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RECENT DEVELOPMENTS IN THE PROTECTION OF TRADEMARKS AND TRADE NAMES IN THE EUROPEAN UNION: FROM CONFLICT TO COEXISTENCE?

*By Gail E. Evans**

I. INTRODUCTION

While the name under which a company trades has become an independent and valuable component of brand management, European trademark law has traditionally offered only limited and uneven protection. However, the prominence of the corporation within the global information economy is giving renewed emphasis to the international protection of trade names.¹ Trade names provide consumers with an efficient means of acquiring information on the reputation of suppliers.² As new media continue to facilitate the creation of corporate celebrity, corporate management is becoming more critical in building a global brand. The corporate image is designed to engender a positive association in the public mind, consistent with the positioning of the company's products and services. Where the company shares the same name as the trademark for the product, the opportunity for creating and sustaining brand loyalty will be commensurately greater. In short, the demands of marketing within the global economy, the visibility of the company within the new media and the duty to ensure adequate corporate capitalization all contribute to the development of trade name protection.

In light of the foregoing transformation in corporate marketing and management, this article aims to examine the heightened protection of trade names within the European Union—a legal development set in motion by the decision of the

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1. Kerly's Law of Trademarks observes that most modern authorities on trade names concern the names of limited companies rather than of individuals or of partnerships. David Kitchin et al., *Kerly's Law of Trademarks and Trade Names* [hereinafter *Kerly's*] 15-161 (Sweet & Maxwell, 14th ed. 2005). A trade name is defined under the U.S. Lanham Act as "any name used by a person to identify his or her business or vocation." 15 U.S.C. §1127 (2007).

2. William M. Landes & Richard A. Posner, *The Economic Structure of Intellectual Property Law*, 168 (Belknap Press of Harvard Univ. 2003).

WTO Appellate Body³ to include trade names as a separate category of intellectual property under the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS Agreement”)⁴ and supported by recent jurisprudence of the European Court of Justice (ECJ)⁵ concerning the capacity of trademark owners to prevent unauthorized third-party use of identical or similar trade names. The discussion herein focuses on the scope of the plaintiff’s trademark rights in relation to trade names and the extent to which European law may allow the defendant’s trade name overlapping and coexisting rights with those of a trademark. The author argues that, given the new status of trade names as a distinct category of intellectual property under the TRIPS Agreement, adjudicators need to be more discriminating in interpreting the constituent elements of the trademark infringement cause of action.

Part II of this article examines the nature of the obligation to protect trade names under the Paris Convention for the Protection of Industrial Property⁶ and the lack of harmonized protection trade names receive under unfair competition law throughout the European Union. Part III explains how trade names became the latest category of intellectual property subject to the TRIPS Agreement and the legal effects of this enhanced status. It also discusses how the defendant’s trade name rights may be asserted successfully as an existing prior right in an action for trademark infringement. Part IV considers the extent to which a trademark

3. The World Trade Organization (WTO) Appellate Body functions as a quasi-judicial tribunal as constituted by the Dispute Settlement Understanding (DSU) Article 17 of the DSU provides for the establishment of a Standing Appellate Body, composed of seven persons, three of whom shall serve on any one case to hear appeals from panel cases. Text available at http://www.wto.org/english/tratop_e/dispu_e/dsu_e.htm.

4. Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, Marrakesh Agreement Establishing the World Trade Organization, signed at Marrakesh (Morocco), April 15, 1994 [hereinafter WTO Agreement], Annex IC, Agreement on Trade-Related Aspects of Intellectual Property Rights [hereinafter TRIPS Agreement or TRIPS], reprinted in *The Results of the Uruguay Round of Multilateral Trade Negotiations—The Legal Texts*, 1-19, 365-403 (GATT Secretariat, Geneva 1994). The “provisions of Articles XXII and XXIII of GATT 1994 as elaborated and applied by the Dispute Settlement Understanding” apply to consultations and the settlement of disputes under Article 64(1) of that Agreement.

5. The ECJ is established pursuant to the Treaty Establishing the European Community Section 4, Articles 220 to 245. Consolidated Version Of The Treaty Establishing The European Community, Official Journal C 325, 24 December 2002, available at http://europa.eu.int/eur-lex/en/treaties/dat/EC_consol.html.

6. Paris Convention for the Protection of Industrial Property of 20 March 1883, as last revised at Stockholm on 14 July 1967, (*United Nations Treaty Series*, Vol. 828, No 11847, p. 108) (henceforth “the Paris Convention”). Article 1(2) concerning the scope of industrial property provides: “The protection of industrial property has as its object . . . trademarks, service marks, trade names, indications of source or appellations of origin, and the repression of unfair competition.”

owner can prevent unauthorized third-party use of an identical trade name and analyzes the role of “trademark use” as defined by the ECJ in calibrating the limits of trademark rights. Part V considers the nature of the relationship between identical goods and their respective markets in cases of trademark infringement concerning the unauthorized use of an identical trade name and its potential impact on liability. Part VI examines the circumstances under which a trade name owner may affirm the right to use its own name as a defense to an action for trademark infringement. Consistent with the objective of the European Trademark Directive⁷ to reduce disparities in national laws “which may impede the free movement of goods” within the Community, Part VII evaluates the impact of the principle of the free movement of goods upon the scope of protection provided trademarks and trade names as distinct and separate forms of intellectual property. In conclusion, mindful of the overlapping nature of the rights at issue, this author advises a cautious approach to the adjudication of conflicts concerning trademarks and trade names to include a more exhaustive analysis of the legitimacy of the trade name owner’s commercial practice in adopting the company name, and the likely impact of the trade name owner’s use on the trademark at issue.

II. LACK OF HARMONIZED PROTECTION OFFERED TRADE NAMES BY UNFAIR COMPETITION LAW

A. *The Protection of Trade Names Under Article 8 of the Paris Convention*

In 1894, Sir Duncan Kerly remarked that the law applicable to trade names was not so clearly ascertained chiefly because, in the earlier stages of its development, the law did not distinguish between trademarks and trade names.⁸ Nonetheless, Article 8 of the original Paris Convention mandates the protection of trade names, independently of their entitlement to protection as trademarks, in the following unqualified terms:⁹

7. First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trademarks (referred to herein as the “Trademark Directive,” europa.eu.int/eur-lex/en/consleg/pdf/1989/en_1989L0104_do_001.pdf).

8. Sir Duncan Kerly, *The Law of Trade-Marks, Trade-Names, and Merchandise Marks* 12-17 (Sweet & Maxwell 1894). Sir Duncan continued: “These badges are generally numerous, and they comprise in particular the name under which he trades, that is, his trade-name; the names or titles by which his goods are referred to, that is, the trade-name of his goods; and the fashion or ‘get up’ in which the goods appear in the market, so far as these are distinctive of his trade and goods.” *Id.* at 13. Similarly, see Frank I. Schechter, *The Historical Foundations of the Law Relating To Trademarks* 5 (1925).

9. Paris Convention, see *supra* note 6.

A trade name shall be protected in all the countries of the Union without the obligation of filing or registration, whether or not it forms part of a trademark.

As incorporated in the TRIPS Agreement, the implementation of Article 8 requires each signatory country not only to protect trade names registered or established by use in such country but also foreign trade names that have been registered in other signatory countries of the Paris Union. Thus, in principle, foreign defendants claiming trade name protection in a signatory country should receive the same protection under such country's laws as citizens of that country.

While Article 8 does not precisely stipulate the manner in which this protection for trade names must be granted, most members of the Paris Convention began to protect trade names in accordance with the principles of unfair competition as set out in Article 10*bis*.¹⁰ The initial difficulty in protecting trade names by this means lay in the fact that Article 10*bis* of the Washington Act lacked specific provisions as to the character of the unauthorized use. As a result, the mandate to protect trade names in Article 8 would be seriously compromised.¹¹ With a view to addressing this deficiency, the Report of the Geneva Meeting of Experts of 1924 to the Economic Committee of the League of Nations¹² recommended the drafting of two articles that would provide separately for trademark infringement and acts of unfair competition. In the event, the Hague Conference of 1925 resulted in the incorporation of a general proscription against unfair competition that is "contrary to honest practices in industrial or commercial matters."¹³ In addition, the London Conference of 1934 resulted in the incorporation of only a brief enumeration of specific abuses, notably "acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor."¹⁴

10. Although Article 8 of the original Paris Convention of 1883 provided for the trade names to be protected without any requirement for registration, Article 10*bis* concerning unfair competition was not added until 1911. The original Preamble simply referred to the desire of the contracting states to guarantee "*la loyauté des transactions commerciales*." Further on the negotiating history of Article 10*bis*, see Christopher Wadlow "The British Origins of Article 10*bis* of the Paris Convention for the Protection of Industrial Property," 2002 at 7, www.oiprc.ox.ac.uk/EJWP0403.pdf.

11. Sir Hubert Llewellyn Smith, League of Nations Report of 1922, *League of Nations Official Journal*, at 625-32, cited in Wadlow, *supra* note 10, at 14.

12. These recommendations were elaborated in the three heads of Articles of Convention on Unfair Competition annexed to the above Report, Wadlow, *supra* note 10, at 14-16.

13. Paris Convention, Article 10*bis*(2) concerning unfair competition.

14. But see by way of "soft law" the WIPO Model Provisions On Protection Against Unfair Competition (1996), which contain more specific provision as to "Causing Confusion

As incorporated within TRIPS, the Convention requires that members prohibit “[a]ny act of competition contrary to honest practices in industrial or commercial matters.” In accordance with the principle of national treatment, foreign nationals are entitled to the rights available under that treaty, as implemented in the domestic laws of Member States. As a result, there is no single, harmonized approach among WTO Members. The Paris Convention does not create a general tort of unfair competition. The major common law and civil law jurisdictions give effect to these obligations in different ways,¹⁵ either by means of specific legislation,¹⁶ or by means of general codified or common law actions,¹⁷ which may be supplemented, in turn, by piecemeal statutory provisions.¹⁸

In the United Kingdom, for example, the common law tort of passing off incorporates the provisions of the Paris Convention, but only to give foreign nationals the same rights to which nationals are entitled.¹⁹ The lack of precision in respect of the level of protection accorded to trade names allowed the U.K. to implement Article 10*bis* to no greater extent than the acts expressly prohibited in Article 10*bis*(3) strictly required.²⁰ Protection against passing off was consistent with the narrower meaning of “unfair competition,” and the specific prohibitions in Article 10*bis* against false allegations that are likely to confuse the public. Such acts will be actionable by means of the common law tort of passing off whenever the defendant company’s name is calculated to deceive, and so to divert business from the claimant, or to cause confusion

with Respect to Another’s Enterprise or Its Activities,” Article 2; “Damaging Another’s Goodwill or Reputation,” Article 3; “Misleading the Public,” Article 4; and “Discrediting Another’s Enterprise or Its Activities,” Article 5.

15. See, e.g., F. K. Beier, “The Law of Unfair Competition in the European Community – Its Development and Present Status” [1985] EIPR 284; Anselm Kamperman Sanders, *Unfair Competition Law 24-77* (Oxford Univ. Pres 1997).

16. See, e.g., German Act against Unfair Competition (*Gesetz gegen den unlauteren Wettbewerb*, UWG), July, 2004; Kamperman Sanders, *supra* note 15, at 56.

17. See, e.g., Art. 1382 of the French Civil Code: “Any act whatever of man, which causes damage to another, obliges the one by whose fault it occurred, to compensate it,” <http://www.legifrance.gouv.fr/html/index.html>. As to the common law action of passing off, see Part II.B., *infra*.

18. The modern formulation of the elements of the tort is set out in *Reckitt & Colman Products Ltd. v. Borden, Inc.* [1990] RPC 341. In addition, under the UK Trade Descriptions Act 1968 applying a false trade description to goods is an offense carrying strict liability, provided that it is shown that the description was applied and was false. Implementation of the EC Unfair Commercial Practices Directive will require the amendment or possibly the repeal of the Trade Descriptions Act.

19. The obligation to accord national treatment is found in Article 2 of the Paris Convention and Article 3 of the TRIPS Agreement.

