

Keywords and Resales and Other Fair and Referential Uses

Victoria McEvedy

Principal, McEvedys, Solicitors & Attorneys Ltd.

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Introduction

Recent decisions show the courts struggling to apply trade mark law online. These battles have focused on keywords and resellers and the limits of exhaustion and honest, fair and descriptive uses. We look briefly at the approach in the United States before examining the position in Europe and the case for improved protection for fair use and “honest referential use” in EU law, both as recently recommended by the Max Planck Institute.¹

US law

The Federal Trademark Dilution Act (FTDA) added a federal dilution claim to the Lanham Act, 15 USC §1125(c) and, as amended by the Trademark Dilution Revision Act of 2005 (TDRA), it protects a variety of uses. The section reads as follows:

“§1125(c)(3) Exclusions

The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection:

- (A) Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person’s own goods or services, including use in connection with—
 - (i) advertising or promotion that permits consumers to compare goods or services; or
 - (ii) identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.
- (B) All forms of news reporting and news commentary.
- (C) Any noncommercial use of a mark.”

The drafters acknowledged that the statutory exemptions were consistent with existing case law.² It therefore provides a convenient summary of limits to infringement and a very brief, although far from comprehensive, discussion of certain of those limits follows below.

¹ See Max Planck Institute, *Study on the Overall Functioning of the European Trade Mark System* (February 15, 2011), pp.119 and 123, http://ec.europa.eu/internal_market/indprop/docs/tm/20110308_allensbach-study_en.pdf [Accessed June 21, 2012] (Max Planck Study).

² See 141 Cong. Rec. S19311 (daily edn, December 29, 1995), cited in P. Gulasekaram, “Policing the Border Between Trademarks and Free Speech: Protecting Unauthorized Trademark Use in Expressive Works” (2005) 80 Wash. L. Rev. 887, fn.27.

Statutory fair use

A statutory fair use defence to infringement is provided under §33(b)(4) of the Lanham Act, 15 USC §1115:

“That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party’s individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin; or”

This codified common law fair use which protected the proprietor of a descriptive mark “only” against uses calculated to mislead the public with respect to the origin³ of the goods.⁴ The defence is available only to those who use a word in its common or primary sense. That is, with descriptive terms, trade mark rights “extend only to the source significance that has been acquired by such terms, not to their original descriptive meanings”.⁵ Some degree of consumer confusion is tolerated: see *KP Permanent Make-Up, Inc v Lasting Impression, Inc*.⁶ Given the narrow reach of this statutory defence, other judge-made categories of non-infringing fair use developed for nominative fair use, comparative advertising and parody.⁷

Nominative fair use

In nominative fair use cases, the mark is used to refer to or describe the plaintiff’s own goods or services. The Ninth Circuit named this nominative fair use⁸ in *New Kids on the Block v News Am. Publ’g, Inc*.⁹ In that case, a newspaper had conducted polls asking which member of the band New Kids on the Block was the most popular. This use did not fall within the statutory or traditional fair use doctrine as the defendant was using the trade marked term to describe, not its product, but the plaintiff’s and so the factors used to evaluate traditional fair use were inapplicable. The court made it clear that the use can be commercial and still be nominative—and gave the following example:

“[As to] the trademarked term, ‘Chicago Bulls’ ... one might refer to the ‘two-time world champions’ or ‘the professional basketball team from Chicago,’ but it’s far simpler (and more likely to be understood) to refer to the Chicago Bulls.”

Such a use of the trade mark would “not imply sponsorship or endorsement of the product because the mark is used only to describe the thing, rather than to identify its source”. In *Playboy Enterprises Inc v*

³ US trade mark law is premised on source theory: see *Smith v Chanel* 402 F. 2d 562 (9th Cir. 1968): “[T]he traditionally accepted premise that the only legally relevant function of a trademark is to impart information as to the source or sponsorship of the product.”

