

## TRADEMARK FUNCTIONS AND TRADEMARK RIGHTS

Miquel Peguera\*

**ABSTRACT:** Over the last years, the Court of Justice of the European Union (CJEU) has remarkably expanded the potential scope of trademark rights. Under the EU Trademark Directive, a trademark owner may only prevent third-party uses of the mark if such uses are made (i) in the course of trade, (ii) in relation to goods or services, and (iii) *for the purpose of distinguishing the goods or services*, that is, as a trade mark. The latter requirement had been traditionally understood by the CJEU as referring to the function to guarantee to consumers the identity of the origin of the goods or services (function of origin). Nonetheless, the CJEU case law has evolved to accept a very broad view of the use as a mark requirement so as to include referential, comparative and decorative uses when such uses may somehow affect the origin function. In yet a further step, the CJEU has come to understand that a use as a mark exists not only where the mark is used in connection to the function of origin, but also when it is used in relation to *any other* trademark function. Thus, in some cases, a trademark owner is entitled to prevent a third-party use even where such use is not capable of affecting the origin function, if it is liable to affect others functions of the mark, such as those of quality, communication, investment or advertising. This working paper provides an analysis of this evolution in the CJEU case law. In a further, more elaborated, version of the paper I intend enrich the analysis by comparing that European trend with US case law examples of broadening the scope of trademark rights.

### **I. INTRODUCTION. THRESHOLD PRECONDITIONS FOR PREVENTING UNAUTHORIZED THIRD-PARTY USES OF THE MARK.**

European Union (EU) Trademark Law is embodied in two main pieces of legislation, namely the Trademark Directive (TMD),<sup>1</sup> and the Community Trademark Regulation (CTMR).<sup>2</sup> The former seeks to harmonize the national trademark systems of the EU Member States, whereas the latter establishes directly applicable rules for an EU-wide trademark system – the community trademark. This draft will focus on the Trademark Directive, although some of the analysis may apply as well to the CTMR.

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\* Associate Professor of Law, Universitat Oberta de Catalunya (UOC) (Barcelona, Spain). Ph.D., University of Barcelona (2006). Visiting Scholar, Columbia Law School (Fall 2007-Spring 2008). Most of this draft is adapted from a previous paper titled “Uso a título de marca y alcance del *ius prohibendi* en la directiva de marcas”, 33 ACTAS DE DERECHO INDUSTRIAL Y DERECHO DE AUTOR (2013), pp. 185-210.

<sup>1</sup> European Union Council Directive 2008/95, to approximate the laws of the Member States relating to trade marks (codified version), 2008 O.J. (L 199) 25. This codified version replaces the original Council Directive 89/104/EEC, O.J. (L 40) 1.

<sup>2</sup> European Union Council Regulation 207/2009, on the Community trade mark (codified version), 2009 O.J. (L 78) 1. This codified version replaces the original Council Regulation 40/94 on the Community trade mark, O.J. (L 11) 1.

Art. 5 TMD establishes the cases where a trademark owner has the right to prevent an unauthorized use of his or her mark – or a sign similar to it – by a third party. It considers different groups of cases. First, Art. 5(1)(a) tackles the so-called *double identity* cases, that is, those situations where a third party uses a sign identical to the trademark for goods or services identical to those for which the sign was registered as a trademark. Second, Art. 5(1)(b) refers to the cases where, rather than a double identity, there is only similarity, or identity of only one of the elements, whether the sign of the goods. The language of Art. 5(1) is as follows:

1. The registered trade mark 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:
  - (a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered;
  - (b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trade mark.

Transposition of Art. 5(1) TDM into national law is compulsory for all Member States. In addition, Art. 5(2) TDM provides for an enhanced protection, which Member States may also implement into their national law, but on a voluntary basis. Art. 5(2) thus establishes that:

2. Any Member State may also provide that 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, or similar to, the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered, where the latter has a reputation in the Member State and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.

Finally, Art. 5(5) TDM refers to the possibility that Member States enact legal provisions whereby the trademark owner may protect his or her trademark against a third-party use which is made *for purposes other than distinguishing the goods or services*. From the wording of this section, it is clearly inferred that both Art. 5(1) and (2) are only meant as protections against uses made for distinguishing purposes. The wording of art. 5(5) is as follows:

5. 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 trade mark.

For a trademark owner to be able to prevent a third-party use in the situations covered by Art 5(1) and (2), some prerequisites emerge from the whole structure and language of Art. 5. Specifically, the third-party use of a sign identical or similar to the trademark must be made (a) *in the course of trade*, (b) *in relation to goods or services*, and (c) *for the purposes of distinguishing* goods or services.

As to the first precondition, the Court of Justice of the European Union (ECJ) has held that a use is made in the course of trade when “it takes place in the context of commercial activity with a view to economic advantage and not as a private matter.”<sup>3</sup> The second precondition – a use *in relation to goods or services* – requires that a link is established between the use of the sign and the goods marketed or the services provided by the third party.<sup>4</sup> The next parts of this working paper will focus particularly on the third precondition, that of using the sign *for the purposes of distinguishing* goods or services.

## **II. USING OF THE TRADEMARK “FOR THE PURPOSES OF DISTINGUISHING GOODS OR SERVICES” (USE AS A TRADEMARK AS SUCH)**

The Directive does not directly state that the trademark owner may only prevent third-party uses made for the purposes of distinguishing goods or services.<sup>5</sup> However, case law and legal commentators infer that precondition from the structure of Art 5 TMD, and particularly from the language of Art. 5(5), which, as noted, declares that “[p]aragraphs 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, ...*”<sup>6</sup> The assumption is that those previous paragraphs 1 to 4 only cover the cases where the third party uses the mark to distinguish the goods or services. Now, what is a use *to distinguish* goods or services?

