

## Abstract

**There has been a rapid functional change in the notion of trademark for the last three decades. Today, a trademark signifies not only the commercial origin or quality characteristics of the products bearing it but also a brand image that consumers might wish to be associated with. Some trademark owners have been investing in the creation and development of a brand image through advertising and other marketing techniques in order to attract consumers to their trademarked products. In order to safeguard the investment that trademark owners have made, the protection given to trademark owners under Article 5 (1) (a) of the Trade Mark Directive has been expanded to cover the communication, investment and advertising functions( so-called “modern” functions) through the judgments of the Court of Justice of the European Union.**

**The expansion of trade mark protection to cover the modern functions arose an issue as to the interpretation of the trade mark use prerequisite within the meaning of Article 5 (1) (a) of the Trade Mark Directive. The notion of the trade mark use prerequisite needs to be revisited to include trade mark uses other than identifying the commercial origin of products bearing the mark. The unauthorized use of a trade mark by third parties which affects or liable to affect any functions of trade mark including the modern functions, regardless of whether such use made for distinguishing the commercial origin of products or not, should be enough to be considered as trade mark use within the meaning of Article 5 (1) (a) of the Trade Mark Directive.**

## A) Emergence of Modern Functions

We can divide the functions that a trade mark performs into three. First one is the origin function which indicates the commercial origin of products bearing the trade mark. Second one is the quality guarantee function which conveys information about the quality features of the products bearing the trade mark. In other words, it provides an economic assurance to consumers about the likely product quality. Third one is the communication, investment or advertising functions which are also called as the modern functions. This is the one we are going to talk about.

Today, some of trademarks signify a brand image that consumers might wish to be linked with. The brand image that a trade mark signifies may cover a range of themes such as luxury, elegance, quality, modernity, youth or other similar desired attitudes or lifestyles. For

instance, Prada trade mark for shoes signifies an image, which consumers might wish to be associated with and this is beyond the quality features of product bearing it.

Some of today's consumers prefer to buy the products of a specific trade mark signifying a brand image in order to make a statement about their lifestyle, attitude or preferences. According to Gerhardt, the choice of a product bearing a particular trade mark with a brand image that a consumer will repeatedly show may send strong signals as to the identity, preferences and lifestyle or attitude of that consumer.<sup>1</sup>

For consumers, experiencing the product of a specific trade mark sometimes might be more important than buying cheaper options even if there is not that much quality difference between them. Consumers of this century may buy the product of a particular trade mark not simply because of the tangible attributes of the product. They might purchase a product because of the brand image that its trade mark signifies in order to satisfy their social, psychological or emotional needs and desires in addition to their tangible needs. Scott Bedbury, Starbucks' former vice-president of marketing, admitted that 'consumers don't truly believe there's a huge difference between products,' and pointed out that trademarks have to establish 'emotional ties' with their customers so as to gain their loyalty.<sup>2</sup>

In order to attract consumers to their products, trade mark owners may invest in the creation and development of a brand image through advertising and other marketing techniques. In order to safeguard this investment that trademark owners made, the protection given to the trademark owners under Article 5 (1) (a) of the Trade Mark Directive has been expanded through the judgments of the Court of Justice of the European Union ("CJEU").

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<sup>1</sup> Gerhardt, R.D., '*Consumer investment in trademarks*', North Carolina Law Review, (2010), 88, 427-500, p. 459-460.

<sup>2</sup> Haig, M., *Brand Failures*, Kogan Page (2003), p. 5

Article 5(1) (a) of Trade Mark Directive enables the owner of trade mark to bring infringement proceedings against third parties who use a sign which is identical with the trade mark in relation to products which are identical with those for which the trade mark is registered. However, the rights given to trade mark owners under Article 5 (1) (a) of the Trade Mark Directive is not unlimited. According to the settled case law of the CJEU, a trade mark owner can exercise his rights given under Article 5(1) (a) of Trade Mark Directive if the unauthorized use of third party affects or is liable affect the ability of trade mark to perform its essential function which is the origin and, to some extent, quality guarantee functions.