⁴ See N. Ewelukwa, “Comparative Trademark Law: Fair Use Defense in the United States and Europe—The Changing Landscape of Trademark Law” (2006) 13(97) *Widener Law Review* 98, 110 fn.89, citing *Cosmetically Sealed Indus., Inc v Chesebrough-Pond’s USA Co* 125 F. 3d 28, 30 (2d Cir. 1997) (citation omitted) (“Fair use is a defense to liability under the Lanham Act even if a defendant’s conduct would otherwise constitute infringement of another’s trademark”); *Car-Freshner Corp v S.C. Johnson & Son, Inc* 70 F. 3d 267, 269 (2d Cir. 1995) (“It is a fundamental principle marking an outer boundary of the trademark monopoly that, although trademark rights may be acquired in a word or image with descriptive qualities, the acquisition of such rights will not prevent others from using the word or image in good faith in its descriptive sense, and not as a trademark”); *Sunmark, Inc v Ocean Spray Cranberries, Inc* 64 F. 3d 1055, 1058 (7th Cir. 1995); *Abercrombie & Fitch Co v Hunting World, Inc* 537 F. 2d 4, 12 (2d Cir. 1976); Restatement (Third) of Unfair Competition §28 cmt. See also at 131.

⁵ See N. Ewelukwa, “Comparative Trademark Law” (2006) 13(97) *Widener Law Review* 98, 111 fn.97.

⁶ *KP Permanent Make-Up, Inc v Lasting Impression, Inc* 540 U.S. 1099 (2004).

⁷ See B.H. Celedonia and K. Doyle, “US Statutory and Nominative Fair Use under the Lanham Act” (November 2006), <http://www.mondaq.com/unitedstates/article.asp?articleid=44468> [Accessed July 12, 2012].

⁸ See also the earlier case of *WCVB-TV v Boston Athletic Ass’n* 926 F. 2d 42 (1st Cir. 1991), as to whether the registered trade mark BOSTON MARATHON was used by a television station in connection with its coverage of the running event, WCVB-TV displayed the words “Boston Marathon” on the screen as part of their coverage of the actual marathon. The First Circuit found that the fair use defence was properly asserted, as the trade mark was used primarily in a descriptive manner. The court concluded that without allowing others to use the term “Boston Marathon” it would be impossible to describe the Boston Marathon. See also *Lewis v Rocky Mountain Internet* 96-CV-4693 (D. Colo. September 26, 1997): the plaintiff fan site posted information and logos and other information on the Colorado Rockies major league baseball team “the Rockies” on their site and sought a declaration they were not infringing the Rockies’ marks. The Rockies sued. The injunction granted was not a total prohibition, thus recognising descriptive or nominative uses.

⁹ *New Kids on the Block v News Am. Publ’g, Inc* 971 F. 2d 302 (9th Cir. 1992).

Welles (website and metatag use by a former playmate of the year, who accurately described herself and disclaimed any current connection with the claimant was fair),¹⁰ the court found both statutory and nominative fair use protected the use (except a wallpaper use) even where the use also identified the defendant herself. The court held that when dealing with nominative fair use, the traditional likelihood of confusion test should be substituted with the following three-part test from *New Kids on the Block*, whether:

1. the product is “readily identifiable” without use of the mark;
2. the defendant has used more of the mark than “necessary”; and
3. the defendant has falsely suggested he was sponsored or endorsed by the trade mark owner.

Comparative advertising

The use of a mark to identify the mark owner’s product in comparative advertising is not prohibited by statute or common law absent misrepresentation or confusion as to source or sponsorship, see *Smith v Chanel*.¹¹ Following the passage of the TDRA, comparative advertising is protected as “non-dilutive” fair use (see above), “without conditions”. Indeed, very free use may be made of a competitor’s mark, see *August Storck KG v Nabisco, Inc*,¹² where a product could say on its packaging “25 percent lower in calories than Werther’s original candy”. See also *Diversified Marketing, Inc v Estée Lauder, Inc*,¹³ where the slogan “If You Like ESTÉE LAUDER, You’ll Love BEAUTY USA” was held not to dilute as the defendant did “not use the ESTÉE LAUDER name to identify its own product, but simply as a point of comparison”. However, alterations to the mark compared may dilute, as in *Deere & Co v MTD Prods, Inc*,¹⁴ where the defendant’s television advertisement showed a stylised depiction of the plaintiff’s mark being chased around the screen by a stylised depiction of the defendant’s mark and a barking dog. The Second Circuit held, under New York law, that such alterations, for the sole purpose of promoting a competing product, dilute.