20. Wadlow, *supra* note 10.

between the two businesses.²¹ Accordingly, an action for passing off remains the chief means of defending trade names against unauthorized use in the United Kingdom. This may leave trade names outside the broader concept of unfair competition set forth in the Paris Convention's injunction against competition that is "contrary to honest practices in industrial or commercial matters" as adopted by the more liberally constructed laws of France, Germany or Switzerland.

B. Absence of Harmonization under the European Trademark Directive

Article 5(5) of the Trademark Directive reflects the absence of harmonization with respect to unfair competition law.²² It provides:

Paragraphs 1 to 4 shall not affect provisions in any Member State relating to the protection against the use of a sign other than for the purposes of distinguishing goods or services, where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trademark.

Accordingly, claimants must refer to the laws of a Member State where the unauthorized use of a trade name, not being used to distinguish the goods and services, takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the plaintiff's trademark. Consequently, where a trade name is not used for the purposes of distinguishing goods or services, it is necessary to refer to the relevant national law to determine the extent and nature, if any, of the protection afforded to trademark owners who claim to be suffering damage as a result of the use of such a trade name.

1. Robelco NV v. Robeco Groep NV

The reference to national law in Article 5(5) of the Trademark Directive was confirmed by the ECJ in *Robelco NV v. Robeco Groep NV*.²³ The respondent company Robeco (the plaintiff in the original action) was founded in 1929 and was well established in the financial services field. The firm had used the trade name

21. See *Kerly's*, *supra* note 1, at 19-149.

22. The sixth recital of the preamble states that the Trademark Directive does not exclude the application of provisions of law of the Member States other than trademark law, such as laws relating to unfair competition, civil liability or consumer protection.

23. Case C-23/01, 21 November 2002, ECJ (Sixth Chamber) on the interpretation of Article 5(5) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trademarks (OJ 1989 L 40, p. 1).

ROBECO, a condensed form of the words “Rotterdams Beleggings Consortium,” since 1959. On May 21, 1987, it registered ROBECO at the Benelux Trademark Office as a word and figurative mark for financial services.²⁴

The appellant Robelco NV (the defendant in the original action) was a Belgian company established in 1996. The company’s activity largely was based in the province of Flemish Brabant and involved property sales and promotion that included sales and leasing, as well as the supply of loans and the financing of property developments.

In the original action before the Commercial Court in Brussels, Robeco Groep NV brought an action against Robelco NV for trademark infringement under Article 13A(1)(d) of the Benelux Uniform Law on Trademarks (UBL),²⁵ which is intended to implement Article 5(5) of the Trademark Directive in Benelux law. In February 2000, the Brussels court granted the injunction and prohibited Robelco NV from continuing to use its trade name or any sign similar to the name ROBECO. Robelco appealed the injunction granted against it and the matter was referred to the ECJ. In light of the dissimilarity of the respective signs and the services they signified, the national court asked the ECJ for a preliminary ruling²⁶ as to the scope of trademark rights pursuant to Article 5(5).

The ECJ ruled that where an allegedly infringing trade name is used for purposes other than distinguishing goods or services, it is necessary to refer to the legal orders of the Member States to determine the nature and extent of the protection afforded to the owner of the infringed trademark.²⁷ The court found that Article

24. In Class 36 for financial and monetary matters, including services relating to saving and investing under the Nice Agreement Concerning The International Classification of Goods and Services for the Purposes of the Registration of Marks of 15 June 1957, as revised.

25. Article 13A(1)(d) provides: “Without prejudice to any application of the ordinary law governing civil liability, the exclusive rights in a trademark shall entitle the proprietor to oppose: (. . .) (d) any use, in the course of trade and without due cause, of a trademark or of a similar sign other than for the purposes of distinguishing goods, where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trademark.”

26. Article 234 (ex- Article 177) of the EC Treaty permits the ECJ to give preliminary rulings concerning: “(a) the interpretation of this Treaty; (b) the validity and interpretation of acts of the institutions of the Community . . . ; Where such a question is raised before any Court or tribunal of a Member State, that Court or tribunal may, if it considers that a decision on the question is necessary to enable it to give judgment, request the Court of Justice to give a ruling thereon.”

27. See Case C-23/01 *Robelco NV v. Robeco Group NV*, 2002, at para. 34: “Accordingly, where, as in the main proceedings, the sign is not used for the purposes of distinguishing goods or services, it is necessary to refer to the legal orders of the Member States to determine the extent and nature, if any, of the protection afforded to owners of trademarks

5(5) of the Trademark Directive must be interpreted as meaning that Member States may, in accordance with the prohibition on unfair competition in the Paris Convention, protect a trademark against use of a sign other than for the purposes of distinguishing goods or services, where such use without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trademark.

Nonetheless, uncertainty remained concerning the extent to which, in an action for trademark infringement, the registered owner may invoke the exclusive rights conferred on the trademark to prevent third-party use of an identical trade name in relation to identical goods and services pursuant to Article 16(1) of the TRIPS Agreement and Article 5(1) of the Trademark Directive.²⁸ As noted above, the national laws of Member States differ significantly, as some States, such as Spain, protect trade names with a showing of mere use, while others, like the United Kingdom, require evidence of goodwill or some degree of public awareness.²⁹

C. Inadequate Protection of Trade Names by Means of Passing Off

In the United Kingdom, the common law tort of passing off involves the deceptive invasion of a property right in the goodwill of a business, and a likelihood of injury as a result of the misrepresentation of the defendant passing off its goods as those of the plaintiff.³⁰ In accordance with the modern formulation of the tort the plaintiff must establish three essential elements: first, that the business possesses sufficient goodwill; second, that the defendant trader made a misrepresentation in the course of trade to customers or prospective customers of the goods or services concerned, which is likely to deceive them into believing that the goods or services the defendant offers are those of the plaintiff and; third, that there exists a connection between the first and the second elements in so far as the misrepresentation causes actual

who claim to be suffering damage as a result of use of that sign as a trade name or company name.”

28. Article 5(1)(a) provides: “The registered trademark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade: any sign which is identical with the trademark in relation to goods or services which are identical with those for which the trademark is registered.” The opinion of AG Sharpston in *Céline* of 18 January 2007, stresses that the decision in *Robelco* in no way precludes a finding that Art. 5(1)(a) may be applied in respect of trade names. Similarly see International Trademark Association, *Amicus Curiae* brief in Case C-17/06 SARL Céline v. SA Céline, ECJ, 2006, http://inta.org/downloads/brief_celine.pdf.

29. See *Reuter v. Mulhens* (1953) 70 R.P.C. 235; *Wright, Layman & Umney v. Wright* (1949) 66 R.P.C. 149. See *Kerly's*, *supra* note 1, at Ch. 15.

30. *Spalding & Brothers v. AW Gamage Limited* [1915] 32 RPC 273.

damage to the plaintiff's business or goodwill or will probably do so.³¹ If a later company adopts the whole name of an existing company, even though that name is of a descriptive character, there is a high probability of deception.³²

For example, in the Manchester Brewery case,³³ the plaintiff had a brewery and a large business at Manchester. The court restrained the defendant, a new company that had acquired a brewery at Macclesfield with a business extending to Manchester and surrounding towns, from trading as the "North Cheshire and Manchester Brewery Co Ltd" because the use of the name would suggest that the new company was connected with the plaintiff's business.

More recently, U.K. courts have extended passing off to protect well-known trademarks and trade names. Thus, in *British Telecommunications Plc and others v. One In A Million Ltd.*, Aldous L.J., having reviewed the history of passing off cases in which the defendant had adopted a well-known trade name comprising plaintiff's trademark, concluded that "there can be discerned from the cases a jurisdiction to grant injunctive relief where a defendant is equipped with or is intending to equip another with an instrument of fraud. . . . A name which will, by reason of its similarity to the name of another, inherently lead to passing off is such an instrument."³⁴

Absent sufficient local goodwill, however, the plaintiff has no cause of action.³⁵ Moreover, the period of time and the types of activities that are needed to generate goodwill will vary from case to case.³⁶ In 2005, the U.K. Government commissioned the "Gowers Review of Intellectual Property" with a view to ensuring that the nation's intellectual property laws and administration

31. *Reckitt & Colman Products Ltd v. Borden Inc* [1990] RPC 341; *Erven Warnink v. J Townend & Sons (Hull) Ltd* [1979] AC 731 at 742.

32. See *Kerly's*, *supra* note 29, at 15-148.

33. *Manchester Brewery v. North Cheshire* [1899] A.C. 83.

34. [1999] F.S.R. 1 at 18.

35. Goodwill is defined as the good name and reputation of a business; it is the "thing" that attracts consumers to a particular business, product or service, *IRC v. Muller & Co's Margarine* [1901] AC 217. The relevant date for proving goodwill in a claim for passing off is the date of commencement of the conduct complained of, *Cadbury Schweppes Pty Ltd v. Pub Squash Co Pty Ltd* [1981] RPC 429; GE, Evans, *New Oxford Companion to Law* (P. Crane and J. Conaghan eds., Oxford Univ. Press, 2007(forthcoming)).

36. The mere sending of advertisements into the United Kingdom by a foreign trader promoting the business located abroad in the absence of customers in the United Kingdom who have bought the goods or services from one of the plaintiff's stores abroad or an extensive advertising campaign has been held insufficient to create goodwill, *Bernadin v. Pavilion 1967* RPC 581). *Anheuser-Busch Inc. v. Budejovicky Budvar PN*; *Athletes' Foot Marketing Associates Inc. v. Cobra Sports Ltd* [1980] RPC 343.

provided adequate support to business and consumers.³⁷ When the Report was published the following year, it highlighted inadequacies in the protection accorded trade names in the United Kingdom, being of the view that “passing off does not go far enough” to protect many brands from misappropriation where the plaintiff has not been in business long enough to build up the goodwill required by the law of passing off.³⁸ In such cases, new entrants may be prevented from adequately protecting their trade name and trademarks. Further, it can be difficult and costly to demonstrate that the misrepresentation causes likely consumer confusion.³⁹

D. Differing Levels of Protection in Continental Europe

The position of the trade name owner beyond the United Kingdom is no more predictable. For example, in Germany a prior user of an unregistered trademark may prohibit the use of the later registered mark throughout the entire territory of the Federal Republic of Germany. A combination of Section 4(2) and Section 12 of the Trademarks Law protects persons who have used a sign prior to the date of application by another person for the same mark, if the sign has acquired a secondary meaning as a trademark within the relevant trade circles. Whether the latter condition is fulfilled is largely dependent on German unfair competition law, which prohibits unfair business practices. Further, under Section 5(2), company symbols used in the course of trade as names, firm names or special designations of business establishments also are protected.⁴⁰

Sweden likewise confers substantial rights on prior users of unregistered marks. Article 14 of the Trademarks Act (as amended)⁴¹ provides that a trademark may not be registered “if the mark contains or consists of elements which are likely to convey the impression of being another person’s trade name”; “if

37. In December 2005, the Chancellor of the Exchequer asked Andrew Gowers, a former editor of the Financial Times, to conduct an independent review into the U.K. intellectual property system, *available at* http://www.hm-treasury.gov.uk/media/583/91/pbr06_gowers_report_755.pdf

38. *Id.*, Para. 5.84.

39. *Id.*, the Report refers to the appearance of “copycats” in the market.

40. Law on the Reform of Trademark Law and on the Incorporation of the First Council Directive of December 21, 1988, to Approximate the Laws of the Member States Relating to Trademarks (89/104/EEC) (Trademark Reform Law) (of October 25, 1994) Law on the Protection of Trademarks and Other Signs (Trademark Law), *available at* http://www.wipo.int/clea/docs_new/en/de/de021en.html.

41. Law No. 644 of December 2, 1960, as last amended by Law No. 135 of 1996, *available at* http://www.wipo.int/clea/docs_new/en/de/de021en.html.

the mark is confusingly similar to a name or a trade name which is being used in the course of another person's business activities"; or "if the mark is confusingly similar to a trade symbol which, at the time of the application, is being used by another person and the applicant had knowledge about that use at the time of the application and had not used the mark before the other symbol was first used."⁴² Similarly, in Italy, Articles 17(b), (c) and 47(1)(a) of the Trademark Law confer the right of an earlier unregistered user of a mark or trade name whose mark or name is known more than locally, to prevent the registration of a mark which is likely to confuse.⁴³ In addition, there is a defense of local "prior use" that may be invoked where the mark has a reputation, that is, is known to a significant part of the circles for which it is intended as a symbol for the goods that are made under it.