The ECJ initially linked this type of use to the so-called *essential function* of the trademark, that is, the trademark as a source indicator of the goods or services. Using a trademark in this way was labeled by the ECJ using the trademark “as a

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<sup>3</sup> See ECJ, 12 November 2002, Case C-206/01, Arsenal v Reed, para. 40. Regarding the CTMR, see ECJ, 19 February 2009, Case C-62/08, UDV North America Inc. v. Brandtraders NV, para. 40. See also CJEU, 23 March 2010, Joined Cases C-236/08 to C-238/08, Google France SARL v. Louis Vuitton Malletier SA (Google France), para. 113.

<sup>4</sup> Cfr. ECJ, 11 september 2007, Case C-17/06, Céline, §23.

<sup>5</sup> See A. Kur, Fundamental concerns in the harmonization of (European) trademark law, in G.B. Dinwoodie & M.D. Janis (eds.), Trademark Law and Theory: A Handbook of Contemporary Research, Edward Elgar Publishing, Cheltenham, 2008, pp. 151 ff. (165).

<sup>6</sup> Art. 5(5) TMD.

trade mark as such". Therefore, the implication was that the protection conferred by Art. 5(1) and (2) could only be invoked by the trademark owner when the third-party uses the trademark as a source indicator, that is, "as a mark". In this vein, in *BMW v Deenik* the ECJ held that

"it is true that the scope of application of Article 5(1) and (2) of the directive, on the one hand, and Article 5(5), on the other, 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.*"<sup>7</sup>

### ***The "essential function" of a trademark***

This approach of the ECJ was consistent with the traditional view that the main purpose of a trademark, its "essential function", is that of being a source indicator.<sup>8</sup> The notion of the *essential function* was explicitly acknowledged by the ECJ in the seventies, long before the Trademark Directive.<sup>9</sup> The court enshrined this notion in *Hoffmann-La Roche v. Centrafarm*,<sup>10</sup> where it held that

"*the essential function of the trade-mark . . . is to guarantee the identity of the origin of the trade-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. This guarantee of origin means that the consumer or ultimate user can be certain that a trade-marked product which is sold to him has not been subject at a previous stage of marketing to interference by a third person, without the authorization of the proprietor of the trade-mark, such as to affect the original condition of the product. The right attributed to the proprietor of preventing any use of the trade-mark which is likely to impair the guarantee of origin so understood is therefore part of the specific subject-matter of the trade-mark right.*"<sup>11</sup>

Other judgments in the time span previous to the Trademark Directive reiterated the same definition.<sup>12</sup> When the TM Directive was enacted it adopted that notion

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<sup>7</sup> ECJ 23 March 1999, Case C-63/97, *BMW/Deenik*, § 38 (emphasis added). See also ECJ, 12 November 2002, Case C-206/01, *Arsenal/Reed*, § 53; ECJ 21 November 2002, Case C-23/01, *Robelco/Robeco*, §§ 30, 31.

<sup>8</sup> In a 1970 article, K. Breier noted that «a trademark serves to distinguish the goods of one manufacturer from the goods of another. The trademark should identify the origin of the goods with a particular company. The exclusive right of use granted to the trademark owner by statute serves to protect only this function and is limited by the basic purpose of trademark protection: the trademark owner is protected by his statutory right only against unfair use of his trademark on the goods of others. This right shall prevent others from causing confusion as to the origin of the goods and thereby taking unfair advantage of the goodwill embodied in the trademark. Such protection is also in the interest of the general public that should be protected against misrepresentation». See F. K. Beier, «Territoriality of Trademark Law and International Trade», 1 IIC (1970), pp. 48 ff. (61-62).

<sup>9</sup> Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks, O.J. (L 40) 1.

<sup>10</sup> ECJ 23 May 1978, Case 102/77, *Hoffmann-La Roche/Centrafarm*, § 7.

<sup>11</sup> *Id.*, § 14 (emphasis added)

<sup>12</sup> See eg. ECJ 10 October 1978, Case 3/78, *Centrafarm/American Home Products*, § 12; ECJ 17 October 1990, Case C-10/89, *HAG II*, § 14.

of essential function as well.<sup>13</sup> While the articles of the Directive do not specifically mention this concept, the 10<sup>th</sup> Recital in the Preamble does declare that “the function of [the registered trade mark] is in particular to guarantee the trade mark as an indication of origin”.<sup>14</sup> In addition Article 2 TMD, when defining the “[s]igns of which a trade mark may consist”, requires that they are “signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings.”<sup>15</sup> The ECJ and many commentators see in this article an incorporation of the essential function by the Directive.<sup>16</sup> The Court has kept on affirming the essential function of the trademark in many judgments handed down after the approval of the Directive, frequently using the classic formulation in *Hoffmann-La Roche/Centrafarm*.<sup>17</sup>

### ***Essential function and trademark use***

As noted, using a trademark as such – trademark use – has generally been understood as performing the essential function of the trademark, hence using the mark to indicate the origin of the goods or services.<sup>18</sup> However, other views have been also maintained: (i) what is relevant is not whether the person using the mark seeks to indicate the origin, but whether the public perceives it so. In this view, thus, a sign is used *as a mark* when the public may think that with that use, indication is given about the origin of the goods or services. *Second*, there is also a

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<sup>13</sup> Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks, O.J. (L 40) 1.

<sup>14</sup> The same is stated in the 11<sup>th</sup> Recital of the Codified version of the Directive.

<sup>15</sup> Art. 2 TMD.

<sup>16</sup> See ECJ 4 October 2001, Case C-517/99, *Merz & Krell*. After noting that “the essential function of the trade mark is to guarantee the identity of the origin of the marked goods or service to the consumer or end user”, the Court holds that “[t]hat essential function of trade marks has been incorporated by the Community legislature into Article 2 of the Directive.” See *id.* §§ 22-23. See also ECJ 12 November 2002, Case C-206/01, *Arsenal/Reed*, § 49 (same). Among legal commentators, see e.g. J. Antill & A. James, «Registrability and the scope of the monopoly: current trends», *EIPR*, 26(4) 2004, pp. 157 ff.; I. Simon Fhima, «How Does “Essential Function” Doctrine Drive European Trade Mark Law?», *IIC* 36 (2005), pp. 401 ff. (408).

