fee for a service indicated by the use of the mark without performing it due to coexistence of a competing mark, banning internet sales in order to protect the marks respectable image or licensing the exclusive right as a proprietor to another undertaking, the CJEU have stated that Article 101 or 102 TFEU will be applicable. Market sizes could perhaps change the outcome in certain cases but it is not certain. A proprietor of a reputed trademark has a stronger protection against infringement than a 'normal' trademark. He can circumvent the principle of exhaustion as long as the use of his mark is damaging its reputation and prohibit the use of similar/identical marks for similar/identical goods as well as non-similar/identical goods, as long as the origin function is affected and confusion for consumers can occur. However, regarding the preparatory measures mentioned above it is unlikely that the CJEU would allow e.g. him to ban internet sales in order to protect his trademark.

As often with law it depends. The trademark's function, its reputation, distinctiveness etc. are all factors that need to be taken into consideration. There is no clear line since the CJEU can't provide for one due to the complexity of trademarks. The proposed amendments might generate some more protection and legal certainty but it will still in the end be settled by the CJEU on a case by case basis. What is important to remember is that a marks existence must not be limited.

Ending on a sad note, it is worrying to see that trademarks' images seem to not be important to the CJEU. I do not agree with the court decision in *Pierre Fabre*, not for the refusal to allow Pierre Fabre to protect its mark's image, but for not following the AG's argumentation that it is possible that the protection of the trademarks image provides justification for banning internet sales. It would have shown that the CJEU is recognizing the value of a marks image but instead it casted that fact in the garbage bin, thus taking two steps backwards in the development of IPR protection and the existence of trademarks might come into question since their image is not of importance in certain circumstances. Without its image a trademark would become just as useless as scholars feared since it is a too extensive limitation of the exercise of a trademark right.

Bibliography

Books

- Anderman, Steven and Schmidt, Hedvig, 'EU Competition law and Intellectual Property Rights' the Regulation of Innovation, Second Edition 2011, Oxford University Press New York.
- Botis, Dimitris and Maniatis, Spyros, 'Trade Marks in Europe: A Practical Jurisprudence', Second Edition 2010, Sweet & Maxwell London.
- Keeling, David T, 'Intellectual Property Rights in EU Law': Volume I Free Movement and Competition Law, 2003 Oxford University Press, New York.
- Käseberg, Thorsten, 'Intellectual Property, Antitrust and Cumulative Innovation in the EU and the US', First Edition 2012, Hart Publishing Oxford and Portland.
- Lidgard, Hans Henrik, 'National Developments in the Intersection of IPR and Competition Law from Maglite to Pirate Bay', First Edition, 2011, HART publishing Portland and Oxford.
- Yang, Deli, 'Understanding and Profiting from Intellectual Property' a guide for practitioners and analysts, First Edition 2008, Palgrave Macmillan Basingstoke.

Articles

- Martin, Brian 'Against intellectual property', published in Philosophy and Social Action, Vol. 21, No. 3 July-September 1995, pp. 7-22, University of Wollongong Australia, available at: http://www.ire.pw.edu.pl/~cpsp/dz_dydak/eapowi/download/Martin%201995%20-%20Against%20intellectual%20property.pdf, last visited 2013-05-23.
- Nordell Per Jonas, 'Distinctive Character in Compound Trademarks'.
- Senffleben Martin 'Adapting EU Trademark Law to New Technologies: Back to Basics?' VU University, Faculty of Law, June 30 2011, Amsterdam.

Available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1875629, last visited 2013-05-23.

Senftleben, Martin, 'Bringing EU Trademark Protection Back Into Shape' – Lessons to Learn From Keyword Advertising, Vrije University Amsterdam, available at: <http://www.epip.eu/conferences/epip06/papers/Parallel%20Session%20Papers/SENFTLEBEN%20Martin.pdf>, last visited 2013-05-23

Legislation

Paris Convention for the Protection of Industrial Property of 20 March, 1883
Verordnung über die Vermeidung von Verpackungsabfällen, BGBl, German 'Ordinance on the avoidance of packaging waste' of 12 June 1991 entered into force on 28 August 1998.