On the other hand, while Spain protects prior unregistered trade names pursuant to Article 8 of the Paris Convention, the extent of protection is limited. Any opposition must be brought within five years of the date of publication of the grant of registration.⁴⁴ Similarly, in the absence of international reputation, Hungary, Romania and Poland do not traditionally allow prior unregistered users any right to prevent an application proceeding to registration, and such users may have no defense to an action for trademark infringement brought by the registered proprietor.⁴⁵

As a result of the lack of harmonization of the substantive law, companies seeking to protect their trade names with greater certainty would be well-advised to attempt to register it as a Community Trademark, so that the name obtains pan-European protection and unitary rights to enforcement throughout the 27 Member States. Failure to do so in the absence of international reputation may result in the loss of rights in those countries that traditionally accord the prior unregistered owner a limited right of action.

42. Article 14, paras. 4, 6 and 7 respectively.

43. Royal Decree No. 929 of June 21, 1942, Trademark Law, as last amended by Legislative Decree No. 198 of March 19, 1996, *available at* http://www.wipo.int/clea/docs_new/en/de/de021en.html.

44. Law 17/2001 of December 7, 2001, on Trademarks (Consolidated Text), Articles 7 concerning Prior Trade names; see also Article 8 concerning Known and Famous Registered trademarks and Trade Names and Article 45 concerning Statute-Barring of Actions, *available at* http://www.wipo.int/clea/docs_new/en/de/de021en.html.

45. Article 14, Law on Trademarks of January 31, 1985 (Dziennik Ustaw 1985, No 5 item 17), Poland. *See also* Trade names and Unfair Competition, Act, 16/04/1993, *available at* http://www.wipo.int/clea/docs_new/en/de/de021en.html.

III. TRADE NAMES ARE INCORPORATED AS SEPARATE CATEGORY OF INTELLECTUAL PROPERTY WITHIN THE TRIPS AGREEMENT

Absent further harmonization, the substantive law shows a marked disparity in the level of protection available to trade names throughout Europe.⁴⁶ To this end, a potentially significant development in the protection of trade names occurred in the WTO *Havana Club* trademark case. A well-placed submission by the European Communities (EC) saw a marked improvement in the status of trade names when the WTO's Appellate Body declared them to be a separate category of intellectual property under the TRIPS Agreement.

A. *The Havana Club Trademark Case*

The origin of the dispute over the "Havana Club" trademark and trade name can be traced to the Cuban Revolution of 1959. The Arechabala family had owned Havana Club distilleries until the business was nationalized by the communist government. At the time, HAVANA CLUB had been registered as a trademark in the United States. Subsequent events led to two separate companies seeking to market Havana Club rum in the United States. In 1997, Bacardi Ltd, a Bermuda company with U.S. subsidiaries, bought the original rights from the Arechabala family and began to sell rum in the United States under the "Havana Club" trademark. When the collapse of the Soviet bloc forced Cuba to look for Western investors, Pernod Ricard S.A., a French company, entered into a joint venture with the Cuban government to make Havana Club rum under the trade name "Havana Club Holdings."

Pernod Ricard attempted unsuccessfully to sue Bacardi for both trademark and trade name infringement. In February 2000, the U.S. Court of Appeals for the Second Circuit held that the joint venture had no legal right to the use of the HAVANA CLUB trademark in the United States.⁴⁷ Having exhausted local remedies, Pernod Ricard asked the European Commission to plead its case before the World Trade Organization on the ground that, contrary to the Agreement on Trade-Related Aspects of

46. Annette Kur, *Future Challenges in the EU – Trademarks, Trade Names, IPR at the Crossroads*, Helsinki, 6–8 September 2006, www.iprinfo.com/tiedostot/Kur_FutureChallenges.pdf. See also Annette Kur, *Trade Names – A Class of Signs "More Equal" than Others?* available at http://www.iprinfo.com/page.php?page_id=36&action=articleDetails&a_id=280&id=22.

47. The United States Court of Appeals for the Second Circuit affirmed the district court: *Havana Club Holdings S.A. v. Galleon, S.A.*, 203 F.3d 116 (2d Cir. 2000) and *Havana Club Holdings, S.A. v. Galleon, S.A.*, 62 F. Supp. 2d 1085 (S.D.N.Y. 1999).

Intellectual Property, certain U.S. laws (in particular, Section 211 of the Omnibus Appropriations Act of 1998) discriminated against certain foreign trademarks and trade names.⁴⁸

In a ruling issued in January 2002, the WTO Appellate Body upheld the U.S. claim that Section 211 deals with the ownership of a defined category of trademarks and trade names as distinct from substantive trademark rights to registration or enforcement. However, in response the claim of the EC, Section 211 was found to be discriminatory in application and, as such, contrary to the principles of national treatment and most-favored-nation treatment as provided in the TRIPS Agreement.⁴⁹ It is also relevant to note that in so finding the Appellate Body reversed the Panel's finding that trade names are not subject to the TRIPS Agreement.⁵⁰

1. The Appellate Body Ruling

In the *Havana Club* case, the EC argued that trade names comprise a category of intellectual property that should be protected under the provisions of the TRIPS Agreement. As trade names are not expressly protected in the TRIPS Agreement, this raised the question as to whether they are protected by means of the incorporation of Article 8 of the Paris Convention into the TRIPS Agreement at Article 2.1.⁵¹ The parties to the dispute, the EC and the U.S., agreed that the TRIPS Agreement incorporates an obligation to protect trade names in accordance with the Paris Convention, but disagreed as to the legal effects of that obligation.

The legitimacy of the EC's submission hinged upon the interpretation of Article 1.2 concerning the definition of

48. The U.S. law at issue, Section 211 of the Omnibus Appropriations Act of 1998, applies to a defined category of trademarks, trade names and commercial names, specifically to those trademarks, trade names and commercial names that are the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated by the Cuban Government on or after 1 January 1959. The effect of Section 211 and the Cuban Assets Control Regulations (CACR) is to render "inapplicable to a defined category of trademark and trade names certain aspects of trademark and trade name protection that are otherwise guaranteed in the trademark and trade name law of the United States," under both the U.S. Trademark Act (the Lanham Act) and common law.

49. National treatment, Article 3 and most-favored-nation treatment, Article 4.

50. Concerning WTO Panels, see, "Understanding on Rules and Procedures Governing the Settlement of Disputes," Annex 2 of the WTO Agreement, in particular, Article 6 concerning the "Establishment of Panels," Article 7 concerning the "Terms of Reference of Panels" and Article 8 concerning the "Composition of Panels." Text available at http://www.wto.org/english/tratop_e/dispu_e/dsu_e.htm. Concerning the Appellate Body's reversal of the Panel's opinion, see *infra* note 53.

51. Article 2(1) of the TRIPS Agreement provides: "In respect of Parts II, III and IV of this Agreement, Members shall comply with Articles 1 through 12, and Article 19, of the Paris Convention (1967)."

“intellectual property” for the purposes of the TRIPS Agreement. In the first instance, the EC’s submission was declined. The WTO Panel interpreted the term “intellectual property,” as used in the TRIPS Agreement, to refer exclusively to the categories of intellectual property that are the express *subject* of Sections 1 through 7 of Part II of the Agreement, as if that phrase read “intellectual property means those categories of intellectual property appearing in the titles of Sections 1 through 7 of Part II.”⁵²

Drawing upon the purposive approach to treaty interpretation, the Appellate Body found that the Panel’s interpretation ignored the plain meaning of Article 1.2 of the TRIPS Agreement, in so far as it failed to take into account that the phrase “the subject of Sections 1 through 7 of Part II” of the Agreement addresses not only the categories of intellectual property indicated in each section *title*, but with other *subjects* as well.⁵³ In order to justify the notion of including “other subjects of intellectual property” the Appellate Body found evidence in a reference to *sui generis* protection for plant inventions in Article 27(3)(b). Then, in a second, oblique purposive reference, the Appellate Body invoked the redundancy rule⁵⁴ to argue consequentially that to adopt the Panel’s approach would be to deprive Article 8 of the Paris Convention, as incorporated in Article 2.1 of the TRIPS Agreement, of meaning and effect.

When the Appellate Body reversed the Panel’s decision regarding the incorporation of trade names as a category of intellectual property, it did so on the basis that the Panel’s interpretation of the Agreement was contrary to the plain meaning of the words and therefore not in accordance with the customary rules of interpretation prescribed in Article 31 of the *Vienna Convention on the Law of Treaties*.⁵⁵ As a result, the Appellate Body simply declared that it did “not believe that the Panel’s

52. United States–Section 211 Omnibus Appropriations Act of 1998 (*Havana Club*), Report of the Appellate Body, WT/DS176/AB/R (WTO 2002), para. 334.

53. United States–Section 211 Omnibus Appropriations Act of 1998 (*Havana Club*), Report of the Appellate Body, WT/DS176/AB/R (WTO 2002), para. 335.

54. Pursuant to Article 64 of TRIPS adjudicators must interpret that Agreement in accordance with the Vienna Convention on the Law of Treaties 1969. WTO adjudicators therefore adopt a textualist approach in accordance with Article 31 of the Vienna Convention, that a treaty must be interpreted in “good faith in light of (i) the ordinary meaning of its terms, (ii) the context and (iii) its objects and purpose.” This assumes that a good part of the time, such meaning is plain, clear or unambiguous. The plain meaning rule presumes that lawmakers do not insert unnecessary, redundant language in their treaties. Likewise, see Article 3.2 of the WTO Dispute Settlement Understanding.

55. The Convention entered into force on 27 January 1980, in accordance with Article 84(1): United Nations, Treaty Series, vol. 1155, at 331, available at <http://fletcher.tufts.edu/multi/texts/BH538.txt>.

interpretation of Article 1.2 [could] be reconciled with the plain words of Article 2.1 . . . [since that Article] explicitly incorporates Article 8 of the Paris Convention (1967) into the TRIPS Agreement.”⁵⁶ The Appellate Body applied the plain meaning rule⁵⁷ to create the inference that the meaning was fixed permanently at the moment lawmakers drafted the treaty. It therefore reasoned:⁵⁸

If the intention of the negotiators had been to exclude trade names from protection, there would have been no purpose whatsoever in including Article 8 in the list of Paris Convention (1967) provisions that were specifically incorporated into the TRIPS Agreement. To adopt the Panel’s approach would be to deprive Article 8 of the Paris Convention (1967), as incorporated into the TRIPS Agreement by virtue of Article 2.1 of that Agreement, of any and all meaning and effect.

For the purposes of Article 32 of the Vienna Convention,⁵⁹ the Appellate Body found that the negotiating history of the Agreement did not confirm the Panel’s interpretation of Articles 1.2 and 2.1. Accordingly, the Appellate Body concluded that trade names constitute a category of intellectual property for the purposes of the TRIPS Agreement.⁶⁰

B. Trade Names Receive Heightened Protection and Enforcement

The ruling of the Appellate Body in *Havana Club* has facilitated the further substantive development of trade names as a separate category of intellectual property by defining with greater certainty the obligations of the TRIPS Agreement that apply to trade names. Undoubtedly, the most significant effect of the ruling is that like trademarks, trade names are now subject to the obligation in Article 41.1 requiring WTO Members to “ensure that enforcement procedures as specified . . . are available under their law so as to permit effective action against any act of

56. United States–Section 211 Omnibus Appropriations Act of 1998 (*Havana Club*), Report of the Appellate Body, WT/DS176/AB/R (WTO 2002), para. 336.

57. See *supra* note 54.

58. United States–Section 211 Omnibus Appropriations Act of 1998 (*Havana Club*), Report of the Appellate Body, WT/DS176/AB/R (WTO 2002), para. 338.