<sup>17</sup> See e.g. ECJ 11 November 1997 (C-349/95, *Loendersloot/George Ballantine*), § 24; ECJ 29 September 1998 (C-39/97, *Canon/Metro-Goldwyn-Mayer*), § 28; ECJ 4 October 2001 (C-517/99, *Merz & Krell*), § 22; ECJ 23 April 2002 (C-143/00, *Boehringer Ingelheim*), § 12; ECJ 12 November 2002 (C-206/01, *Arsenal/Reed*), § 51; ECJ 6 May 2003 (C-104/01, *Libertel*), § 62; ECJ 16 November 2004 (C-245/02, *Anheuser-Busch*), § 59; ECJ 25 January 2007 (C-48/05, *Adam Opel/Autec*), § 21; ECJ 11 September 2007 (C-17/06, *Céline*), §§ 16, 26; ECJ 10 April 2008 (C-102/07, *Adidas/Marca Mode*), § 36; ECJ 12 June 2008 (C-533/06, *O2/Hutchison*) § 57; ECJ 19 February 2009 (C-62/08, *UDV/Brandtraders*), § 42; ECJ 18 June 2009 (C-487/07, *L'Oréal/Bellure*), § 58; CJEU 23 March 2010 (C-236/08 to C-238/08, *Google France*), §§ 77, 82, 87; CJEU 25 March 2010 (C-278/08, *BergSpechte*), § 31; CJEU 8 July 2010 (C-558/08, *Portakabin/Primakabin*), § 30; CJEU 12 July 2011 (C-324/09, *L'Oréal/eBay*), § 80 y CJEU 22 September 2011 (C-323/09, *Interflora/Marks & Spencer*), § 37.

<sup>18</sup> See e.g. J. PHILLIPS & I. SIMON, «Conclusion: What Use is Use?», in J. PHILLIPS & I. SIMON, *Trade Mark Use*, Oxford, Oxford University Press, 2005, pp. 343 ff. (349, para 19.20); M. STERPI, «Trade Mark Use and Denominative Trade Marks», in J. PHILLIPS e I. SIMON, *Trade Mark Use, op. cit.*, pp. 125 ff. (145, para 8.66); R. SUMROY & C. BADGER, «Infringing ‘use in the course of trade’: Trade mark use and the essential function of a trade mark» in J. PHILLIPS & I. SIMON, *Trade Mark Use, op. cit.*, pp. 163 ff (164, para 10.02); J. DAVIS, «Between a sign and a brand: mapping the boundaries of a registered trade mark in European Union trade mark law», in L. BENTLY, J. DAVIS & J.C. GINSBURG (eds.), *Trade Marks and Brands. An Interdisciplinary Critique*, Cambridge University Press, Cambridge, 2008, pp. 65 ff (85-88).

trademark use when the relevant public perceives that the sign is being used to signal the origin, even where the public knows for a fact that the pretended origin is false.<sup>19</sup> *Third*, any use which is liable to jeopardize the function of origin constitutes a trademark use, regardless of whether or not the users are confused.<sup>20</sup> *Finally*, unrelated to the essential function, a trademark use would be any use which is liable to affect any of the functions of a trademark, not just the origin function.<sup>21</sup>

As we will see below, these different visions have been used to assert that in any of those situations, there is a use for the purposes of distinguishing goods or services, and thus a use the trademark owner is entitled to prevent under Art. 5(1) and (2) TMD.

### III. EXPANDING THE MEANING OF TRADEMARK USE

#### 1. Using the mark to refer to the trademark owner's own goods

An example of broad interpretation of the trademark use requirement may be found in *BMW v Deenik*. As noted above, in this judgment the ECJ asserted that Article 5(1) and (2) TMD only apply where “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*”.<sup>22</sup> However, the ruling construes this notion in a very broad way. In the case, BMW sued Mr. Deenik, the owner of a garage specializing in repairing and maintaining BMW cars, not being part of the BMW dealer network. BMW alleged that the use of its trademark by Mr. Deenik in his advertisements constituted a trademark infringement. Mr. Deenik didn't use the BMW trademark to indicate the origin of his services, but to designate the trademark owner's goods. Nonetheless, the court found that he made a trademark use, holding that “[t]he advertiser uses the BMW mark to identify the source of the goods in respect of which the services are supplied, and thus to distinguish those goods from any others in respect of which the same services might have been provided.”<sup>23</sup> Accordingly, the Court concluded that in this situation, there was a use of the mark within the meaning of Art.

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<sup>19</sup> See P. YAP, «Making sense of trade mark use», *EIPR* 29(10) (2007), pp. 420 ff (421-222).

<sup>20</sup> See P. YAP, «Making sense...», *op. cit.* In a somewhat similar way, see P. DYRBERG y M. SKYLV, «Does trade mark infringement require that the infringing use be trade mark use and if so what is trade mark use?», *EIPR* 25(5) (2003), pp. 229 ff (considering that there is trademark use when the use is liable to impair the trademark's capacity to fulfill its essential function).

<sup>21</sup> See the Opinion of Advocate General Ruiz-Jarabo Colomer, delivered on 13 June 2002, in the case C-206/01 (*Arsenal/Reed*), §§ 43-44.

<sup>22</sup> ECJ 23 February 1999, Case C-63/97, *BMW/Deenik*, § 38 (emphasis added). See also ECJ 12 November 2002, Case C-206/01, *Arsenal/Reed*, § 53; ECJ November 2002, Case C-23/01, *Robelco/Robeco*, §§ 30-31.

<sup>23</sup> See *BMW/Deenik*, § 39.