Nevertheless, this traditional approach of the CJEU started to change with the acceptance of the idea that there might be additional functions of a trade mark in addition to its essential function. The first signal of this change was given in *Arsenal Football Club v Reed*.<sup>3</sup> The CJEU held that the unauthorized use of third parties must affect or liable affect the ability of trade mark to perform its functions, in particular its essential function. Although, the CJEU indicated that essential function of origin indicating is not the only function protected under 5 (1) (a) of Trade Mark Directive, the other functions that merit protection were not identified in that case.

The identification of additional functions came later in *L'Oréal v Bellure*<sup>4</sup> where quality guarantee and communication, investment or advertising functions of a trade mark in addition to its origin function were found to merit protection under the provision of Article 5(1) (a) of Trade Mark Directive. So, this judgment of the CJEU expanded the scope of the trade mark rights protected under Article 5(1) (a) of Trade Mark Directive. However, the expansion of trade mark protection to cover the modern functions arose an issue as to the interpretation of

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<sup>3</sup> [2003] E.T.M.R. 19

<sup>4</sup> [2009] E.T.M.R. 55

the trade mark use prerequisite within the meaning of Article 5 (1) (a) of the Trade Mark Directive.

## **B) Revisiting of Trade Mark Use Prerequisite**

Article 5 of the Trade Mark Directive provides that infringement may be found if third party uses *in the course of trade* an infringing sign. This basically means that non-commercial use of sign such as uses for an educational purpose cannot be considered as an infringing use. The control of trade mark owners on trade mark use is limited to uses for commercial purposes whereby the scope of the monopoly granted to trade mark owners through registration is defined.

Having said this, the application of the “using in the course of trade” prerequisite was given rise to a number of issues in early English cases after the adoption of the Trade Mark Directive. The first issue concerning the “using in the course of trade” prerequisite since the 1994 Trade Mark Act<sup>5</sup> came into force was in *British Sugar v James Robertson*.<sup>6</sup> In this case, British Sugar had registered the word “*Treat*” as a trade mark for dessert sauces and syrups. James Robertson launched a sweet spread labelled “*Robertson’s Toffee Treat*” which it sold along with its range of jams and preserves. British Sugar brought an action for trade mark infringement against James Robertson.

One of the questions that the High Court asked for an answer was whether third parties must use the sign as a trade mark to fall within the scope of Article 5 of the Trade Mark Directive. It was held that for the purpose of the infringement provisions of Article 5 of the Trade Mark

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<sup>5</sup> which corresponds to Trade Mark Directive

<sup>6</sup> [1997] E.T.M.R. 118

Directive, the use of a "sign" does not have to involve use as a trade mark. In other words, using the sign in a trade mark sense is not a necessary prerequisite to infringement.

Another issue concerning the “using in the course trade” prerequisite arose in *Trebor Bassett v Football Association*<sup>7</sup>. In this case, Trebor Bassett manufactured candy sticks whose packaging included collectable insert cards. These cards feature the photographs of famous England footballers, wearing their team shirt. The England “three-lion” logo, which was the subject of the Football Association's registered trade mark, appeared on the shirts worn by the England footballers on the photographs.

The Football Association alleged that such use of the “three-lion” logo amounted to infringement of its trade mark. However, it is held by the High Court that “Trebor Basset is not even arguably using the logo, as such, in any real sense of word “uses”, and is certainly not... using it as a sign in respect of its cards.” Trebor Bassett was not affixing the registered trade mark of the Football association to its cards, and therefore to its goods, within the meaning of Article 5 of the Trade Mark Directive. In order to affix a sign in the meaning Article 5 of the Trade Mark Directive, the sign must be used directly rather than indirectly on the goods; it is not enough if a mark incidentally appears on the goods of third party.<sup>8</sup>

This judgment of the High Court regarding to trade mark use *prima facie* gave some comfort to those traders where they might include a sign which is identical to the registered trade mark of some other traders as an incidental part own their own marketing strategy. However, it is important to bear in mind that the case law of the CJEU in this field has been developed to tie the trade mark use prerequisite to the functions of trade mark. As will be detailed below, the relevant question needs to be asked while determining “use of trade mark” prerequisite is that whether the functions of a trade mark, in particular its essential function of origin

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<sup>7</sup> [1997] F.S.R. 211

<sup>8</sup> Bently L. and Sherman B., *Intellectual Property Law*, Oxford University Express, (2009), p. 920

indicating, are likely to be jeopardised through the unauthorised use of the trade mark by third party.<sup>9</sup>

Thus, it is possible to say that the functions of the trade mark, in particular its economic functions, could be jeopardized by the unauthorised use of the registered “three-lion” logo trade mark in situations where Trebor Bassett used the photographs of England footballers wearing team shirts born the “three-lion” logo on the cards inside of the packaging of the products in order to take economic advantage from the fame of that logo.