59. Article 32 of the Vienna Convention (Note 53), permits recourse “to supplementary means of interpretation, including the preparatory work of the treaty and the circumstances of its conclusion, in order to confirm the meaning resulting from the application of article 31.”

60. United States–Section 211 Omnibus Appropriations Act of 1998 (*Havana Club*), Report of the Appellate Body, WT/DS176/AB/R (WTO 2002), paras. 335 and 339.

infringement of intellectual property rights covered by this Agreement.”⁶¹ In so far as the trade name is a designation that distinguishes goods or services, it will be subject to civil, as well as criminal sanctions, in cases of willful trademark counterfeiting on a commercial scale.

Where a trade name is subject to protection under Article 10*bis* of the Paris Convention as incorporated, the decision strengthens the obligation to make available injunctions to prevent further breaches and orders to pay financial compensation. Because the majority of successful actions for unfair competition and passing off are resolved upon an application for an interim injunction, the provision of Article 44 requiring “judicial authorities [to] have the authority to order a party to desist from an infringement” will strengthen protection.

IV. CALIBRATING THE SCOPE OF TRADEMARK RIGHTS IN RELATION TO UNAUTHORIZED USE OF AN IDENTICAL TRADE NAME

Recent jurisprudence of the European Court of Justice shows that the *Havana Club* case⁶² proved critical to the heightened protection of trade names because the authority of the WTO Appellate Body’s ruling⁶³ provided the means for the court to advance the harmonization of trade name protection throughout the European Union. As an international organization, the “European Community” is a WTO Member in its own right, and as such, it is a party to the TRIPS Agreement. In accordance with Article 1 of that Agreement, the Court of Justice is under an obligation to implement the provisions of the TRIPS Agreement within the Community “legal system and practice.”⁶⁴

61. *Havana Club*, Report of the Appellate Body, WT/DS176/AB/R (WTO 2002), para. 206. Article 41.1 of the TRIPS Agreement mandates that WTO Members make available the enforcement procedures listed in the Agreement “so as to permit effective action against any act of infringement of intellectual property rights” covered by the Agreement.

62. See *supra* note 52.

63. Article 19.2 of the Dispute Settlement Understanding states that Panels and Appellate Body “cannot add to or diminish the rights and obligations provided in the covered agreements.” While the international legal system is technically without a formal doctrine of binding precedent, as a matter of practice, the legal reality is otherwise. A record of the interpretations accorded the provisions of the TRIPS Agreement by the Panels and Appellate Body is maintained as the WTO Analytical Index: see Article 16 as interpreted by the Appellate Body in *Havana Club*, http://www.wto.org/English/res_e/booksp_e/analytic_index_e/trips_e.htm.

64. Article 1 of the TRIPS Agreement provides: “Members shall give effect to the provisions of this Agreement. . . . Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice.”

Consequently, the Court of Justice is able to assert its authority to interpret the TRIPS Agreement on behalf of Member States, who are, individually, also Members of the WTO and parties to the TRIPS Agreement.⁶⁵

Therefore, when the Supreme Court of Finland asked the European Court of Justice to give a preliminary ruling concerning the scope of the plaintiff trademark owner's rights in relation to a conflicting trade name in *Anheuser-Busch Inc. v. Budějovický Budvar*,⁶⁶ the ECJ was presented with an opportunity to rule on the question whether use as a trade name may constitute use in relation to goods or services and is capable of being an infringing use.

A. The Ruling of the ECJ in Anheuser-Busch Inc. v. Budějovický Budvar

The plaintiff Anheuser-Busch was the proprietor in Finland of the "Budweiser" family of trademarks,⁶⁷ which designate beer and were registered between 1985 and 1992. The first application for registration of the "Budweiser" trademarks was filed in 1980. By an action brought before the Helsinki District Court of Finland in 1996, Anheuser-Busch sought to prevent Budvar from continuing or recommencing the use in Finland of the trademarks BUDWEISER BUDVAR, BUDWEISER, BUDWEIS, BUDVAR, BUD and BUDWEISER BUDBRAŮ as signs for the marketing and sale of beer produced by Budvar. Anheuser-Busch sought an additional order prohibiting Budvar from using in Finland, the trade names BUDĚJOVICKÝ BUDVAR, NÁRODNÍ PODNIK, BUDWEISER BUDVAR, BUDWEISER BUDVAR, NATIONAL ENTERPRISE, BUDWEISER BUDVAR, ENTREPRISE NATIONALE and BUDWEISER BUDVAR, NATIONAL CORPORATION, on the ground that those names were likely to be confused with Anheuser-Busch's trademarks. Anheuser-Busch argued that the designations used by Budvar could be confused, within the meaning of the *Tavaramerkkilaki*,⁶⁸ with its

65. Note: that is not to say that natural or legal persons may rely directly on the provisions of the TRIPS Agreement in the EU. Concerning the principle of direct effect, in *Anheuser-Busch Inc.* the Grand Chamber of the ECJ affirmed the supremacy of European trademark law, ruling that the TRIPS Agreement is not such as to create rights upon which individuals may rely directly before the courts by virtue of Community law: Case C-245/02 *Anheuser-Busch Inc. v. Budějovický Budvar, Národní Podnik*, November 2004 at paras. 54 - 55. See further to that effect, Joined Cases C-300/98 and C-392/98 *Dior and Others* [2000] ECR I-11307, paras. 42 to 45.

66. [2004] ECR (Case C-245/02).

67. The trademark registrations at issue also included BUDWEISER, BUD, BUD LIGHT and BUDWEISER KING of BEERS.

68. Paragraph 4.1 of the *Tavaramerkkilaki* provides: "The right to use a sign for a product under Paragraphs 1 to 3 of this law means that no one other than its proprietor

trademarks since those signs and trademarks designate identical or similar types of goods.

Although the defendant Budějovický Budvar had once been the owner of registrations in Finland for the trademarks BUDVAR and BUDWEISER BUDVAR in connection with beer, those rights had been forfeited as a result of the company's failure to use the marks. Therefore, the defendant in its counterclaim sought to rely on the right to the use of its trade name that been duly registered in the Czechoslovakian commercial register in 1967. Budvar argued that the signs used in Finland to market its beer could not be confused with Anheuser-Busch's trademarks. It further submitted that, with respect to the trademark BUDWEISER BUDVAR, the registration of Budvar's trade name in Czech, English and French conferred on it, pursuant to Article 8 of the Paris Convention, a protectable right in Finland earlier than that conferred by Anheuser-Busch's trademarks.

When the Helsinki District Court dismissed the action, Anheuser-Busch appealed. The case was subsequently taken to the Court of Appeal and the Supreme Court of Finland, to which both litigants had appealed. Before giving judgment, the Supreme Court of Finland requested a preliminary ruling from the ECJ on the interpretation of the relevant provisions of the TRIPS Agreement and the Trademark Directive. In its reference, the Supreme Court of Finland asked first whether third -party use of an identical or similar trade name might be regarded as use of an unauthorized designation for the purposes of TRIPS Article 16, and second, whether Budvar might rely on the defense that it was doing no more than using its own name pursuant to Article 6 of the Trademark Directive.⁶⁹

may use commercially as a sign for his products a sign liable to be confused therewith, on the product or its packaging, in advertising or business documents or otherwise, including also use by word of mouth," Law on Trademarks (7/1964) of 10 January 1964.

69. Budějovický Budvar claimed that the term Budweiser is derived from its place of origin, the Czech town of Budějovícen, the German translation of which is Budweis. Budějovický Budvar used the words "Budweiser" and "Budvar" in various forms in connection with their products and in the English and French versions of the trade name of the company (Budweiser Budvar, National Corporation and Budweiser Budvar, Entreprise nationale). In the case of a company the use of its own "name" will include its full corporate name and the name by which it is known to its customers that is to say omitting such words at the end of the name as "Limited," "Corporation," "Incorporated" or other words or letters indicating corporate status, *Reed Executive Plc Ors v. Reed Business Information Ltd Ors* [2004] EWCA Civ 159 (3 March 2004), [2004] R.P.C. 40 at para.115; *WebSphere Trade Mark* [2004] EWHC 529 (Ch); [2004] F.S.R. 39 at para.39.

1. Whether Third Party Use Affects the Essential Function of the Mark

In respect of the rights conferred on the trademark owner, Article 16(1) of the TRIPS Agreement states:⁷⁰

The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed.

Concerning the conditions under which the use of a trade name may be regarded as an infringing sign for the purposes of TRIPS Article 16(1), the ECJ's first step in the *BUDWEISER* case was to inquire whether the trade name was being used as a trademark, that is, to distinguish the goods or services of the defendant or simply as the business name of the firm.

In *HAG II*, the court held that to determine the effect of the trademark right account must be taken of its essential function, which is "to guarantee the identity of the origin of the marked product to the consumer or ultimate user by enabling him without any possibility of confusion to distinguish that product from products which have another origin."⁷¹ In *Arsenal v. Reed*⁷² the court enlarged on the character of trademark use, in terms of the mark's "essential function." For the ECJ in *Arsenal*, the relevant question was not whether the use was "trademark use" but whether this was liable to "jeopardize the guarantee of origin" which constitutes the essential function of the mark.⁷³ The positive

70. With respect to the application of Article 8 of the Paris Convention as incorporated, there was no question that Budvar's trade name possessed a right falling within the substantive and temporal scope of Article 70(2) of the TRIPS Agreement. See also G.E. Evans, *Substantive Trademark Law Harmonization by Means of the WTO Appellate Body and the European Court of Justice: The Case of Trade Name Protection*, 41 *Journal of World Trade Law*, Issue 6, (2007) (forthcoming).

71. Case C-10/89 SA CNL-SUCAL NV v. Hag GF AG, Judgment of the Court, October 1990, at para. 14; see also Case 102/77 Hoffmann-La Roche v. Centrafarm [1978] ECR 1139, para.7, Case 3/78 Centrafarm v. American Home Products Corporation [1978] ECR 1823, paras. 11 and 12.

72. Case C-206/01 Arsenal Football Club plc v. Matthew Reed, Judgment of the Court, 12 November 2002: Reference to the Court under Article 234 EC by the High Court of Justice of England and Wales, Chancery Division, for a preliminary ruling in the proceedings pending before that court on the interpretation of Article 5(1)(a) of the First Council Directive 89/104/EEC of 21 December 1988, at para. 48.

73. Case C-206/01 Arsenal Football Club plc v. Matthew Reed, Judgment of the Court, 12 November 2002 at para. 60. See also Arsenal Football Club plc v. Reed [2003] EWCA Civ 696, Court of Appeal, per Aldous LJ at para. 27.

finding of the court rested on the rationale that use of the defendant's sign would deprive the mark of its distinctive character, because it would no longer be capable of guaranteeing origin.⁷⁴

Consistent with its ruling in *Arsenal v. Reed*⁷⁵ the ECJ in *Anheuser-Busch* found that the exclusive rights conferred upon the registered trademark owner may be exercised where the defendant's adoption of the trade name constitutes a trademark use within the meaning of TRIPS Article 16(1) and Article 5(1) of the Directive as follows:⁷⁶

A trade name may constitute a sign within the meaning of the first sentence of Article 16(1) of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). That provision is intended to confer on the proprietor of a trademark the exclusive right to prevent a third party from using such a sign if the use in question prejudices or is liable to prejudice the functions of the trademark, in particular its essential function of guaranteeing to consumers the origin of the goods.

The trademark owner will be entitled to exercise his rights under Article 5(1)(a) of the Directive, if he can establish that the use of the sign is such (a) as to distinguish the goods concerned and (b) that it affects his interests by "encroaching upon" the ability of the mark to fulfill its essential function of guaranteeing to customers the origin of his own goods.⁷⁷ *Prima facie*, the plaintiff Anheuser-Busch could argue that Budvar's use affected the essential function of the mark on the basis that the use in question created the impression that there was a material link in trade between the proprietor of the mark and the goods offered for sale by the defendant. In principle, the plaintiff Anheuser-Busch could successfully sue for trademark infringement since Budvar's trade name was clearly being used as a distinguishing sign.⁷⁸

74. Case C-206/01 *Arsenal Football Club plc v. Matthew Reed*, Judgment of the Court, 12 November 2002 at para. 60.

75. See *supra* note 74.

76. Case C-245/02 *Anheuser-Busch Inc. v. Budějovický Budvar, Národní Podnik*, November 2004, at para. 85.

77. As to the definition of the mark's essential function, in *Hoffmann-La Roche v. Centrafarm* [1978] ECR 1978-1139 (Case C-102/77) the ECJ ruled that the essential function of a trademark is to guarantee to consumers the origin of the goods, by enabling them without any possibility of confusion to distinguish certain products from products which have another origin. See also *Centrafarm BV v. Winthrop BV* [1974] ECR 1974-1183 (Case 16-74) at para. 8.