5(1)(a) TMD, which deals with double identity: identical mark – BMW – and identical goods – cars.<sup>24</sup>

This arguably overreaching characterization of trademark use was subsequently discussed in *Adam Opel*.<sup>25</sup> Adam Opel AG, the motor manufacturer, sued Autec AG, a manufacturer of remote-controlled scale model cars, marketed under the trademark “Cartronic”. One of the toys was a scale model of the Opel Astra V8 coupé, bearing the Opel logo on its radiator grille like the original vehicle. Adam Opel is the owner of the Opel trademark, which is also registered for toys, and contended that the use made by Autec was infringing, being a use of an identical trademark for identical goods – toys. The case discussed whether or not the use may be considered trademark use. However, the court was presented as well with the question of whether, on the basis of *BMW/Dennik*, there might be use by Autec of the Opel logo as a trademark registered for motor vehicles. The ECJ answered in the negative, while trying to justify the outcome in *BMW*. The court indicated that *BMW* was a very particular case, as there was a “specific and indissociable link between the products bearing the trade mark and the services provided by the third party”.<sup>26</sup> It held that “[a]part from that specific case”, Art. 5(1)(a) only covers “the use of a sign identical to the trade mark in respect of goods marketed or services supplied by the third party which are identical to those in respect of which the trade mark is registered”.<sup>27</sup> Therefore, since Autec was not selling motor vehicles, it was not using the Opel logo as a trademark registered for motor vehicles under Art. 5(1)(a) TMD.<sup>28</sup>

This could have been the end of the discussion, and thus, use of a mark by a third party not to refer to the goods marketed, or services supplied, by that third party but to the trademark owner’s own goods or services would no longer be deemed a trademark use (or a use “to distinguish the goods or services”). However, this was not the case. In *O2/Hutchinson*,<sup>29</sup> the ECJ addressed comparative advertising.<sup>30</sup> Hutchison 3G had launched an advertising campaign comparing its services to those of its competitor O2. To that end, Hutchison 3G used the name of O2 and a

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<sup>24</sup> The court, nonetheless, held that the trademark owner may not prevent this use, as it is covered by the limitation laid down in Art. 6(1)(c) TMD (use of the trademark “where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts”), unless he uses it “in a way that may create the impression that there is a commercial connection between the other undertaking and the trade mark proprietor, and in particular that the reseller’s business is affiliated to the trade mark proprietor’s distribution network or that there is a special relationship between the two undertakings”. *See id.*, § 64.

<sup>25</sup> ECJ 25 January 2007, Case C-48/05, *Adam Opel/Autec*.

<sup>26</sup> *See id.*, §27

<sup>27</sup> *See id.*, §28

<sup>28</sup> *See id.*, § 30

<sup>29</sup> ECJ 12 June 2008, Case C-533/06, *O2/Hutchison*.

<sup>30</sup> Council Directive 84/450/EEC, relating to the approximation of the laws, regulations and administrative provisions of the Member States concerning misleading advertising, 1984, O.J. (L 250) 17, as amended by the Council Directive 97/55/EC, amending Directive 84/450/EEC concerning misleading advertising so as to include comparative advertising, 1997, O.J. (L 290) 18. The Directive was later on replaced by the current European Union Council Directive 2006/114/EC, concerning misleading and comparative advertising (codified version), 2006 O.J. (L 376) 21.

sign similar to the O2 trademark in a TV ad. While O2 acknowledged that the comparison was accurate and the advertising was not misleading,<sup>31</sup> it nonetheless sued Hutchison 3G for trademark infringement. The case went before the ECJ, which noted that in comparative advertising, “the advertiser seeks to distinguish his goods and services by comparing their characteristics with those of competing goods and services.”<sup>32</sup> Therefore, the ECJ concluded,

“the use by an advertiser, in a comparative advertisement, of a sign identical with, or similar to, the mark of a competitor for the purposes of identifying the goods and services offered by the latter can be regarded as use for the advertiser’s own goods and services for the purposes of Article 5(1) and (2) of Directive 89/104,”<sup>33</sup>

a holding which, contrary to the court’s assertions, hardly comports with the doctrine in *Adam Opel*, and which was criticized in the literature.<sup>34</sup>

## 2. Using the mark for decorative purposes

Yet another example of the ECJ’s expansionist construction of trademark use – or use to distinguish goods or services – may be found in the *Adidas/Fitnessworld* case.<sup>35</sup> In that case, the defendant Fitnessworld marketed some fitness clothing bearing a motif of two parallel stripes. Adidas claimed that “that marketing of clothing with two stripes creates a likelihood of confusion on the part of the public, since the public might associate that clothing with Adidas’ sports and leisure clothing which bears three stripes, and Fitnessworld thus takes advantage of the repute of the Adidas mark.”<sup>36</sup> The court found that even if the purpose of the use is decorative and the relevant portion of the public perceives it as such, if there is such a similarity that the relevant section of the public establishes *a link* between the sign and the mark, the proprietor may object to that use on the basis of Art. 5(2) TMD, provided that the other conditions of that article are satisfied.<sup>37</sup> Nonetheless, if the public perceives the sign *purely* as an embellishment, then the said link with a registered trademark is not established and thus Art. 5(2) protection cannot be granted.<sup>38</sup>

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<sup>31</sup> *O2/Hutchison*, § 20.

<sup>32</sup> *Id.*, § 35

<sup>33</sup> *Id.*, § 36. The court has repeated this interpretation in other cases, such as ECJ 18 June 2009, Case C-487/07, *L’Oréal/Bellure*, § 53.

<sup>34</sup> See A. BREITSCHAFT, «Intel, Adidas & Co—Is the Jurisprudence of the European Court of Justice on Dilution Law in Compliance with the Underlying Rationales and Fit for the Future?», *EIPR*, 31(10) 2009, pp. 497 ff. (503); M. SENFTLEBEN, «Adapting EU Trademark Law to New Technologies - Back to Basics?», in C. GEIGER (ed.), *Constructing European Intellectual Property: Achievements and New Perspectives*, Edward Elgar Publishing, Cheltenham, 2013 (available at <http://ssrn.com/abstract=1875629>).