Although the CJEU’ case law has been developed to tie the trade mark prerequisite to the function of trade mark, the CJEU at first had taken an approach to the trade mark use prerequisite which was different from its contemporary one. More specifically, the concept of trade mark use prerequisite was at first limited by the CJEU to uses to distinguish the commercial origin of products bearing the mark.

Therefore, the CJEU’s interpretation of the trade mark use prerequisite in *BMW v Deenik*<sup>10</sup> addressed the use of trade mark as a badge of commercial origin as prerequisite to infringement. In this case, the CJEU ruled that the scope of application of Article 5(1) and (2) of the Trade Mark Directive depends on whether the trade mark is used for the purpose of distinguishing the goods or services in question as originating from a particular undertaking, that is to say, as a trade mark as such, or whether it is used for other purposes.

*Arsenal v Reed*<sup>11</sup> is the case where the shift in the CJEU’s approach towards the trade mark use prerequisite appeared. In this case, Arsenal F.C. had registered the words "Arsenal" and "Gunners" as well as the club emblem as trade marks in relation to sports clothing and footwear. Reed was a stallholder who sold Arsenal souvenirs and memorabilia bearing these or similar marks without having obtained a licence from Arsenal F.C. There was

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<sup>9</sup> MacQueen H., Waelde C., Laurie G. and Brown A., *Contemporary Intellectual Property*, Oxford University Express, (2010), 2<sup>nd</sup> Edition, p. 652

<sup>10</sup> [1999] 1 C.M.L.R. 1099

<sup>11</sup> [2003] 1 C.M.L.R. 12

unauthorised use of signs identical to the registered trademarks, on products identical to those for which the trade marks were registered. Therefore, Arsenal argued that the unauthorised use of the marks by Reed infringed their trademarks rights. Nevertheless, Reed contested the infringement argument of Arsenal, claiming that there was no use in the course of trade, because the signs were only used as badges of support, loyalty or affiliation to the Arsenal football club. More specifically, the signs identical to the registered trademarks of Arsenal were used in order to express loyalty towards to the Arsenal football club not to indicate the trade origin of the products bearing them.

In his opinion to the CJEU, A.G. Colomer revisited the concept of “using of a trade mark” prerequisite.<sup>12</sup> According to A.G. Colomer, “to state that a registered proprietor may prevent a third party from using the trade mark as a trade mark is as good as saying nothing at all”. The only way to give substance to the legal concept of “using of a trade mark” prerequisite is to bear in mind the functions of a trade mark.<sup>13</sup>

The CJEU held that the exclusive right given to trade mark owner under Article 5 (1) (a) of the Trade Mark protects the specific interests of the trade mark owner, that is to ensure that the trade mark could perform its functions. This means that the trade mark owner could prohibit the use of an identical sign where this use could not affect his specific interests as trade mark owner. In this case, the use of word “Arsenal” created the impression that there is a material link in the course of trade between the products concerned and the owner of the trade mark which was not affected by the presence on Mr Reed's stall of the notice stating that the products at issue in the main proceedings are not official Arsenal FC products. Thus, in cases such as *Arsenal v Reed*, there would be infringement and that it is irrelevant that, in

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<sup>12</sup> [2002] E.T.M.R. 82

<sup>13</sup> *Ibid.*, at [41]

the context of the use of the trade mark, the sign is perceived as a badge of support for, or loyalty or affiliation to, the owner of trade mark.<sup>14</sup>

It is important to note that the commentators have interpreted differently the judgment of the CJEU as to trade mark use prerequisite in *Arsenal v Reed*. According to Norman, the question is no longer whether trade mark use is a prerequisite for liability, but whether the use of third party undermines any of the functions that trade mark performs. Therefore, the trade mark use in the traditional sense is irrelevant.<sup>15</sup>

What the CJEU did in *Arsenal v Reed* was reformulating the trade mark use prerequisite owing to the functional evolution that trade mark has undergone in the last decades. In other words, trade mark use prerequisite was not limited to uses to indicate the commercial origin of products because of the recent developments of the trade mark function. For these reasons, it can be said that the trade mark use in the traditional sense is irrelevant. However, trade mark use has been still a prerequisite for liability since *Arsenal v Reed*.