78. See, to that effect, Case C-292/00 *Davidoff* [2003] ECR I-389, paragraph 28, and Case C-291/00 *LTJ Diffusion* [2003] ECR I-2799, paragraphs 48 and 49). In the event of the identicalness of the unauthorized sign and the trademark and of the goods or services, the protection conferred by Article 5(1)(a) of Directive 89/104 is absolute, whereas, in the

***B. Trade Names as Existing Prior Rights
in Relation to Trademarks***

Nonetheless, in accordance with the terms of Article 16 of the TRIPS Agreement, the defendant's use might only be regarded as unauthorized if it has no prior right of use:

The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use.

Since the defendant Budvar had forfeited its Finnish trademark rights,⁷⁹ the question was whether its trade name, used on labeling for beer, could be considered an "existing prior right" within the meaning of Article 16(1) of the TRIPS Agreement. In short, had the basis for the defendant's trade name arisen at a time prior to the grant of the trademark with which it was alleged to conflict? In fact, registration of the defendant's trade name in the business register in Czechoslovakia pre-dated the registration of Anheuser-Busch's trademarks in Finland.

Following the decision of the Appellate Body, the ECJ began by affirming that trade names constitute a distinct category of intellectual property for which protection is mandated pursuant to the TRIPS Agreement, as follows:⁸⁰

It should be observed that a trade name is a right falling within the scope of the term 'intellectual property' within the meaning of Article 1(2) of the TRIPS Agreement. Moreover, it follows from Article 2(1) of the TRIPS Agreement that the protection of trade names, for which specific provision is made in Article 8 of the Paris Convention, is expressly incorporated into that agreement. Therefore, by virtue of the TRIPS Agreement, the members of the WTO are under an obligation to protect trade names.

With respect to the first condition set forth in TRIPS Article 16(1), the defendant possessed an existing right in the trade name falling within the temporal scope, and following the Appellate

situation provided for in Article 5(1)(b), the plaintiff must also prove that there is a likelihood of confusion on the part of the public because the unauthorized sign and trademark and the designated goods or services are identical or similar. Similarly see Article 16, TRIPS.

79. Budvar was the proprietor in Finland of the trademarks BUDVAR and BUDWEISER BUDVAR, which designate beer and were registered on 21 May 1962 and 13 November 1972 respectively, but the Finnish courts declared that it had forfeited those rights as a result of a failure to use the trademarks.

80. Case C-245/02 Anheuser-Busch Inc. v. Budějovický Budvar, Národní Podnik, November 2004, at para. 91. At which point the court referred to the Report of the WTO Appellate Body, United States—Section 211 of the Omnibus Appropriations Act, paras. 326 to 341.

Body's decision, subject to the substantive provisions of the TRIPS Agreement.⁸¹ Pursuant therefore to Article 8 of the Paris Convention as incorporated, the defendant's trade name was protected in Finland "without the obligation of filing or registration, whether or not it formed part of a trademark."

As an exception to the principle of territoriality, if the defendant to an action for trademark infringement in the European Union has earlier recorded its company name in the business register of another Member State in accordance with honest business practice, then the name of company will have priority over the later trademark registration of the plaintiff, provided the owner of the trade name has established sufficient local reputation. In this respect, the court's reading of Article 8 does not preclude Member States from setting forth conditions relating to minimum use or minimum awareness of the trade name in their territory. Members States therefore may require that a trade name have a certain level of repute in the country where the protection is sought. In the case of Budvar's trade name, the court characterized the test as to whether "Budweiser Budvar, N.C." was sufficiently well-known among the relevant class of consumers in Finland.

Anheuser-Busch demonstrates how the ECJ, by taking the opportunity to advance the harmonization of trademark law within Europe, also helped heighten the protection accorded trade names. The court invoked the enhanced status the Appellate Body had accorded trade names as a separate category of intellectual property under the TRIPS Agreement to conclude that the defendant Budvar was entitled to use its company name on product labels in Finland, despite the plaintiff's coexisting trademark rights.⁸² Therefore, according to the ECJ's ruling, the right to use a trade name cannot be prohibited if the right originates from an earlier period than the trademark with which it allegedly conflicts.

Consistent with the ruling of the ECJ, when the matter returned to the Supreme Court of Finland for final determination in 2005, the court upheld Budvar's right to use its trade name "Budweiser Budvar, N.C." in connection with their foreign language trade name and when expressing the brewer of the beer on their beer labels. However, the Finnish Court denied the use of the words "Bud" and "Budweiser" in marketing materials, labels, and invoices. From the American plaintiff's point of view, it was

81. See *supra* note 71.

82. Case C-245/02 *Anheuser-Busch Inc. v. Budějovický Budvar, Národní Podnik*, November 2004, at paras. 91 and 100. In para. 91 the court refers to the Report of the WTO Appellate Body, United States—Section 211 of the Omnibus Appropriations Act, paragraphs 326 to 341.

ultimately obliged to agree to share the market for beer in Finland with its Czech rival. The ruling of the ECJ in *Anheuser-Busch* thus considerably enhances the rights of a trade name owner in cases of conflict with those of a trademark owner.

V. THE RELATIONSHIP BETWEEN IDENTICAL GOODS AND THEIR RESPECTIVE MARKETS

A. *The Ruling of the ECJ in Adam Opel AG v. Autec*

An action for trademark infringement also necessitates inquiries regarding the similarity of the goods at issue. In this respect, Article 5(1)(a) of the Trademark Directive requires an analysis of use “in the course of trade” of “any sign which are identical with the trademark in relation to goods or services which are identical with those for which the trademark is registered.”

The case of *Adam Opel AG v. Autec*⁸³ offers an opportunity to consider the unauthorized use of a trade name in respect of Article 5(1)(a), where the goods concerned were of particular significance. The facts of the case were novel in that the defendant was using the plaintiff's trade name and trademarks concurrently with its own trade name and trademarks. The plaintiff Adam Opel AG, a well-known car manufacturer and European subsidiary of General Motors, had used the “Opel-lightning” logo for many years. It also had registered the mark in connection with toys, in the event it might wish to use scale models of its automobiles for promotional purposes.

In 2004 the plaintiff discovered that a remote-controlled scale model of the Opel Astra V8 coupé, bearing the Opel logo on its radiator grille, was being manufactured by Autec and marketed in Germany. The plaintiff claimed that the defendant's use of the Opel logo on the scale models constituted an infringement of that trademark pursuant to Article 5(1)(a) of the Trademark Directive because the mark was being unlawfully used for products identical to those for which it was registered, namely toys.

The defendant Autec manufactured its remote-control model cars in Germany under the trademark CARTRONIC. The model cars were copies of Opel's V8 model and included the registered OPEL logo on the radiator grill, but the Cartronic trademark was accompanied by the symbol ® and was clearly visible on the front page of the user instructions accompanying each scale model and on the front of the remote control transmitter. The defendant

83. Case C-48/05: Judgment of the Court (First Chamber), January 2007 on a reference for a preliminary ruling from the Landgericht Nürnberg-Fürth, Germany.

placed its own marks AUTEK AG and CARTRONIC on the front of the remote control transmitter and on the front page of the user instructions accompanying each scale model. In addition, the marks AUTEK AG and “AUTEK AG D 90441 Nürnberg” appeared on the back of the user instructions, the latter indication appearing also on a label attached to the underside of the remote control transmitter.

The case raised the issue whether third-party use of a trademark that the plaintiff has also registered in respect of “toys” constituted use as a trademark for the purposes of Article 5(1)(a).⁸⁴ Here, the use of the sign identical to the mark was clearly in the course of trade because it took place in the context of commercial activity with a view to economic advantage. The plaintiff argued that the public would assume that the manufacturer of scale model cars to which the mark was affixed, manufactures and distributes them under a license from the owner of the mark. The defendant argued, with the support of the German Toy Industry Association, that affixing a protected trademark on scale models that were true replicas of vehicles of that mark did not constitute a trademark use as such. Applying *Arsenal*, the question ultimately was whether the defendant’s use of the sign affects or is liable to affect the functions of the plaintiff’s mark, in particular its essential function of guaranteeing to consumers the origin of the goods⁸⁵ in circumstances where the defendant affixes a sign identical to a trademark registered for toys to scale models of vehicles.

To answer this question, the ECJ considered it necessary to take account of the extent to which the average consumer of scale model cars would associate the two marks and goods. Such an assessment required considering the public association of the marks and the goods concerned. In circumstances where the average consumer of scale model vehicles was reasonably well informed and accustomed to the standards of the toy industry’s faithful reproduction of scale model vehicles, the court found that there was no cause for association, because the consumer would understand that the Opel logo appearing on Autek’s products indicated that it was a reduced-scale reproduction of an Opel car.

The court began its analysis by distinguishing *Bayerische Motorenwerke (BMW) v. Deenik*.⁸⁶ In that case, the defendant sold,

84. The use at issue was that of a sign affixed “in relation to goods” within the meaning of Article 5(1)(a) of the Directive since it concerned the affixing of a sign identical to the trademark onto goods, offering the goods and putting them on the market within the meaning of Article 5(3)(a) and (b) of the Directive.

85. See Case C-206/01 *Arsenal Football Club plc v. Matthew Reed*, Judgment of the Court, 12 November 2002 at paras. 48 and 51; Case C-245/02 *Anheuser-Busch Inc. v. Budějovický Budvar, Národní Podnik*, November 2004, at para. 59.

86. Case C-63/97 *Bayerische Motorenwerke AG (BMW) and BMW Nederland BV v. Ronald Karel Deenik*, Judgment of the Court, February 1999.

repaired and maintained second-hand BMW cars and advertised using phrases such as “Repairs and maintenance of BMW” and “BMW specialist.” The plaintiff’s mark was registered for vehicles but not for vehicle repair services. The question was whether BMW could prevent the defendant from using the mark to inform the public that he carries out the repair and maintenance of goods carrying the mark and put on the market by plaintiff.⁸⁷

As the vehicles in question constituted the subject-matter of the defendant’s repair services, liability was found to follow upon “that specific and indissociable link between the products bearing the trademark and the services provided by the third party.”⁸⁸ In *BMW*, the ECJ held that the designations at issue may still be identical for purposes of Article 5(1)(a), where the plaintiff’s goods constitute the subject of the defendant’s services. Thus the *Adam Opel* court’s response to the question of whether the defendant used Opel’s logo in its capacity as a trademark registered for motor vehicles, required consideration of the relationship between motor cars and scale model cars.

The court held that the test for infringement under Article 5(1)(a) should focus upon the actual goods marketed or services supplied by the third party that are identical to those for which the trademark is registered. Such an interpretation was found to be consistent with the text of Article 5(1)(a) in so far as it refers to “using . . . in relation to goods or services.” Because the model and its original did not belong to the same category of goods, the court did not find them to be identical products. As Autec did not sell vehicles, it concluded that there was no use of the Opel logo by Autec as a trademark.

In *Adam Opel*, the comparison of the goods was particularly significant, as model cars constituted a secondary market of the trademark owner. In this regard, Advocate General Colomer’s opinion in *Arsenal Football Club* advised that in determining the question of trademark use, the national court should take account of factors found in the 10th recital of the Trademark Directive, in particular:⁸⁹

- (a) the nature of the goods in question;
- (b) the structure of the market and;
- (c) the position in the market of the proprietor of the trademark.

87. Case C-48/05 *Adam Opel AG v. Autec AG*, Judgment of the Court (First Chamber), January 2007 at para. 27.

88. *Id.* at para. 27.