<sup>35</sup> ECJ 23 October 2003, Case C-408/01, *Adidas/Fitnessworld*.

<sup>36</sup> *Id.*, § 9.

<sup>37</sup> *Id.*, § 41.

<sup>38</sup> *Id.*, § 41. For a critique, see M. SENFTLEBEN, «Adapting EU Trademark Law...» *op. cit.*



It seems clear that in *Adidas/Fitnessworld* the ECJ is not requiring that the third-party has used the trademark with the purpose of indicating that the product originates from the trademark owner,<sup>39</sup> which constitutes a new depart from the principle that both Art. 5(1) and 5(2) apply only to uses made to distinguish the goods or services *as originating from a particular undertaking*.<sup>40</sup>

### 3. Uses of the mark that may affect the origin function

As noted before, the traditional wisdom had been that a use “for the purposes of distinguishing” is a use that points to commercial origin of the goods or services, and thus a use of the mark as a source indicator. However, the ECJ embraced a broad vision of this condition, so as to include as well the uses that merely “affect” the origin function. Imagine for instance a use which is not meant to indicate the goods’ origin, and where this is clear to the purchaser because of a notice on the stand where the good is sold. Even there, the use could still be deemed to affect the origin function if other people, after the sale is made, may think the mark is used as a source indicator. This was the ECJ’s conclusion in the *Arsenal* case.<sup>41</sup> The *Arsenal Football Club plc* sued Mr. Reed, who was selling scarves and other merchandise wearing the Arsenal trademark from several stalls near the Arsenal stadium. Since Arsenal FC had registered the mark Arsenal also for scarves, the case was one of double identity – identical mark and identical goods – and thus falling in theory under the scope of Art 5(1)(a). Nonetheless, Mr. Reed did not intend indicate the origin of the goods. In fact, a large sign on the stall stated that “[t]he word or logo(s) on the goods offered for sale, are used solely to adorn the product and does not imply or indicate any affiliation or relationship with the manufacturers or distributors of any other product, only goods with official Arsenal merchandise tags are official Arsenal merchandise.”<sup>42</sup> According to the national court, the public did not perceive the use of the sign as a badge of origin but just as a badge of support or loyalty.<sup>43</sup> The question before the ECJ was ultimately whether a third party using an identical mark for identical goods has a defense to infringement on the grounds that the use does not indicate trade origin – that is, a connection between the goods and the trademark owner – and if so, whether the fact that the use is perceived as a badge of support, loyalty or affiliation may be a sufficient connection.<sup>44</sup> The ECJ found that “the use of that sign [was] such as to create the impression that there [was] a material link in the

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<sup>39</sup> See A. SUÑOL LUCEA, «El presupuesto de uso en el tráfico económico para productos o servicios en el actual derecho de marcas: ¿Un paso más hacia la protección ilimitada de las marcas?», *InDret*, 3 (2012) at 27. See also *Vid.* I. SIMON, «Embellishment: trade mark use triumph or decorative disaster?», *EIPR*, 28(6) (2006), pp. 321 ff.; J. ANTILL Y A. JAMES, «Registrability and the scope of the monopoly: current trends», *EIPR*, 26(4) 2004, pp. 157 ff. *But see* P. YAP, «Making sense...», *op. cit.*, at 425 (arguing that the ruling is actually requiring trademark use).

<sup>40</sup> *BMW/Deenik*, § 38

<sup>41</sup> ECJ 12 November 2002, Case C-206/01, *Arsenal/Reed*.

<sup>42</sup> *Id.*, § 17

<sup>43</sup> *Id.*, § 21, 22.

<sup>44</sup> *Id.*, § 27.

course of trade between the goods concerned and the trade mark proprietor”, and that, notwithstanding the notice stating that the products were not official, there was “a clear possibility . . . that some consumers, in particular if they come across the goods after they have been sold by Mr Reed and taken away from the stall where the notice appears, may interpret the sign as designating Arsenal FC as the undertaking of origin of the goods.”<sup>45</sup> The court concluded that such a use was “liable to jeopardize the guarantee of origin which constitutes the essential function of the mark”.<sup>46</sup> Thus, even though the third-party did not intend to use the sign as a source indicator, the fact that the public could perceive it as such, even in the form of a post-sale confusion, made that use liable to affect the origin function of the mark, hence a use the trademark owner may prohibit under Art. 5(1)(a) TMD.<sup>47</sup>

#### 4. Third-party uses that may affect other functions of the mark

In the previous sections we have seen how the ECJ has been broadening its own interpretation of what amounts to a “use to distinguish goods or services”, as a threshold requirement for the application of Arts. 5(1) and (2). While the court initially understood this as a use to indicate the origin of the goods supplied, or the services provided, by the third party, in the case law noted above that threshold prerequisite was deemed satisfied also in situations where the use was merely referential—to refer to the trademark owner own goods—or a use that while not intending to indicate origin might still be perceived as such by the relevant public and thus end up impairing the origin function of the trademark.

Remarkably, this evolution has not stopped there. Rather, the court has embraced the notion that there is “a use to distinguish goods or services” not only where the third party use may somehow impair the origin function, but also wherever the use is liable to affect *any other* functions of the trademark.

A first hint in this direction may be seen in *Hölterhoff*<sup>48</sup>. The ECJ considered there whether there may be a violation under Art. 5(1) TMD in a case where the

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<sup>45</sup> Id., § 57.

<sup>46</sup> Id., § 60.