Parody

The TDRA provided express protection for parody against federal dilution claims, as noted above. However, parody is not a statutory defence to infringement under USC §1114(1)(a) or other claims. Parody aims to amuse, and not confuse.¹⁵ Different approaches are taken in the circuits. The Second Circuit approach balances the public interest in avoiding consumer confusion against the public interest in free expression.¹⁶ The Ninth Circuit applies nominative fair use.¹⁷ Other courts apply the copyright rule from *Campbell v*

¹⁰ *Playboy Enterprises Inc v Welles* 279 F. 3d 796, 801 (9th Cir. 2002). Use of the title “Playboy Playmate of the Year 1981” and other trade marked terms on her website were in issue. Welles’s website offered information about her and free photos, advertised photos for sale, advertised memberships in her photo club and promoted her services as a spokesperson. A biographical section described Welles’s selection as Playmate of the Year in 1981 and her years modelling for PEI. After the lawsuit began, Welles included discussions of the suit and criticism of PEI on her website and included a note disclaiming any association with PEI. The court noted: “To describe herself as the ‘nude model selected by Mr. Hefner’s magazine as its number-one prototypical woman for the year 1981’ would be impractical as well as ineffectual in identifying Terri Welles to the public.”

¹¹ *Smith v Chanel* 402 F. 2d 562 (9th Cir. 1968). N. Siebrasse, *Comparative Advertising, Dilution and the Meaning of Section 22 of the Trade Marks Act*, Faculty of Law, University of New Brunswick at p.11 fn.29. See also p.48; while there was no dilution statute in 1968, when *Smith v Chanel* was heard, the court considered whether “even in the absence of confusion as to source, use of the trademark of another ‘creates a serious threat to the uniqueness and distinctiveness’”. The argument was rejected on the ground that “Appellants do not use appellees’ trademark as a generic term. They employ it only to describe appellees’ product, not to identify their own”.

¹² *August Storck KG v Nabisco, Inc* 59 F. 3d 616 (7th Cir. 1995).

¹³ *Diversified Marketing, Inc v Estée Lauder, Inc* 705 F. Supp. 128 (S.D.N.Y. 1988).

¹⁴ *Deere & Co v MTD Prods, Inc* 41 F. 3d 39 (2nd Cir. 1994).

¹⁵ J.W. Marshall and N.J. Siciliano, “The Satire/Parody Distinction in Copyright and Trademark Law— Can Satire Ever Be a Fair Use?” http://apps.americanbar.org/litigation/committees/intellectual/roundtables/0506_outline.pdf [Accessed June 21, 2012], citing *Cardtoons, LC v Major League Baseball Players’ Ass’n* 95 F. 3d 959, 967 (10th Cir.1996).

¹⁶ See *Cliffs Notes, Inc v Bantam Doubleday Dell Publ’g* 886 F. 2d 490, 494 (2d Cir. 1989) and *Charles Atlas, Ltd v DC Comics, Inc* 112 F. Supp. 2d 330 (S.D.N.Y. 2000).

¹⁷ See *Mattel, Inc v Walking Mountain Prods* 353 F. 3d 792 (9th Cir. 2003).

*Acuff-Rose Music, Inc*¹⁸ (a work may be fair use where it can be considered transformative).¹⁹ Parody has not protected domain name use where it fails the confusion test.²⁰

The First Amendment and non-commercial use

Criticism, commentary and news reporting are all squarely within the protection of the First Amendment and its prohibition on laws restricting speech. Content-based regulation is only constitutional if it serves a compelling state interest and is narrowly drawn. Some pornography, obscenity and defamatory speech are not protected by the First Amendment. However, internet speech is entitled to full First Amendment protection, as extended to newspapers and other print publications.²¹ Use of a trade mark for critical speech is clearly protected by the First Amendment and this has been applied to a number of the gripe cases involving domain names.²²

However, beginning with *Bigelow v Virginia*,²³ the Supreme Court extended the protection of the First Amendment to commercial speech but recognised a distinction between speech proposing a commercial transaction, which occurs in an area traditionally subject to government regulation, and other varieties of speech.²⁴ The Constitution accords less protection to commercial speech than to other constitutionally safeguarded forms of expression.²⁵ However drawing the distinction between commercial and non-commercial speech can be challenging.

The following test is applied to mixed commercial and non-commercial speech:

1. the contents do no more than propose a commercial transaction;
2. the contents may be characterised as advertisements;
3. the contents reference a specific product; and
4. the disseminator is economically motivated to distribute the speech.