The CJEU in fact elaborated on the “use in the course of trade” prerequisite later in *Google France*<sup>16</sup> which is the case where the issue of whether the unauthorised use of a registered trade mark on the internet by third party satisfies the trade mark prerequisite within the meaning of Article 5 (1) (a) of the Trade Mark Directive was discussed. There are two different parties whose liability for trade mark infringement due to the online use of a registered trade mark was questioned by the CJEU. The first one is the search engine operator who stores the keywords and information and receives payment for the sale of such information as AdWords. The second one is the advertiser who purchases the registered trade mark as an AdWord from the search engine operator.<sup>17</sup>

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<sup>14</sup>[2003] 1 C.M.L.R. 12

<sup>15</sup>Norman H., ‘Time to blow the whistle on trade mark use?’ , *Intellectual Property Quarterly*, (2004), 1, 1-34, p. 27

<sup>16</sup>[2010] E.T.M.R. 30

<sup>17</sup>*Ibid.*, p. 507

The CJEU came to the conclusion that there are three important criteria in order to determine whether the unauthorised use of a trade mark by third party fulfils trade mark use prerequisite within the meaning of Article 5 (1) (a) of the Trade Mark Directive. The first criterion is that the use of trade mark by third party must occur in the context of commercial activity with a view to economic advantage and not as a private matter. The second criterion is that the use of trade mark by third party must take place in the third party's own commercial communication. The last criterion is that the use of trade mark by third party must affect or be liable to affect one of the functions of trade mark. Therefore, the use of a trade mark by search engine operator is found not an infringing use within the meaning of Article 5 (1) (a) of the Trade Mark Directive while the use of a trade mark by advertiser is found to constitute to an infringing use within the meaning of Article 5 (1) (a) of the Trade Mark Directive.

Prior to drawing a conclusion, it is important to note the Max Planck Institute's "Study on the Overall Functioning of the European Trade Mark System" in which the present situation of trade mark use prerequisite for infringement was analysed as follows:

"It appears appropriate to maintain the requirement established by case law that use must be made for the purpose of (identifying and) distinguishing the commercial origin of goods and services... Use for the purposes of distinguishing should not be interpreted in the sense that marks and goods/services must always appear together. For example, advertising by use of a mark, without showing the good/services, would still be use for the purposes of distinguishing."<sup>18</sup>

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<sup>18</sup> 'Study on the Overall Functioning of the European Trade Mark System', Max Planck Institute for Intellectual Property and Competition Law (2011) at p. 109-110

## C) Conclusion

As mentioned above, I think that, trade mark use is still a prerequisite for infringement, unlike what some commentators claimed after *Arsenal v Reed*. However, the judgments of the CJEU after *Arsenal v Reed* should be viewed as the applications of trade mark use prerequisite to new facts. There has been a rapid functional change in the notion of trade mark for last three decades. Although the origin function of trade mark remains as the essential one, the other functions of trade mark have started to play a role which is as crucial as its essential function of origin indicating. The broader interpretation of trade mark use prerequisite in the recent judgments of the CJEU reflects this change in the notion of trade mark. In order to expand the scope of the protection given trade mark owners under Article 5 (1) (a) of the Trade Mark Directive, the CJEU had to adapt the trade mark use prerequisite to the new facts and therefore linked it to the functions of trade mark.

Therefore, I think, trade mark use requirement for infringement should not be limited to use made for the purpose of distinguishing the commercial origin of products. Use of a trade mark by third party which affects or liable to affect any functions of trade mark, regardless of whether such use made for distinguishing the commercial origin of products or not, should be enough to be considered as trade mark use within the meaning of Article 5 (1) (a) of the trade Mark Directive.