Agreement on Trade-Related Aspects of Intellectual Property Law (TRIPS) of 15 April, 1994.

Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trademarks, OJ L 299/25 Codified Version, (TMD).

Commission Regulation (EC) No 2790/1999 of 22 December 1999 on the application of Article 81(3) of the Treaty to categories of vertical agreements and concerted practices OJ L 336/21 (text with EEA relevance).

Commission Notice on agreements of minor importance which do not appreciably restrict competition under Article 81(1) of the Treaty establishing the European Community (de minimis) 2001, OJ C 368/07 (Text with EEA relevance).

Council Regulation No 1/2003 of 16 December 2002 on the implementation of the rules on competition laid down in Articles 81 and 82 of the Treaty OJ L 1/1 (Text with EEA relevance).

Commission Notice Guidelines on the effect on trade concept contained in Articles 81 and 82 of the Treaty 2004, OJ C 101/07 (Text with EEA relevance).

Treaty on the Functioning of the European Union 2009, Consolidated Version, OJ C115/47.

Directive 2006/114/EC of the European Parliament and of the Council of 12 December 2006 concerning misleading and comparative advertising, OJ L 376/21 Codified Version.

Council Regulation (EC) No 1234/2007 of 22 October 2007 establishing a common organization of agricultural markets and on specific provisions for certain agricultural products OJ L299/1, as amended by Council Regulation (EC) No 491/2009 of 25 May 2009, OJ L 154/1.

Council Regulation (EC) No 110/2008 of 15 January 2008 on the protection of geographical indications of spirit drinks, OJ L 39/16.

Council Regulation No 207/2009 of February 2009 on the Community Trademark OJ L 78/1, Codified Version (TMR).

Commission Regulation (EU) No 330/2010 of 20 April 2010 on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of vertical agreements and concerted practices, OJ L 102/1 (Text with EEA relevance).

Regulation (EU) No 1151/2012 of the European Parliament and of the Council of 21 November 2012 on quality schemes for agricultural products and foodstuffs, OJ L 343/1.

Internet sources

Proposal for a Directive of the European Parliament and of the Council to approximate the laws of the Member States relating to trade marks (Recast) (Text with EEA relevance) COM/2013/0162 Final - 2013/0089 (COD) (TMD) available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0162:FIN:EN:PDF>, last visited 2013-05-23

Proposal for a Regulation of the European Parliament and of the council amending Council Regulation (EC) No 207/2009 on the Community trade mark (Text with EEA relevance) COM/2013/0161 Final - 2013/0088 (COD) (TMR) available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0161:FIN:EN:PDF>, last visited 2013-05-23

Charlie Minato, 'Jack Daniels Wrote What Has To Be The Nicest Cease-And-Desist Order Of All Time', published on 23 July 2012 on the Webb page 'Business Insider', available at <http://www.businessinsider.com/jack->

[daniels-wrote-what-has-to-be-the-nicest-cease-and-desist-order-of-all-time-2012-7](#), last visited 2013-05-23.

Jack Daniel's cease and desist letter to Patrick Wensink author of the book 'Broken Piano for President'. Available at: <http://www.businessinsider.com/jack-daniels-wrote-what-has-to-be-the-nicest-cease-and-desist-order-of-all-time-2012-7>, last visited 2013-05-23.