If all are present, there is “strong support” for the conclusion that the speech is commercial.²⁶ If the primary purpose of the speech is “informational”, as opposed to “commercial”, full First Amendment protection applies.²⁷ This recognises that books, movies, religious literature and even political speech may need to generate income but that the rights of the speaker are not lost merely because compensation is received.²⁸

¹⁸ *Campbell v Acuff-Rose Music, Inc* 510 U.S. 569, 577–578 (1994).

¹⁹ See *Harley-Davidson, Inc v Grottanelli* 164 F. 3d 806, 813 (2d Cir.1999); *Elvis Presley Enters, Inc v Capece* 141 F. 3d 188, 199–200 (5th Cir. 1998); and *Tommy Hilfiger Licensing, Inc v Nature Labs, LLC* 221 F. Supp. 2d 410, 415 (S.D.N.Y. 2002).

²⁰ See *PETA v Doughney* 263 F. 3d 359 (4th Cir. 2001) (defendant used peta.org for a site about “People Eating Tasty Animals”—confused).

²¹ See *Reno v ACLU* 521 U.S. 844 (1997).

²² See *Bally Total Fitness Holding Corp v Faber* 29 F. Supp. 2d 1161 (C.D. Cal. 1998) (“Bally sucks” on website was non-commercial and protected critical commentary and the mark was used only to identify the services the subject of the protected speech); see also *Taubman Co v Webfeats*, 319 F. 3d 770, 774 (6th Cir. 2003) (even if economic damage is the effect, the First Amendment protects critical commentary where there is no confusion as to source even where the criticism is of a business); and *Bosley Medical Institute, Inc v Kremer* 403 F. 3d 672, 676–677 (9th Cir. 2005) (distinguishing between uses offering competing goods and services and uses for the expression of opinion about a mark owner’s goods or services). But see *Jews for Jesus v Brodsky*, 993 F. Supp. 282 (D.N.J.) aff’d, 159 F. 3d 1351 (3d Cir. 1998) (enjoining website where the plaintiffs’ marks were not used to identify or describe or as an editorial commentary but to intentionally divert traffic) and, similarly, *PETA v Doughney* 263 F. 3d 359 (4th Cir. 2001).

²³ *Bigelow v Virginia*, 421 U.S. 809 (1975).

²⁴ See *Ohralik v Ohio State Bar Assn* 436 U.S. 447, 455–456 (1978).

²⁵ See *Central Hudson Gas & Electric Corp v Public Service Comm’n of New York* 447 U.S. 557, 562–563 (1980) and *Virginia Pharmacy Board v Virginia Citizens Consumer Council, Inc* 425 U.S. 748, 771–772, n.24 (1976).

²⁶ See Anabelle Torres Colberg, “Trademarks and Political Speech” at <http://www.uprbj.com/wp/wp-content/uploads/2012/06/3.2-UPRBLJ-296-AnnabelleTorres-Trademarks-and-Political-Speech-06-01-2012.pdf> [Accessed July 12, 2012].

²⁷ See *Bolger v Youngs Drug Prods Corp* 463 U.S. 60, 67 (1983)) and *Procter & Gamble v Amway Corp* 242 F. 3d 539 (5th Cir. 2001).

²⁸ Torres Colberg, “Trademarks and Political Speech” at <http://www.uprbj.com/wp/wp-content/uploads/2012/06/3.2-UPRBLJ-296-AnnabelleTorres-Trademarks-and-Political-Speech-06-01-2012.pdf> [Accessed July 12, 2012].

First sale doctrine and related limitations

A trade mark owner's rights under US law are limited to the first marketing, borrowing a doctrine of exhaustion from patent law,²⁹ also known as the first sale³⁰ doctrine.³¹ The doctrine was developed to balance the rights of trade mark owners in preventing the inappropriate use of their marks, with the rights of retailers, second-hand dealers, and consumers to freely display, advertise, and resell the products they lawfully purchased in the market, even if those actions directly compete with the trade mark owner's business activities in the same market.³² Resales under the producer's trade mark thereafter cannot be confusing as the use is in relation to genuine goods.³³ Consumers are not confused as to the origin of the goods as the origin has not changed, so there can be no claim for infringement under the Lanham Act. The trade mark protections of the Act are exhausted after the trade mark owner's first authorised sale of that product. This is subject to the proviso that resales of "materially different" goods from those first sold by the trade mark owner are not protected, as the materially different product may confuse consumers and erode consumer goodwill toward the mark.