<sup>47</sup> Id., § 57. Commentators have held different approaches to the ECJ position in *Arsenal* regarding trademark use. Those who understand trademark use as that made to indicate the provenance of the goods or services conclude that the ruling does not consider trademark use as an indispensable element of infringement under 5.1(a) TMD, though they do note that the court requires that the impugned use prejudices the origin function. See eg J. PHILLIPS & I. SIMON, «Conclusion: What Use is Use?», in J. PHILLIPS & I. SIMON, *Trade Mark Use*, Oxford, Oxford University Press, 2005, pp. 343 ff. (347, 349, 350); M. STERPI, «Trade Mark Use...» *op. cit.*, at 144; I. SIMON, «Embellishment: trade mark use...» *op. cit.*, at 322); J. DAVIS, «Between a sign and a brand...», *op. cit.*, at 85-88. On the other hand, commentators that deem as trademark use any use the public may perceive as a source indicator and thus may prejudice the origin function, argue that *Arsenal* does not depart from the trademark use requirement. See eg P. DYRBERG y M. SKYLV, «Does trade mark infringement...» *op. cit.* See also, A. GARCÍA VIDAL, «El uso de la marca ajena con una finalidad diferente a la de distinguir productos o servicios», *ADI* 23 (2002), pp. 337 ff. (350).

<sup>48</sup> ECJ 14 May 2002, Case C-2/00, *Hölterhoff/Freiesleben*.

third party uses the mark merely to describe the qualities of his goods – particularly the type of cut of the precious stones offered for sale – and which could not be perceived as origin indicator. The ECJ held that in such a situation there is no infringement as “the use of the trade mark does not infringe any of the interests which Article 5(1) is intended to protect.”<sup>49</sup> While perhaps that the court deemed it necessary a source-indicator use for Art. 5(1) to apply, it did not expressly say so.<sup>50</sup> Rather, it linked the infringement with the “interests” that Art. 5(1) seeks to protect – without, however, define what those interests are.

In the already commented *Arsenal* case, the issue was more deeply debated. The Advocate General Ruiz-Jarabo Colomer acknowledged that under Article 5(1) and (2) TDM, “the proprietor of a trade mark may not prevent any use of a sign, but only uses whose purpose is to distinguish the goods or services to which it relates from those of other undertakings. Otherwise, Article 5(5) would have no *raison d'être*.”<sup>51</sup> That is, “the proprietor may object to the use by a third party of his trade mark as such.”<sup>52</sup> Nonetheless, the AG’s argued that uses which do not indicate provenance, but quality, or reputation, or which are made for advertising or for informative purposes, are also forms of using the mark “to distinguish” – or using it “as such”,<sup>53</sup> which may be prevented by the trademark owner.<sup>54</sup> Under this interpretation, the traditional view of the trademark use as a source indicator use – or, at the very least, as a use which is liable to affect the origin function of the trademark – is completely abandoned. While the court’s judgment in *Arsenal* – as noted above – ultimately resolved the issue on the grounds that the third party use was prejudicial to the origin function, it arguably accepted the broad reading proposed by the AG. That is, that the trademark owner might object as well to uses liable to affect *other* functions of the mark.<sup>55</sup> In what appears to be a follow up of the idea already put forward in *Hölterhoff*<sup>56</sup> with regards to the “interests” protected by Art. 5(1) TDM, the ruling in *Arsenal* holds that

“the exclusive right under Article 5(1)(a) of the Directive was conferred in order to enable the trade mark proprietor to protect *his specific interests* as proprietor, that is, to ensure that the trade mark can fulfill *its functions*. The exercise of that right must therefore be reserved to cases in which a third party's use of the sign

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<sup>49</sup> *Id.*, §16.€

<sup>50</sup> See, however the Opinion of Advocate General F.G. Jacobs, delivered on 20 September 2001, in the Case C-2/00, *Hölterhoff/Freiesleben*, § 37, where this was made explicit.

<sup>51</sup> *Arsenal*, Opinion AG, § 38 (internal citations omitted).

<sup>52</sup> *Id.*, § 40 (internal citation omitted).

<sup>53</sup> *Id.*, § 43

<sup>54</sup> *Id.*, § 44

<sup>55</sup> The court itself has interpreted *Arsenal* this way in subsequent rulings. See eg ECJ 18 June 2009, Case C-487/07, *L'Oréal/Bellure*, § 60; CJEU 22 September 2011, Case C-323/09, *Interflora/Marks & Spencer*, § 39.

<sup>56</sup> See ECJ 14 May 2002, Case C-2/00, *Hölterhoff/Freiesleben*, § 16. See A. SUÑOL LUCEA, «El presupuesto de uso...», *op. cit.* at 36 (rightly noting that this outcome had already been timidly advanced in *Hölterhoff*).

affects or is liable to affect *the functions* of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods.”<sup>57</sup>

This language clearly suggest that the trademark owner might also prevent uses affecting functions other than the so-called essential one – that of indicating origin.<sup>58</sup> The court specifically notes that a use “to distinguishing goods or services” ultimately means a use that can affect the trademark owner’s “own interests as proprietor of the mark, *having regard to its functions*”.<sup>59</sup>

The ECJ’s new perspective is reiterated in subsequent rulings, for instance in *Anheuser-Busch*,<sup>60</sup> and somehow more clearly in the *Adam Opel* case, seen above.<sup>61</sup> Some months later the mention to the functions – in plural – protected under Art. 5(1)(a) TDM can be seen again in the *Céline* case<sup>62</sup>. However, it is in *L’Oréal/Bellure* where the new interpretation based on the functions of the mark is explicitly postulated for the first time to its full extent. There the court noted that Art. 5(1)(a) enables the trademark owner to prevent third party uses of the sign that affect or are liable to affect the functions of the trademark, and expressly asserted that “[t]hese functions include *not only* the essential function of the trade mark, which is to guarantee to consumers the origin of the goods or services, *but also* its other functions, in particular that of guaranteeing the quality of the goods or services in question and those of communication, investment or advertising.”<sup>63</sup> In the ruling, the court states that under Art. 5(1)(a) TDM, the owner “is entitled to prevent the use by a third party . . . even where such use is not capable of jeopardising the essential function of the mark, which is to indicate the origin of the goods or services, provided that such use affects or is liable to affect one of the other functions of the mark.”<sup>64</sup>

## 5. The advertising and investment functions

Following this new approach, the ECJ has already dealt specifically with the advertising and investment functions. The eventual prejudice to the advertising

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<sup>57</sup> *Arsenal*, §51 (emphasis added).