Table of Cases

Court of Justice

- Joined Cases 56 and 58/64, Etablissements Consten S.A.R.L. and Grundig-Verkaufs-GMBH v Commission, 13 July 1966, [1966] ECR 299 (Consten & Grundig).
- Case 24/67, Parke, Davies v Probel, Reese, Beintema-Interpharm and Centrafarm, 29 February 1968, [1968] ECR 55.
- Case 40/70, Sirena S.R.L. v Eda S.R.L, Fiorenza Ferrari, Teresa Formaggia, Pietro Grugni, Mario Biraghi, Natale Mappi, Sergio Puppo, Novimpex S.R.L, 18 January 1971, [1971] ECR 69.
- Case 78/70, Deutsche Grammophon Gesellschaft mbH v Metro-SB-Großmärkte GmbH & Co. KG, 8 June 1971, [1971] ECR 487.
- Case 15/74, Centrafarm BV and Adriaan de Peijper v Sterling Drug Inc, 31 October 1974, [1974] ECR 1147.
- Case 119/75, Terrapin (Overseas) Ltd v Terranova Industrie C. A. Kapferer & Co., 22 June 1976, [1976] ECR 1183.
- Case 85/76, Hoffman La-Roche v Commission of the European Communities, 13 February 1979, [1979] ECR 461.
- Case 102/77, Hoffmann La-Roche & Co. AG v Centrafarm Vertriebsgesellschaft Pharmazeutischer Erzeugnisse mbH, 23 May 1978, [1978] ECR 1139.
- Case 120/78, Rewe-Zentral AG v Bundesmonopolverwaltung für Branntwein, 20 February 1979, [1979] ECR 649 (Cassis de Dijon).
- Case 172/80, Gerhard Züchner v Bayerische Vereinsbank, 14 July 1981, [1981] ECR 2021.
- Case 1/81, Pfizer Inc. v Eurim-Pharm GmbH, 3 December 1981, [1981] ECR 2913.
- Case 144/81, Keurkoop BV v Nancy Kean Gifts BV, 14 September 1982, [1982] ECR 2853.
- Case 262/81, Coditel SA, Compagnie Générale Pour la Diffusion de la Télévision Brussels, Coditel Barbant SA, Coditel Liège SA , Compagnie Générale Pour la Diffusion de la Télévision Liège, Intermixt, Union Professionnelle de Radio et de Télédistribution and Inter-Régies v Ciné-Vog Films SA, Chambre Syndicale Belge Delacinématographie, Les Films La Boétie SA, Serge Pinon and Chambre Syndicale Desproducteurs Etxopérateurs Defilm Francais, , 6 October 1982, [1982] ECR 3381 (Coditel II).
- Case 107/82, AEG Telefunken AG v Commission, 25 October 1983, [1983] ECR 3151.

Case 35/83, BAT Cigaretten-Fabriken GmbH v Commission of the European Communities, 13 January 1985, [1985] ECR 363.

Case 226/84, British Leyland Public Limited Company v Commission of the European Communities, 11 November 1986, [1986] ECR 3263.

Case 158/86, Warner Brothers Inc. and Metronome Video ApS v Erik Viuff Christiansen, 17 May 1988, [1988] ECR 2605.

Case 53/87, Consorzio italiano della componentistica di ricambio per autoveicoli v Maxicar v Régie nationale des usines Renault, 5 October 1988, [1988] ECR 6039 (CICRA v Renault).

Case C-238/87, AB Volvo v Erik Veng Ltd, 5 October 1988, [1988] ECR 6211.

Case 10/89, Sa CNL-Sucal NV v HAG GF AG, 17 October 1990, [1990] ECR I-3711 (HAG II).

Joined Cases C-121/91 and C-122/91 CT Control BV and JCT Benelux BV v Commission, 6 July 1993, [1993] ECR I-3873.

Joined Cases 241-242/91 P, Radio Telefis Eireann and Independent Television Publications Ltd v Commission of the European Communities and Magill, 6 April 1995, [1995] ECR I-0743 (Magill).

Case C-337/95, Parfums Christian Dior SA and Parfums Christian Dior BV v Evora BV, 4 November 1997, [1997] ECR I-6013.

Case C-230/96, Cabour SA, Nord Distribution Automobile SA, Automobiles Peugeot SA and Automobiles Citroen SA v Amor 'SOCO' SARL, 30 April 1998, [1998] ECR I-2055.