In *Prestonettes, Inc v Coty*³⁴ (genuine face powder and perfume was repackaged and rebottled with the contents described as those of the trade mark owner with appropriate statements as to the defendant's responsibility for the product), Justice Holmes said: "[A] trademark only gives the right to prohibit the use of it so far as to protect the owner's goodwill against the sale of another's product as his ...".³⁵ See also *Volkswagenwerk Aktiengesellschaft v Church*,³⁶ where an automobile repairer's business specialising in the repair of Volkswagen and Porsche vehicles traded (after the plaintiff's objection) with the word "Independent" in his advertising, to distinguish his business from those of Volkswagen's authorised dealers. The court noted:

"It is not disputed that Church may specialize in the repair of Volkswagen vehicles. He may also advertise to the effect that he does so, and in such advertising it would be difficult, if not impossible, for him to avoid altogether the use of the word 'Volkswagen' or its abbreviation 'VW,' which are the normal terms which, to the public at large, signify appellant's cars. Cf. *Dodge Bros. v. East*, 8 F.2d 872, 876–877 (E.D.N.Y.1925). But these terms are not public property; they are registered trademarks. The goodwill inherent in them is Volkswagen's property. If another uses the marks in a manner which tends to deceive the public, Volkswagen is entitled to protection. *Mershon Co. v. Pachmayr*, 220 F.2d 879, 883 (9th Cir. 1955). Although he may advertise to the public that he repairs appellant's cars, Church must not do so in a manner which is likely to suggest to his prospective customers that he is part of Volkswagen's organization of franchised dealers and repairmen. *Ford*

²⁹ *Adams v Burke* 84 U.S. 455.

³⁰ This is limited to domestic first sales—subject to a common control exception (permitting parallel imports where the mark owner is the same or subject to common ownership and control unless the products are materially different).

³¹ See *Apollinaris Co Ltd v Scherer* 29 F. 17, 22 (C.C. SDNY 1886); and see I. Avgoustis, "Parallel Imports and Exhaustion of Trade Mark Rights: Should Steps be Taken towards an International Exhaustion Regime?" [2012] E.I.P.R. 108, 115.

³² I. Calboli, "Market Integration and (the Limits of) the First Sale Rule in North American and European Trademark Law" (2011) 51 *Santa Clara Law Review* 1240, 1243.

³³ Calboli, "Market Integration and (the Limits of) the First Sale Rule in North American and European Trademark Law" (2011) 51 *Santa Clara Law Review* 1240, 1250 citing *Sebastian Int'l, Inc v Longs Drug Stores Corp* 53 F. 3d 1073, 1074 (9th Cir. 1995) (the premise of the first sale is that "the consumer gets exactly what the consumer bargains for, the genuine product of the particular producer": at 1075) and (thus "[the] resale by the first purchaser of the original article under the producer's trademark is neither trademark infringement nor unfair competition": at 1074).

³⁴ *Prestonettes, Inc v Coty* 264 U.S. 359 (1924).

³⁵ He continued: "If the name Coty were allowed to be printed in different letters from the rest of the inscription dictated by the district court, a casual purchaser might look no further, and might be deceived. But when it in no way stands out from the statements of facts that unquestionably the defendant has a right to communicate in some form, we see no reason why it should not be used collaterally not to indicate the goods, but to say that the trademarked product is a constituent in the article now offered as new and changed. As a general proposition, there can be no doubt that the word might be so used. If a man bought a barrel of a certain flour, or a demijohn of Old Crow whisky, he certainly could sell the flour in smaller packages or, in former days, could have sold the whisky in bottles, and tell what it was, if he stated that he did the dividing up or the bottling. And this would not be because of a license implied from the special facts, but on the general ground that we have stated." See *Prestonettes* 264 U.S. 359 (1924) at 368.

³⁶ *Volkswagenwerk Aktiengesellschaft v Church* 411 F. 2d 350 (9th Cir. 1969).

Motor Co. v. Helms, 25 F.Supp. 698 (E.D.N.Y.1938); *Yale & Towne Mfg. Co. v. Haber*, 7 F.Supp. 791, 792 (E.D.N.Y.1934); see *Dodge Bros. v. East*, supra, 8 F.2d at 877.”