89. Case C-206/01 *Arsenal Football Club plc v. Matthew Reed* Judgment of the Court, Opinion of Advocate General Ruiz-Jarabo Colomer, 13 June 2002, at para. 53.

In subsequently rendering his opinion as to whether the defendant's application of the "Opel blitz" logo affected the functions of the mark, Advocate General Colomer took account of the nature of the goods and the position of the proprietor in the market. With respect to the former, economic and cultural considerations were relevant. The German toy industry had a history of more than 100 years in the manufacture and sale of scale models cars. Culturally, the model cars had acquired, during this time, a symbolic link with childhood for discriminating adult customers.⁹⁰ In contrast, the recent date of registration of its logo in respect of toys appeared to indicate that Opel AG had only lately recognized a potential market for the promotional use of model cars among its customers. In the circumstances, the plaintiff could not establish the requisite secondary meaning in respect of scale model cars needed to pursue an action for infringement.⁹¹ Based on this reasoning the Advocate-General concluded that the plaintiff had failed to establish that consumers would interpret the use of the Opel logo as designating an association with the mark's registered owner.

There was a further inquiry with respect to the issue of trademark use. In *Arsenal Football Club*, the ECJ concluded that the test for trademark use includes the question whether the defendant's "use of [the] sign is such as to create the impression that there is a material link in the course of trade between the goods concerned and the trademark proprietor."⁹² In order to create such an impression, the plaintiff would have to have shown that the relevant consumers associated the Opel logo on the miniatures manufactured by Autec, with the logo applied to the models marketed by Opel AG. The court found that consumers were likely to connect the scale prototype with the real vehicle, not with the models manufactured for Opel AG by its licensees. The association therefore was one between goods of different classes. As Autec's use did not create the impression that there was a material link between the goods concerned and the mark of the plaintiff, it could not be inferred that the defendant's use infringed the plaintiff's mark.⁹³

90. Case C-48/05 *Adam Opel AG v. Autec AG*, Opinion of Advocate General Ruiz-Jarabo Colomer, March 2006, Case C-48/05: AG Colomer describes the little cars as having become "the 'Proust's madeleine' of adults seeking to relive their childhood experiences in short trousers, by indulging their fantasies," Case C-48/05, Opinion at para. 37.

91. Registration of the logo was extended in respect of toys in 1990. *Id.* at para. 40.

92. Case C-206/01 *Arsenal Football Club plc v. Matthew Reed*, Judgment of the Court, 12 November 2002, at para. 56

93. Case C-48/05 *Adam Opel AG v. Autec AG*, Judgment of the Court (First Chamber), January 2007, paras. 30 and 37.

In such circumstances, considering the size and clarity of the defendant's marks on the product, the ECJ followed the opinion of the Advocate General and found it to be highly unlikely that such use could affect the essential function of the Opel logo as a trademark registered for toys. The case of *Adam Opel* thus indicates the limits of the exercise of the powers conferred by Article 5(1) of Trademark Directive on the trademark owner, denying it the right to prohibit the use of an identical trade name if that use cannot affect its own interests as owner of the mark.

VI. ENTITLEMENT OF A COMPANY TO USE ITS "OWN NAME" AS A DEFENSE TO TRADEMARK INFRINGEMENT

A. Limitation of the Effects of a Trademark in Respect of Trade Names

In the *Anheuser-Busch Inc. v. Budějovický Budvar* case discussed above, the defendant sought to rely on the defense that it was doing no more than using its own name. Under the trademark law of Finland:⁹⁴

Any person may use, in the course of his trade, his name, address or trade name as a trade symbol for his products unless use of that symbol might give rise to confusion with the protected trademark of a third party or with a name, address or trade name lawfully used by a third party in his trading activities.

Whereas Finnish law refers expressly to the defendant's use of its "trade name," Article 6 of the Trademark Directive refers only to a trademark owner not having the right to prohibit a third party from using, in the course of trade "his own name or address."⁹⁵ In national courts throughout the European Union, there remained some uncertainty as to whether the defense should apply not only in respect of the name of a natural person but also that of a

94. Paragraph 3.1 of the Tavaramerkkilaki (Law on trademarks) (7/1964) of 10 January 1964 ("the Tavaramerkkilaki").

95. Article 6, First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trademarks (OJ 1989 L 40, p. 1). "Name" is not restricted in the text. However, the Council of the European Union and the Commission of the European Communities issued a joint declaration, which was recorded in the minutes of the Council when Directive 89/104 was adopted, that that provision covers only natural persons' names. Such a declaration is without prejudice to the interpretation of that text by the Court of Justice of the European Communities: (also see to that effect *Heidelberger Bauchemie*, para. 17; *Antonissen* [1991] E.C.R. I-745; *Bautiaa and Société Française Maritime* [1996] E.C.R. I-505). Under the UK Trademarks Act 1938, s.8, protection extended to the use by a company of its registered name, *Parker-Knoll v. Knoll International* [1961] R.P.C. 346, CA; [1962] R.P.C. 265, HL.

company or business name. Thus, in *Scandecor Development AB v. Scandecor Marketing*⁹⁶ the U.K. House of Lords observed that the inclusion of company names in the ambit of the defense represented the “better view,” nonetheless holding that the matter was not *acte clair* clear or free from doubt.⁹⁷ As a matter concerning the harmonized interpretation of the Trademark Directive, the Supreme Court of Finland referred the question to the ECJ.

With respect to the question whether the “own name defense” may extend to corporate names,⁹⁸ the ECJ began its analysis at the highest level of harmonization, by examining Article 17 of the TRIPS Agreement, which allows the Member States of the WTO to provide generally for limited exceptions to the rights conferred by a trademark:⁹⁹

Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties.

The ECJ then relied on the authority of European Community trademark law and jurisprudence, to reason that Article 6(1)(a) of the Trademark Directive, would similarly allow an exception in favor of trade names, though drafted more specifically as follows:¹⁰⁰

The trademark shall not entitle the proprietor to prohibit a third party from using, in the course of trade,

96. [2001] 2 C.M.L.R. 30. In *Scandecor*, the House of Lords referred the question to the ECJ, but as the case subsequently settled, the matter remained unresolved. Similarly see *Asprey & Garrard v. WRA (Guns)* [2002] F.S.R. 310 at 487, CA; *WebSphere Trademark* [2004] EWHC 529 (Ch); [2004] F.S.R. 39 at paras 37-38.

97. Note: The doctrine of *acte clair* is derived from French law accepted by the ECJ where (i) the question of Community law was irrelevant; (ii) the provision had already been interpreted by the ECJ and; (iii) the correct application is so obvious that it leaves no room for doubt: *C283/81 Srl CILFIT and Lanificio di Gavardo SpA v. Ministry of Health* (1982) ECR 3415.

98. In the case of a company, the use of its own “name” will include its full corporate name and the name by which it is known to its customers that is to say omitting such words at the end of the name as “Limited,” “Corporation,” “Incorporated” or other words or letters indicating corporate status: *Reed Executive Plc Ors v. Reed Business Information Ltd Ors* [2004] EWCA Civ 159 (3 March 2004), [2004] R.P.C. 40, at para.115; *WebSphere Trademark* [2004] EWHC 529 (Ch); [2004] F.S.R. 39, at para.39.

99. Case C-245/02 *Anheuser-Busch Inc. v. Budějovický Budvar, Národní Podnik*, November 2004, at paras. 9 and 76.

100. *Id.* at paras. 80 and 81. Note that: (a) Art. 6 of the Trademark Directive adopts the express wording of Art. 10*bis* of the Paris Convention concerning “unfair competition”; (b) the linkage between the principle of the free movement of goods and the text of Article 5(2) of the Unfair Commercial Practices Directive, see Parts VI and VII, *infra*.

(a) his own name or address; . . .

provided he uses them in accordance with honest practices in industrial or commercial matters.

The court applied the *ejusdem generis* rule of interpretation to the effect that where general words follow an enumeration of specific items, the general words must be read as applying to items of the same kind. Because company names are of the same class, the application of this rule suggests that trademark rights should not be relied on to prohibit the use of trade names as well as personal names. Accordingly, the court found that Article 6(1)(a) is not confined to the names of natural persons.¹⁰¹

The court concluded that the defendant may, in principle, rely on the exception set forth in Article 6(1)(a) in order to be entitled to use, for the purpose of indicating its trade name, a designation that is identical or similar to a trademark, even if such use falls within the scope of uses that Article 5(1) otherwise permits the trademark owner to prohibit by virtue of the exclusive rights conferred by ownership.

B. Use of a Trade Name Dependent on Honest Commercial Practice

In *Anheuser-Busch*, the court incorporated the reading of “honest practice” for the purposes of European Community law with the instruction in Article 17 of the TRIPS Agreement to consider the legitimate interests of the trademark owner.¹⁰²

The condition of “honest practice” is, in essence, an expression of the duty to act fairly in relation to the legitimate interests of the trade-mark proprietor. . . . It is therefore essentially the same condition as that laid down by Article 17 of the TRIPS Agreement.

In the case of *Bayerische Motorenwerke (BMW)*¹⁰³ discussed above, the ECJ held that the “condition of ‘honest practice’” constitutes a duty to act fairly in relation to the legitimate interests of the trademark owner and set out a test as to whether a party’s use of a designation is in accordance with honest practice.¹⁰⁴ National courts must consider the extent to which the

101. *Id.* at para. 85.

102. *Id.* at para. 82.

103. Case C-63/97 *Bayerische Motorenwerke AG (BMW) and BMW Nederland BV v. Ronald Karel Deenik*, Judgment of the Court, February 1999, para. 61; *Gerolsteiner Brunnen Case C-100/02*, ECJ, 2004, para. 24.

104. Case C-63/97 *Bayerische Motorenwerke AG (BMW) and BMW Nederland BV v. Ronald Karel Deenik*, Judgment of the Court, February 1999, para. 61. In respect of Article 6(1)(c) of the Directive where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts use of a trademark to advertise to the

use of the party's trade name is understood by the relevant public as indicating a link between the party's goods and the trademark owner, as well as the extent to which the third party ought to have been aware of that link.¹⁰⁵ A third factor to be taken into account is whether the trademark at issue enjoys a certain reputation in the Member State in which it is registered and where its protection is sought. In *BMW*, where the defendant's business was the second-hand sale and repair of BMW cars, "honest practice" meant avoiding any suggestion that the business was affiliated with the BMW dealer network.

Subsequently, in *Gerolsteiner Brunnen GmbH & Co. v. Putsch GmbH*,¹⁰⁶ the ECJ broadened the scope of "honest practice" in respect of the "limitation of the effects of a trademark" for the purposes of Article 6 of the Directive. The case concerned the use of the words KERRY SPRING on mineral water bottles, which potentially created conflict with the mark GERRI for products of the same description. The defendant argued that the prominent display of KERRY SPRING on the product was justified under Article 6(1)(b) of the Trademark Directive because the water came from a source in County Kerry, Ireland.¹⁰⁷ The ECJ found that an indication of geographical origin is used in accordance with honest practices in industrial or commercial matters, if the defendant has acted fairly in relation to the legitimate interests of the trademark owner. The fact that there existed a likelihood of confusion between a word mark registered in one Member State and an indication of geographical origin from another Member State was insufficient to conclude that the use of that indication in the course of trade was not in accordance with honest practices.

A little more than a year later, in *The Gillette Company and Gillette Group Finland Oy v. LA-Laboratories Ltd Oy*,¹⁰⁸ the ECJ further identified the criteria relevant to an assessment of "honest practice." The relevant facts were that Gillette owned trademark registrations in Finland for the marks GILLETTE and SENSOR for razors and replaceable blades. Defendant LA-Laboratories sold the same product in Finland under the mark PARASON FLEXOR,

public the repair and maintenance of products covered, such a use does not constitute further commercialization for the purposes of Article 7 of the directive, but use indicating the intended purpose of the service within the meaning of Article 6(1)(c).

105. Case C-63/97 Bayerische Motorenwerke AG (BMW) and BMW Nederland BV v. Ronald Karel Deenik, Judgment of the Court, February 1999, para. 51.