<sup>58</sup> See *Vid. I. SIMON FHIMA*, «How Does “Essential Function” Doctrine...», *op. cit.* at 412, fn 45. See also *J. DAVIS*, «Between a sign and a brand...», *op. cit.* at 86. See also *Interflora*, § 39.

<sup>59</sup> *Arsenal*, §§ 53-54.

<sup>60</sup> ECJ 16 November 2004, Case C-245/02, *Anheuser-Busch*, § 59.

<sup>61</sup> See *Adam Opel*, §§ 21-25.

<sup>62</sup> ECJ 11 September 2007, Case C-17/06, *Céline*, § 26.

<sup>63</sup> ECJ 18 June 2009, Case C-487/07, *L’Oréal/Bellure*, § 58 (emphasis added). Advocate General Jacobs, in the Opinion in *Christian Dior/Evora* C-337/95, § 42, had already referred to the functions of communication, investment and advertising, though considering them as a mere consequence of the origin function. See *D. MEALE & J. SMITH*, «Enforcing a trade mark when nobody’s confused: where the law stands after *L’Oréal* and *Intel*», *JIPLP* 5(2) (2010), pp. 96 ff. (99). Although the list on *L’Oréal/Bellure*, § 58 does not seem to be a closed one, those four functions – quality, communication, investment and advertising – in addition to the origin function, are those the ECJ has so far considered in subsequent rulings. See *A. PÉREZ VAN KAPPEL*, «La “juridificación” de las otras funciones de las marcas registradas por el Tribunal de Justicia de la Unión Europea», *GJ* 27 (2012), pp. 37 ff.

<sup>64</sup> *L’Oréal/Bellure*, ruling #2

function was addressed for the first time in the *Google France* case,<sup>65</sup> which examined the use by internet advertisers of someone else's trademarked words as keywords to trigger ads in a search engine like Google. The ECJ held there that

“the proprietor of a trade mark is entitled to prohibit a third party from using, without the proprietor's consent, a sign identical with its trade mark in relation to goods or services which are identical with those for which that trade mark is registered, in the case *where that use adversely affects the proprietor's use of its mark as a factor in sales promotion or as an instrument of commercial strategy.*”<sup>66</sup>

This description is remarkably broad and arguably liable to increase legal uncertainty, particularly taking into account that it is not required that the third party use affects in any way the function of indicating origin.<sup>67</sup>

In addressing the particular case, the ECJ noted that that the use of the mark as a keyword to display ads “is liable to have certain repercussions on the advertising use of that mark by its proprietor and on the latter's commercial strategy.”<sup>68</sup> Nonetheless, assuming that when a user enters the name of a trademark as a search term, the home page of the trademark owner will appear on the list of the natural results, the court underscored that those repercussions “do not of themselves constitute an adverse effect on the advertising function of the trade mark.”<sup>69</sup> The court in fact concluded that “use of a sign identical with another person's trade mark in a referencing service such as that at issue in the cases in the main proceedings is not liable to have an adverse effect on the advertising function of the trade mark.”<sup>70</sup>

## 6. The investment function

The investment function of a trademark was analyzed by the ECJ in *Interflora*<sup>71</sup>, again a case dealing with the use of a third-party trademark as a keyword for triggering the display of Google ads. The court defined the “investment function” as the use of the mark by its proprietor “to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty”<sup>72</sup>. The court noted that while this investment function “may overlap with the advertising function, it is none the less distinct from the latter. Indeed, when the trade mark is used to

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<sup>65</sup> CJEU 23 March 2010, Joined Cases C-236/08 to C-238/08, *Google France*, §§ 91 ff.

<sup>66</sup> *Id.*, § 92.

<sup>67</sup> *Id.*, § 79.

<sup>68</sup> *Id.*, § 93.

<sup>69</sup> *Id.*, §§ 95, 98.

<sup>70</sup> *Id.*, § 98.

<sup>71</sup> CJEU 22 September 2011, Case C-323/09, *Interflora/Marks & Spencer*.

<sup>72</sup> *Id.*, § 60.

acquire or preserve a reputation, not only advertising is employed, but also various commercial techniques.”<sup>73</sup>

The investment function would be adversely affected when the third party use “*substantially* interferes with the proprietor’s use of its trade mark to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty”.<sup>74</sup> And, if the trademark “already enjoys such a reputation, the investment function is adversely affected where use by a third party of a sign identical with that mark in relation to identical goods or services affects that reputation and thereby jeopardizes its maintenance.”<sup>75</sup> In those cases, the trademark owner is entitled to prevent the third-party use under Art. 5(1)(a) TMD. However, the court underlines,

“it cannot be accepted that the proprietor of a trade mark may – in conditions of fair competition that respect the trade mark’s function as an indication of origin – prevent a competitor from using a sign identical with that trade mark in relation to goods or services identical with those for which the mark is registered, if the only consequence of that use is to oblige the proprietor of that trade mark to adapt its efforts to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty. Likewise, the fact that that use may prompt some consumers to switch from goods or services bearing that trade mark cannot be successfully relied on by the proprietor of the mark.”<sup>76</sup>

The determination of whether or not in the particular case the non authorized use prejudiced the investment function was left by the ECJ to the national court.

#### **IV. EXPANDING TRADEMARK RIGHTS BEYOND THE TRADEMARK DIRECTIVE**

In the previous parts we have seen how the ECJ has broadened the scope the trademark owner’s right to prevent third-party non authorized uses of his or her trademark. This evolution does not comport well with the Trademark Directive, particularly as regards to the reach Art. 5(1)(a) TMD, which deals with situations of double identity.