Case C-261/96 Conserchimica v Amministrazione delle Finanze dello Stato, 6 November 1997, [1997] ECR I-6177.

Case C-355/96 Silhouette International Schmied GmbH and Co KG v Hartlauer Handelsgesellschaft mbH, 16 July 1998, [1998] ECR I-4799.

Case C-63/97, Bayerische Motorenwerke AG (BMW) and BMW Nederland BV v Ronald Karel Deenik, 23 February 1999, [1999] ECR I-905 (BMW v Deenik).

Joined cases C-108/97 and C-109/97, Windsurfing Chiemsee Produktions- und Vertriebs GmbH (WSC) v Boots- und Segelzubehör Walter Huber and – Franz Attenberg, 4 May 1999, [1999] ECR I-2779 (Windsurfing Chiemsee).

Case C-375/97, General Motors Corporation v Yplon SA, 14 September 1999, [1999] ECR I-5421.

Case C-292/00, Davidoff & Cie SA Zino Davidoff SA v Gofkid Ltd, 9 January 2003, [2003] ECR I-0389.

Case C-408/01, Adidas-Solomon AG and Adidas Benelux BV v Fitnessworld Traiding Ltd, 23 October 2003, [2003] ECR I-12537.

Case C-17/06, Céline SARL v Céline SA, 11 September 2007, [2007] ECR I-7041.

- Case C-328/06, Alfredo Nieto Nuño v Leonci Monelló Franquet (Fincas Tarragona), 22 November 2007, [2007] ECR I-10093 (Fincas).
- Joined Cases C-501/06 P, C-513/06 P, C-515/06 P and C-519/06 P GlaxoSmithKline Services v Commission of the European Communities, 6 October 2009, [2009] ECR I-9291 (GSK).
- Case C-260/07, Pedro IV Servicios SL v Total España SA, 2 April 2009, [2009] ECR I-2437.
- Case C-301/07, Pago International GmbH v Tirol Milch registrierte Genossenschaft mbH, 6 October 2009, [2009] ECR I-9429.
- Case C-385/07 P, Der Grüne Punkt-Duales System Deutschland GmbH v Commission of the European Communities, 16 July 2009, [2009] ECR I-6155 (Der Grüne Punkt).
- Joined cases C-236/08-C-238/08, Google France SARL and Google Inc. v Louis Vuitton Malletier SA, Viaticum SA, Luteciel SARL, Centre national de recherche en relations humaines (CNRRH) SARL, Pierre-Alexis Thonet, Bruno Raboin and Tiger SARL. 23 March 2010, [2010] ECR I-2417 (Google France).
- Case C-439/09, Pierre Fabre Dermo-Cosmétique SAS v Président de l'Autorité de la concurrence, Ministre de l'Économie, de l'Industrie et de l'Emploi, Ministère public and the European Commission, 13 October 2011, [2011] ECR (*) (Pierre Fabre).
- Joined cases C-446/09 and C-495/09, Koninklijke Philips Electronics NV v Lucheng Meijing Industrial Company Ltd, Far East Sourcing Ltd, Röhlig Hong Kong Ltd and Röhlig Belgium (C-446/09), NV Nokia Corporation v Her Majesty's Commissioners of Revenue and Customs and International Trademark Association, (C-495/09), 1 December 2011, [2011] ECR I(*) (Philips/Nokia).

European Commission

- Commission Decision 64/566/EEC of 23 September 1964 under Article 85 of the Treaty (IV/A-00004-03344 'Grundig-Consten'), OJ 2545/64.
- Commission Decision 82/897/EEC of 15 December 1982 relating to a proceeding under Article 85 of the EEC Treaty (IV/C-30.128 - Toltecs-Dorce), OJ L 379.
- Commission Decision 2001/463/EC of 20 April 2001 relating to a proceeding pursuant to Article 82 of the EC Treaty, (COMP D3/34493 – DSD), OJ L 166.

General Court

Case T-201/04 Microsoft v European Commission, 28 April 2005, [2005] ECR II-1495.