106. Case C-100/02 *Gerolsteiner Brunnen GmbH & Co. v. Putsch GmbH*, Judgment of the Court, 7th January, 2004, paragraphs 25 and 26. Further see Gail E. Evans & Michael Blakeney, "The Protection of Geographical Indications after Doha: Quo Vadis?" [2006] 9(3) *Journal of International Economic Law* 575 at 594.

107. Case C-100/02 *Gerolsteiner Brunnen GmbH & Co. v. Putsch GmbH*, Opinion of Advocate General Stix-Hackl, July 2003, at para. 69.

108. C-228/03, Judgment of the Court, March 17 2005.

but on the packaging of the replaceable blades there was a sticker with the indication that they were compatible with Gillette Sensor handles. The Gillette Company brought suit against LA for infringement of Gillette's trademarks on the basis that the information on LA's packaging gave consumers the impression that LA was licensed by Gillette to use its trademarks, or that LA's products were identical or similar to Gillette's products.¹⁰⁹ Offering a summation of factors relevant to such an assessment, the ECJ indicated that use of a designation will not be in accordance with "honest practices in industrial or commercial matters" if, *inter alia*:

- (a) it is done in such a manner as to give the impression that there is a commercial connection between the user and the trademark owner; or
- (b) it affects the value of the trademark by taking unfair advantage of its distinctive character or repute; or
- (c) it entails the discrediting or denigration of that mark.

Consequently, a third party's right to use its trade name will be lost where the use is not considered to be in accordance with honest commercial practice.¹¹⁰

In the case of *Céline Sàrl v. Céline SA*,¹¹¹ the ECJ was asked once again to consider the extent to which the plaintiff trademark owner should be able to exercise its rights under Article 5(1) against the defendant's adoption of an identical trade name. The plaintiff Céline SA was registered as a company in Paris in 1928 and carries on the business of making and selling clothing and fashion accessories. It registered the French word CELINE in 1948 as a trademark for a wide range of goods and services, including clothes and shoes. The defendant Céline Sàrl was registered as a company in Nancy in 1992 and carries on a business trading in clothing, lingerie, furs and accessories under the name CÉLINE. The defendant first entered the name "Céline" in the local trade register in 1950. In 2003, Céline SA became aware of the existence of Céline Sàrl and of the similarity of their businesses, and filed an action against Céline Sàrl for trademark infringement concerning

109. The case concerned the operation of Article 6(1)(c) of the Trademark Directive (89/104/EEC) which provides that a person uses another's trade mark where it is "necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts" provided that the use is "in accordance with honest practices in industrial or commercial matters." A parallel provision for the Community Trademark exists in Article 12(c) of the Community Trade Mark Regulation (40/94/EEC).

110. Note: it is for the national court to carry out an overall assessment of all the relevant circumstances to determine whether the producer of the product bearing an indication of geographical origin is unfairly competing with the proprietor of the trademark. Further concerning the scope of Art. 6 and the concept of trademark use see Opinion from Advocate General Colomer in Case C-48/05 Adam Opel AG v. Autec AG, March 2006.

111. Case C-17/06, Opinion, January 2007.

the unauthorized use of CÉLINE to designate the entity Céline Sàrl and the business it operates.

The French civil court of first instance found the defendant liable for trademark infringement and ordered Céline Sàrl to change its company name and shop sign, and to pay the plaintiff damages in respect of both trademark infringement and unfair competition. Given the broad implementation of Article 5(1)(a), there was little doubt that the plaintiff would be entitled to relief since an action for infringement under French law lies whenever the distinctive elements of a trademark are reproduced, regardless of the use made of them.¹¹² Nonetheless, the court of Appeal of Nancy expressed some doubt as to the applicability of Article 5(1)(a) in the circumstances where the sign in question is not affixed to the product.¹¹³ It therefore asked the ECJ for a preliminary ruling on the question whether Article 5(1) of the Trademark Directive may be asserted against a party who, without consent, has adopted another company's name in connection with a business marketing goods of the same kind.

Significantly, *Céline* calls into question the proviso that the use of a designation must be in accordance with honest business practices because the name "Céline Sàrl" was not adopted or used, either as a trade name or as a company name, until after Céline SA had registered its trademark CÉLINE. The plaintiff's registration of its trademark and trade name pre-dates that of the defendant. When the case is heard by the Grand Chamber or full court of the ECJ, a key question will be whether the adoption of the name CÉLINE as a trade name for the business in Nancy after the registration of the trademark CÉLINE by the plaintiff and its subsequent use in relation to goods, is in accordance with honest practices in industrial or commercial matters.

C. Presumption of Bad Faith on Subsequent Registration of a Trade Name

Generally speaking, the condition of "honest practice" expresses a duty to act fairly in relation to the legitimate interests

112. Article L713-2(a) of the French *Code de la Propriété Intellectuelle* prohibits: "la reproduction, l'usage ou l'apposition d'une marque, même avec l'adjonction de mots tels que: 'formule, façon, système, imitation, genre, méthode,' ainsi que l'usage d'une marque reproduite pour des produits ou services identiques à ceux désignés dans l'enregistrement."

113. Further see Section 10(4)(d) of the UK Trademarks Act which provides that "a person uses a sign if . . . he . . . uses the sign on business papers or in advertising." See also Section 10(5) of the UK Act to the effect that a "person who applies a registered trademark to material intended to be used for labelling or packaging goods, as a business paper, or for advertising goods or services, shall be treated as a party to any use of the material which infringes the registered trademark if when he applied the mark he knew or had reason to believe that the application of the mark was not duly authorised by the proprietor or a licensee."

of the trademark owner. In *Céline*, Advocate General Sharpston's opinion referred to a presumption that the defendant has acted in bad faith and could not be said to be acting in accordance with honest commercial practice if it adopted a name to be used in trade for purposes of distinguishing goods or services which it knew to be identical or similar to those covered by an identical or similar existing trademark.¹¹⁴

1. Applying Standards of “Reasonable Diligence”

The question whether the defendant had actual or constructive knowledge of the name at issue is clearly critical to the assessment of honest practice. “Honest practice” in the choice of a name to be used in trade implies reasonable diligence in ascertaining that the name chosen does not conflict with an existing trademark, and thus in verifying the existence of any such mark. The defendant is expected to search in national and European Community trademark registers and, if the name is identified, to contact the plaintiff. If reasonable diligence was exercised, Advocate General Shapiro pointed out, and no such mark was found, then it is hardly possible to maintain the assertion that the defendant has acted contrary to honest practice.¹¹⁵

However, in the event a similar or identical trademark was identified, then the defendant's entitlement to use the disputed trade name would depend upon the probity of its subsequent conduct. Honest practice implies giving notice to the trademark owner and seeking his response. Thereafter, if the trademark owner has an objection to the use of the name, based on one of the grounds of Article 5, the trademark owner's rights would be subject to Article 6(1) of the Trademark Directive, given that its operation is conditional on the honesty of the user's conduct. On the other hand, should the defendant continue to use the name in the face of the owner's objection, presumably this would not be in conformity with honest commercial practice.¹¹⁶

If the defendant contacted the trademark proprietor and, assuming the notification was received, no objection was made to the defendant's use of the name after a reasonable period of time, it might then be possible for the defendant to claim that the trademark owner had acquiesced or implied consent to such use, thus removing it from the scope of the prohibition of Article 5(1).

114. Case C-17/06, Opinion, January 2007, para. 54.

115. *Id.* at para. 55.

116. *Id.* at para. 56 and 64.

To apply such criteria would also be consistent with Article 5(2) of the Unfair Commercial Practices Directive,¹¹⁷ which describes a commercial practice as unfair if:

- (a) it is contrary to the requirements of professional diligence, and
- (b) it materially distorts or is likely to materially distort the economic behavior with regard to the product of the average consumer whom it reaches or to whom it is addressed, or of the average member of the group when a commercial practice is directed to a particular group of consumers.

VII. INTERRELATIONSHIP BETWEEN THE FREE MOVEMENT OF GOODS AND TRADEMARK RIGHTS

A. Trademarks and Competition Within the Internal Market

The appropriate scope of protection for trademark rights must be viewed not only as an issue of balancing the legitimate interests of the parties, but also in the context of the free movement of goods within the European Community.¹¹⁸ Principles relating to the free trans-border movement of goods and services under the EC Treaty have a significant impact on the scope of rights accorded to trademarks and trade names. In this regard, the foundational principles of the European Community as “an internal market characterized by the abolition . . . of obstacles to the free movement of goods, persons, services and capital,” are reflected in the primary objective of the Trademark Directive, as expressed in the first recital of the preamble:¹¹⁹

Whereas the trademark laws at present applicable in the Member States contain disparities which may impede the free movement of goods and freedom to provide services and may distort competition within the common market; whereas it is

117. Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market.

118. Concerning the free movement of goods and the extent of industrial property rights protection: see EEC Treaty, Article 36; *see also* Articles 3 paragraph 1, (a) and (c), 14, 23 to 31 and 90. See further *Centrafarm BV et Adriaan de Peijper v. Winthrop BV*, Case 16-74, Judgment of the Court of 31 October 1974.

119. Compare the first preamble to the TRIPS Agreement which expresses the desire of Members “to reduce distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade.”

therefore necessary, in view of the establishment and functioning of the internal market, to approximate the laws of Member States.

By the same token, the ECJ justifies its interpretation of the limitation on the effects of a trademark with reference to the foundational principles of the EC Treaty as follows:¹²⁰

Article 6 seeks to reconcile the fundamental interests of trademark protection with those of free movement of goods and freedom to provide services in the common market in such a way that trademark rights are able to fulfil their essential role in the system of undistorted competition which the Treaty seeks to establish and maintain.

Likewise, in *Arsenal Football Club*,¹²¹ the opinion of AG Colomer established that the essential function of a trademark is to identify and differentiate products on the basis of their trade origin and should be seen as part of a broader objective, namely ensuring a system of genuine competition within the internal market.¹²² This overriding imperative strongly informs the exercise of trademark rights and the respective scope of privileged use accorded to trade names.¹²³ *Gerolsteiner* also is instructive, as the breadth of the derogation in that case was justified not with reference to the mark as an indicator of source or quality but to that of the common market and the free movement of goods.¹²⁴

Suppose, for example, that the situation in *Céline* concerned the subsequent registration of a similar trade name in another Member State. In light of the preambular principles, such a situation would be unlikely to alter the resultant position of the plaintiff trademark owner in *Anheuser-Busch Inc. v. Budějovický Budvar*.¹²⁵ In keeping with this principle, the Advocate General in

120. See HAG II, paragraph 13; Case C-63/97 Bayerische Motorenwerke AG (BMW) and BMW Nederland BV v. Ronald Karel Deenik, Judgment of the Court, February 1999, para. 62; Case C-245/02 Anheuser-Busch Inc. v. Budějovický Budvar, Národní Podnik, November 2004, at para. 16.

121. Case C-206/01, 12 November 2002, Judgment of the Court at para. 46. Further see Part VI on the free movement of goods.

122. *Id.* at para. 42.

123. The ideology of free trade may come into conflict with that of the individual trademark owner's right to the peaceful enjoyment of property: Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trademark (CTMR) Article 24; UK Trademarks Act, s 22. In *Anheuser-Busch Inc. v. Portugal* the applicant company complained of an infringement of its right to the peaceful enjoyment of its possessions in accordance with Article 1 of Protocol No. 1, (protection of property) to the European Convention on Human Rights: (application no. 73049/01) January, 2007.

124. Case C-100/02 Gerolsteiner Brunnen GmbH & Co. v. Putsch GmbH, Opinion of Advocate General Stix-Hackl, July 2003 at para. 22.

125. Case C-245/02 Anheuser-Busch Inc. v. Budějovický Budvar, Národní Podnik, November 2004.

Céline opined that an economic operator must “be allowed to use the same personal, company or trade name throughout the Community, and not be prevented from doing so in one Member State by the *subsequent* registration in that Member State (or in the Register of Community trademarks) of a trademark identical or similar to the name in question.”¹²⁶ This would also be the case in respect of the operation of the proviso with the effect that any “*extension* of the use of the name to a second Member State would be subject to the same requirement of honest practice in ascertaining whether a similar or identical trademark had already been registered in that Member State (or as a Community trademark) before the name was adopted.”¹²⁷ The duty to observe honest practices therefore would not be affected if *Céline Sàrl* were a business in another Member State seeking to enter the French market.