The Preamble to the TMD states that the protection conferred by the registered trademark “should be absolute in the case of identity between the mark and the sign and the goods or services.”<sup>77</sup> This “absolute” protection, however, does not mean that a trademark owner will always be able to prevent third party uses, as

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<sup>73</sup> Id., § 61.

<sup>74</sup> Id., § 62, emphasis added.

<sup>75</sup> Id., § 63.

<sup>76</sup> Id., § 64.

<sup>77</sup> Recital 11, European Union Council Directive 2008/95, to approximate the laws of the Member States relating to trade marks (codified version), 2008 O.J. (L 199) 25. The same statement was made in Recital 10 in the Preamble to the Council Directive 89/104/EEC, O.J. (L 40) 1.

the ECJ itself has acknowledged.<sup>78</sup> Rather, this protection is subject to the general threshold requirements already discussed, namely a use in trade, in relation to goods or services – in this case a use of an identical mark for identical goods or services – and made for the purposes of distinguishing goods or services. The latter requirement, traditionally understood as a use to indicate origin, has been changed by the ECJ into a use liable to affect the functions of the trademark.

While the court utilizes a language that seems to favor a narrow approach – underlining that the owner's right to object “right must be *reserved* to cases in which a third party's use of the sign affects or is liable to affect the functions of the trade mark”,<sup>79</sup> in fact it substantially expands its reach. It does so by abandoning the trademark use requirement and granting protection on the basis of a potential affectation to functions not related with the essential one of indicating provenance, and thus, allowing the owner to prevent uses which do not pose any risk of confusion as to the source.

In this way, Art 5(1)(a) TMD is used to protect interests typically pertaining to reputed trademarks, albeit avoiding the conditions set forth for those purposes in Art. 5(2) TMD. Indeed, the enhanced protection granted by Art. 5(2) TMD, allows the owner of a reputed trademark to object to a use made “without due cause” that “takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.”<sup>80</sup> This protection, moreover, unlike that provided for by Art. 5(1), is discretionary for Member States.<sup>81</sup> With the trademark functions doctrine as proposed by the ECJ, Art. 5(1)(a), however, the different scope of Art. 5(1) and 5(2) is blurred,<sup>82</sup> and it must be noted that Art. 5(1)(a) TMD is not well equipped to provide a protection which was established only for reputed marks under Art 5(2), as the former lacks the adequate safeguards for the legitimate interests of the third parties.<sup>83</sup> The broad interpretation of the trademark use

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<sup>78</sup> See eg. ECJ 25 January 2007, Case C-48/05, *Adam Opel/Autec*. For a critique on this point see C. GIELEN y A. M. VERSCHUUR, «adidas v. Marca II: Undue Limitations of Trade Mark Owner's Rights by the European Court of Justice?», *EIPR*, 30(6) (2008), pp. 254 ff. (255-256).

<sup>79</sup> ECJ 18 June 2009, Case C-487/07, *L'Oréal/Bellure*, § 58 (emphasis added). See also *Interflora*, § 37).

<sup>80</sup> Art. 5(2) TMD.

<sup>81</sup> See ECJ 9 January 2003, Case C-292/00, *Davidoff/Gofkid*, § 18. In practice, all Member States but Cyprus have implemented this provision. See Max Planck Institute for Intellectual Property and Competition Law, *Study on the Overall Functioning...* *op. cit.*, para 2.148.

<sup>82</sup> Some commentators have considered this to be a *contra legem* interpretation. Así M. SENFTLEBEN, «Adapting EU Trademark Law...» *op. cit.*

<sup>83</sup> En este sentido, el estudio del Max Planck señala que «[u]nder current law, the use of a trade mark as a correct identification of the trade mark owner's own products (referential use) has been held to be use of the mark in relation to the third party's own products (O2). Furthermore, it was held that Article 5 (1) (a) not only protects the essential function of indicating origin but also other functions such as the quality, investment or communication function (L'Oréal). As a result, many cases of referential use may come within the scope of Article 5 (1) (a) TMD and Article 9 (1) (a) CTMR. The protection afforded by this provision, however, is “absolute” in the sense that it does not depend on any balancing of interests, apart from a functional analysis. Although many cases of “honest referential use” will constitute comparative advertising and will hence come under Article 4 of Directive 2006/114/EC, the present state of law is unsatisfactory». *Vid.* Max Planck Institute for Intellectual Property and Competition Law, *Study on the Overall Functioning of the European Trade*

condition – if not the complete disposal of it – along with the acceptance of a *numerus apertus* of potentially protected trademark functions, thus arguably expands the monopoly conferred to the trademark owner beyond the limits envisaged by the TMD.

One may hope that the ECJ will use these new possibilities of protection in a prudent and reasonable manner. However, the need for legal certainty and respect for the balance with legitimate rights and interest of third parties suggests the need that the future Trademark Directive and Community Trademark Regulation ensure that the right to prevent unauthorized uses is balanced with some limits that may allow appropriate room for referential, comparative, decorative or parody uses,<sup>84</sup> thus achieving the equilibrium trademark law requires as a form of limited monopoly over marks.<sup>85</sup>

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*Mark System*, Munich, 15 February 2011, available at [http://ec.europa.eu/internal\\_market/indprop/tm/index\\_en.htm](http://ec.europa.eu/internal_market/indprop/tm/index_en.htm), para 2.260.

<sup>84</sup> See the proposals put forward by the Max Planck Institute for Intellectual Property and Competition Law, *Study on the Overall Functioning... op. cit.*, para 2.223 ff; 2.254 ff.

<sup>85</sup> See the revision of the EU trademark system which is currently being discussed: [http://ec.europa.eu/prelex/detail\\_dossier\\_real.cfm?CL=en&DosId=202518#1213681](http://ec.europa.eu/prelex/detail_dossier_real.cfm?CL=en&DosId=202518#1213681)