Opinion of Advocate General

Opinion of Advocate General Dutheillet De La Monthe on case 40/70 Sirena v Eda, delivered on 21 January 1971, [1971] ECR 85.

Opinion of Advocate General Sir Gordon Slynn on case 35/83 BAT v Commission, delivered on 16 October 1984, [1984] ECR 363.

Opinion of Advocate General Jacobs on case 10/89 CNL-Sucal v HAG, delivered on 13 March 1990, [1990] ECR I-3725.

Opinion of Advocate General Jacobs on case C-63/97, BMW v Deenik, delivered on 2 April 1998, [1998] ECR I-909.

Opinion of Advocate General Jacobs in Case C-375/97 General Motors v Yplon, delivered on 26 November 1998, [1998] ECR I-5423.

Opinion of Advocate General Jacobs in Case C-292/00 Davidoff v Gofkid, delivered on 21 March 2002, [2002] ECR I-0389.

Opinion of Advocate General Mengozzi in Case C-328/06 Fincas, delivered on 13 September 2007, [2007] ECR I-10095.

Opinion of Advocate General Bot on Case C-385/07 P, Der Grüne Punkt – Duales System Deutschland GmbH v Commission of the European Communities delivered on 31 March 2009, [2009] ECR I-6155.

Opinion of Advocate General Jääskinen in Case C-323/09, Interflora Inc. and Interflora British Unit v Marks & Spencer plc, Flowers Direct Online Ltd, delivered on 24 March 2011, [2011] ECR I(*).

Opinion of Advocate General Mazak on Case C-439/09 Pierre Fabre, delivered on 3 March 2011, [2011] ECR(*).

Supplement A

Cease and desist letter from Jack Daniel's to Patrick Wensink author of the book 'Broken Piano for President'.



July 12, 2012

VIA EMAIL ONLY

Mr. Patrick Wensink
Louisville, KY
patrickwensink@gmail.com

Re: Mark: **JACK DANIEL'S**
Subject: Use of Trademarks

Dear Mr. Wensink:

I am an attorney at Jack Daniel's Properties, Inc. ("JDPI") in California. JDPI is the owner of the JACK DANIEL'S trademarks (the "Marks") which have been used extensively and for many years in connection with our well-known Tennessee whiskey product and a wide variety of consumer merchandise.

It has recently come to our attention that the cover of your book *Broken Piano for President*, bears a design that closely mimics the style and distinctive elements of the JACK DANIEL'S trademarks. An image of the cover is set forth below for ease of reference.

We are certainly flattered by your affection for the brand, but while we can appreciate the pop culture appeal of Jack Daniel's, we also have to be diligent to ensure that the Jack Daniel's trademarks are used correctly. Given the brand's popularity, it will probably come as no surprise that we come across designs like this on a regular basis. What may not be so apparent, however, is that if we allow uses like this one, we run the very real risk that our trademark will be weakened. As a fan of the brand, I'm sure that is not something you intended or would want to see happen.

As an author, you can certainly understand our position and the need to contact you. You may even have run into similar problems with your own intellectual property.

In order to resolve this matter, because you are both a Louisville "neighbor" and a fan of the brand, we simply request that you change the cover design when the book is re-printed. If you would be willing to change the design sooner than that (including on the digital version), we would be willing to contribute a reasonable amount towards the costs of doing so. By taking this step, you will help us to ensure that the Jack Daniel's brand will mean as much to future generations as it does today.

We wish you continued success with your writing and we look forward to hearing from you at your earliest convenience. A response by **July 23, 2012** would be appreciated, if possible. In the meantime, if you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink that reads 'CHRISTY SUSMAN'.

Christy Susman
Senior Attorney - Trademarks

JACK DANIEL'S PROPERTIES, INC.

4040 CIVIC CENTER DRIVE • SUITE 528 • SAN RAFAEL, CALIFORNIA 94903
TELEPHONE: (415) 446-5225 • FAX (415) 446-5230