B. On the Need to Develop Nuanced Criteria When Analyzing Trademark Use

The heightened protection of trade names is likely to facilitate the trans-border movement of goods throughout the European Community. When a company name is recorded in the business register in one Member State, then assuming that the defendant has acquired sufficient goodwill in another Member State and depending on how the name is used in the course of trade, an identical or similar trade name will be allowed to co-exist with an earlier registered trademark. This enhanced protection will render registration of a company name a more valuable asset. Like a well-known trademark,¹²⁸ a trade name having reputation will transcend the customary territorial constraints of trademark law.

However, in mediating the respective rights of trademark and trade name holders, courts would be well advised to develop more nuanced criteria. Considerations of trademark use require a discriminating analysis of character of the goods, the structure of the market and the respective positions of the parties within the market. In the interests of competition, a systematic analysis of the goods for identicalness is particularly significant, where those goods constitute a possible secondary market for the plaintiff trademark owner. As the German Toy Industry Association submitted in *Adam Opel’s* case, a finding that the affixing of a protected trademark on scale models which are true replicas of vehicles sold under that mark does indeed constitute use as a

126. Case C-17/06 *Céline Sàrl v. Céline SA*, Opinion of Advocate General Sharpston, January 2007 at para. 60 (emphasis in original).

127. *Id.*

128. Paris Convention, Article 6*bis*.

trademark as such, would have allowed *Opel* to reserve the market in model cars to its licensees.

On the other hand, to reconcile the fundamental interests of trademark protection means recognizing that third party use of an identical trade name may significantly erode the ability of the mark to function as a guarantee of origin. For example, consumers who buy clothes in the Céline shop in Nancy and who are given invoices, payment receipts and other material bearing the name “Céline,” will associate the clothes with the name “Céline,” even though such name is not affixed to the clothes themselves. The impact is likely to be even more significant where the same name is used as a trademark and trade name on the store *fascia*. In this regard, the corporate name, trade name and style will fulfill the same function as would a trademark, that is, distinguishing the goods sold by the Céline Sàrl company.¹²⁹

The nature and the extent of a potentially infringing trade name needs to be carefully considered. Even where a trade name primarily serves to identify a company, it may also have the effect of indirectly serving to distinguish the products sold by the company, even if not affixed to the products. It is also clear that, if such trade name is identical to a competitor’s trademark, the essential function of the mark could be affected, where consumers are likely to consider that there is a material link between the goods or services of the defendant’s trade name and those of the plaintiff’s trademark.

In a case such as *Céline*, trademark law should provide a remedy and an injunction should be granted to restrain a defendant from trading under a name resembling or including the plaintiff’s trademark. Trademark law would be unduly limited if the defendant’s use of the CÉLINE trade name was considered incapable of amounting to trademark infringement as defined in Article 5(1). Such a use would affect the essential function of the registered CÉLINE trademark in the same manner as would a use of this sign directly on the products because consumers may be led to believe that the goods have the same origin. The more distinctive the registered trademark, as in *Céline*, the more likely this is to occur,¹³⁰ and consumers will assume that any company with that mark in its name is related to the owner of the mark.

129. Case C-17/06 *Céline Sàrl v. Céline SA*, Opinion of Advocate General Sharpston, January 2007 at para. 61.

130. See *Sabel BV v. Puma AG* (Case C-251/95), 1998 R.P.C. 199, 1998 ETMR 1 (1997), at para. 24.

1. Distinguish Merely Formal Use

By the same token, Advocate General Sharpston in *Céline* rightly cautions against an overbroad interpretation of infringement in relation to the use of a trade name. In such cases it may be necessary to distinguish, between the merely formal adoption of such a name and the way in which it is subsequently used.¹³¹ A company name need not necessarily be used “in relation to” goods or services that the company supplies “in the course of trade.”¹³² Its use may be confined to more formal circumstances, such as invoices in the company name for the sale of goods identified by a different brand name or trademark. Advocate General Sharpston’s cautionary advice is tendered in light of the framework for infringement in Article 5 of the Trademark Directive. Use within the meaning of paragraphs 1 to 4 is use for the purpose of distinguishing goods or services, whereas, in paragraph 5, there is use other than for the purpose of distinguishing goods or services.¹³³

An injunction may be refused in circumstances where the defendant is able to market the goods in connection with its name, by clearly distinguishing those goods from the goods of the plaintiff.¹³⁴ Moreover, even where the company name is used in some relationship to goods or services in the course of trade that use will not necessarily be such as to create the impression of a material link in trade with the proprietor of an identical or similar trademark and therefore to designate their origin.

2. Taking a Global Approach to the Assessment of Liability

In order to sharpen the focus of analysis in *Céline*, Advocate General Sharpston suggests that the court might employ a global appreciation in respect of the factors pertinent to trademark use

131. *Id.* at para. 21.

132. Case C-17/06 *Céline Sàrl v. Céline SA*, Opinion of Advocate General Sharpston, January 2007, at para. 35.

133. *Id.* at paras. 24, 25 and 41.

134. Case C-17/06 *Céline Sàrl v. Céline SA*, Opinion of Advocate General Sharpston, January 2007, at para. 40: “To the extent that French legislation, as interpreted by the courts, may allow a trade mark proprietor to prohibit use of a company or trade name in circumstances which do not entail distinguishing goods or services, designating their origin, creating the impression of a material link in trade with the trade mark proprietor or otherwise adversely affecting his interests, having regard to the functions of the mark, then it cannot be validly based on Article 5(1) of the Directive.” But also Lord Greene in *Saville Perfumery Ltd v. June Perfect Ltd* [1941] 58 RPC 147, “the statutory protection is absolute in the sense that once a mark is shown to offend, the user of it cannot escape by showing that by something outside the actual mark itself he has distinguished his good from those of the registered proprietor.”

for the purposes of Article 5(1)(a).¹³⁵ As a method of assessing liability, such an approach is more likely to promote a greater understanding of how the factors involved in testing for trademark use, may serve to complement or contradict each other.

Consider, for example, the case of *Adam Opel*. While the marks were identical, an analysis of the respective markets, the consumers to whom the goods were intended, and the position of the trademark owner in the market suggested that the requisite liability for trademark use was absent. Conversely, were there a greater approximation of goods and markets, liability would have been more likely considering the similarity and proximity of the marks.

C. The Directive on Unfair Commercial Practices

In addition to the relief available under national unfair competition laws,¹³⁶ trademark and trade name holders throughout the European Community will shortly have recourse to the Directive on Unfair Commercial Practices.¹³⁷ With the aim of facilitating cross-border trade by harmonizing national laws, the Directive applies to misleading commercial practices between business and consumers.¹³⁸ In accordance with Article 6(2):

A commercial practice shall . . . be regarded as misleading if . . . it causes or is likely to cause the average consumer to take a transactional decision that he would not have taken otherwise, and it involves:

135. Compare *Sabel v. Puma* where the ECJ described the “global appreciation of the visual, aural or conceptual similarity of the marks in question” as being based “on the overall impression given by the marks, bearing in mind, in particular, their distinctive and dominant component: Case C-251/95 *SABEL v. Puma* [1997] ECR I-6191, paras. 22 and 23.

136. In this regard Article 5(5) allows Member States to provide protection for unfair competition and passing off against use of a sign “other than for purposes of distinguishing goods or services.” See Part II, *supra*.

137. Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market. “Unfair commercial practices” include marketing that distorts consumers’ economic behavior or harms consumers’ economic interests: Art. 1 and Recital 11. In addition, Art. 1 lists specific examples of commercial practices that are regarded as automatically unfair, including “promoting a product similar to a product made by a particular manufacturer in such a manner as to deliberately mislead the consumer into believing that the product is made by that same manufacturer when it is not.”

138. According to Art. 2(d) “business-to-consumer commercial practices” means “any act, omission, course of conduct or representation, commercial communication including advertising and marketing, by a trader, directly connected with the promotion, sale or supply of a product to consumers.”

(a) any marketing of a product . . . which creates confusion with any products, trademarks, trade names or other distinguishing marks of a competitor. . . .¹³⁹

The criteria are objective so that there is no need to prove that a consumer was actually misled. The possibility of deception alone can be considered misleading, if the other elements also are present. There is no need to prove a financial loss.

Article 11 of the Directive stipulates that legal action may be taken by “persons or organizations regarded under national law as having a legitimate interest in combating unfair commercial practices.” The remedies available include injunctions restraining or prohibiting the misleading act, even if no actual loss or damage can be shown.¹⁴⁰

The Unfair Commercial Practices Directive is due to be implemented by October 2007.¹⁴¹ It remains to be seen whether the unreliable protection accorded trade names by the action for passing off will be offset when claimants are able to take alternative action against conduct that is misleading or deceptive.

VIII. CONCLUSION

In accordance with Article 8 of the Paris Convention, the protection of trade names has traditionally relied on general rules of unfair competition and civil remedies. As long as unfair competition law is not harmonized on a European-wide level, trade name owners must rely on the jurisprudence of the ECJ to articulate appropriate standards of protection. Undoubtedly, the decision of the WTO Appellate Body to recognize trade names as a category of intellectual property subject to the TRIPS Agreement will facilitate the work of the ECJ in bringing about their further harmonization. This is evident from the case of *Anheuser-Busch*,

139. Article 6(1) contains a definition of a “misleading action.” If deemed to be a misleading action, a practice will automatically become an unfair commercial practice and will be prohibited. A misleading action is a practice that “contains false information and is therefore untruthful or in any way, including overall presentation, deceives or is likely to deceive the average consumer, even if the information is factually correct . . . and . . . causes or is likely to cause him to take a transactional decision that he would not have taken otherwise.”

140. Article 13 provides not only for damages on a showing of loss but also for “effective, proportionate and dissuasive” monetary penalties. Article 13 leaves it open to Member States to impose penalties for infringements of the rules introduced by the Directive.

141. The obstacle for brand owners who wish to use the Directive may still be the requirement for confusion. Nowhere does the Directive explain precisely what is intended by confusion as to commercial origin. Further see Gill Grassie, *EU Directive on Unfair Commercial Practices—A UK Perspective*, *Journal of Intellectual Property Law & Practice*, 2006, Vol. 1, No. 2.

which resulted in better defined protection for the trade name BUDJOVICKY BUDVAR in Europe.

In principle, a name that has been duly registered in its home state will be protected against a later-conflicting trademark. Where goods or services are identical or similar, even allowing for possible consumer confusion, identical or similar trade names and trademarks may co-exist. However, limits to the privileged scope of rights accorded to the defendant trade name owner's use are marked by the proviso that the trade name must have been established by the owner in accordance with honest business practice. Where registration of the trade name is later in time than that of the conflicting trademark, the holder of the trade name will have to show a standard of reasonable diligence in registering an identical or similar trade name, or else protection may be lost.

As the foregoing analysis has shown, caution is well advised in view of the overlapping nature of the rights at issue. Trademark owners possess potent weapons against unauthorized third-party use that affects or is liable to affect the function of the mark to indicate origin. If a budding entrepreneur wishes to later affirm rights in a similar trade name, prudence dictates that he or she would be well advised to conduct a European-wide trademark search prior to adopting and registering a company name in a local business register. While the principle of the free movement of goods favors the expansion of business into new national markets, this advantage comes at the price of higher policing and transaction costs. As a matter of regulatory theory, the reconciliation inheres in the view that promoting innovation and enterprise constitutes the common factor in protecting intangible property rights in both trademarks and trade names.¹⁴²

142. On as the common element of all "intellectual property" as a "right over intangible property" or *Immaterialgüterrecht* and; on the latter 20th century provenance of the term, see: Georges Koumantos, "Reflections on the Concept of Intellectual Property" in Jan J.C. Kabel & Gerard J.H.M. Mom, eds., *Intellectual Property and Information Law: Essays in Honour of Herman Cohen Jehoram* 39-45 (Kluwer Law International, The Hague, 1998).