The court upheld the finding that the prominent use of the word “Independent” whenever the terms “Volkswagen” or “VW” appeared in his advertising, was sufficient to distinguish the defendant’s business to customers. The size, style and appearance of the advertising articles and displays were relevant factors. The defendant did not use Volkswagen’s distinctive lettering style or colour scheme, nor display the encircled “VW” emblem.³⁷

Similarly, in *Bijur Lubricating Corp v Devco Corp*,³⁸ the defendant competed with the plaintiff in the sale of lubricating parts, components and services and used its trade mark in its metatags, such that a search would return natural results that included a web page titled “Bijur replacement lubrication parts by Devco”. The defendant claimed the “Bijur” name was used to sell genuine Bijur products and non-Bijur-manufactured replacement parts, by the words “Replaces Bijur” and “Bijur Replacement Parts”. The District Court concluded that the “first sale” doctrine permitted Devco to use the “Bijur” name to resell genuine Bijur parts, citing *Iberia Foods Corp v Romeo*,³⁹ and the “nominative fair use” doctrine permitted Devco to use Bijur’s trade marks to sell replacement parts⁴⁰ manufactured by third parties.

Keywords and resellers

Recently the first sale doctrine and nominative fair use were analysed in the context of both alleged counterfeit and also genuine second-hand goods sold by resellers in a number of cases involving internet and keyword use.

In *Tiffany (NJ) Inc v eBay, Inc.*,⁴¹ Tiffany complained of eBay’s listing of Tiffany on its website (that could be clicked through, to offerings from third parties) eBay’s advertisement of the sale of Tiffany jewellery on its own home page and its purchase of search engine keywords which prompted the advertisement; “Tiffany for sale. New and Used Tiffany for sale. Check out the deals now! www.ebay.com .” eBay countered that Tiffany was attempting to shut down the legitimate secondary market in authentic Tiffany goods. The District Court, in a thorough and comprehensive judgment, found eBay’s use was nominative fair use. The jewellery was not readily identifiable without use of the mark⁴² and the mark gave the jewellery its cachet. Further, only the name and no more was used. Nothing was done to suggest

³⁷ But see *Volkswagenwerk Aktiengesellschaft v Wheeler* 814 F. 2d 812 (1st Cir. 1987), where the plaintiff enjoined the owners and operators of “The Beetle Barn”, an automobile repair service shop, from using the marks BEETLE, VW and VOLKSWAGEN in any phrase in their advertisements, business cards, or business forms—and the appeals court upheld a finding of infringement but no fair use or other affirmative defence (except estoppel) was raised.

³⁸ *Bijur Lubricating Corp v Devco Corp* 332 F. Supp. 2d 722 (D.N.J. 2004).

³⁹ *Iberia Foods Corp v Romeo* 150 F.3d 298, 301 n.4 (3d Cir. 1998).

⁴⁰ Devco’s statements on the website that its non-Bijur-manufactured replacement parts “Replace[d] Bijur” and that it carried “Bijur Replacement Parts” were not deceptive as a matter of law: A commercial rival is permitted to use the original manufacturer’s name truthfully to describe a replacement part. *Bijur Lubricating Corp v Devco Corp* 332 F. Supp. 2d 722 (D.N.J. 2004) at 730. See *G.D. Searle & Co. v. Hudson Pharm. Corp.*, 715 F.2d 837, 842 (3d Cir.1983); *Hypertherm, Inc. v. Precision Prods., Inc.*, 832 F.2d 697, 700 (1st Cir. 1987); *Elec. Auto-Lite Co. v. P. & D. Mfg. Co.*, 78 F.2d 700, 703 (2d Cir.1935); *Porter v. Farmers Supply Serv., Inc.*, 617 F.Supp. 1175, 1187 (D.Del.1985). For the same reason, Devco’s use of the ‘Bijur’ name in its metatags was permissible. See *Brookfield Commun.*, 174 F.3d at 1065”: *Bijur v Devco* 332 F. Supp. 2d 722, 730 (D.N.J. 2004).

⁴¹ *Tiffany (NJ) Inc v eBay, Inc.* 576 F. Supp. 2d 463 (S.D.N.Y. 2008), affirmed 600 F. 3d 93 (2d Cir. April 1, 2010).

⁴² The judge noted: “To identify Tiffany jewelry without using the term Tiffany—perhaps by describing it as ‘silver jewelry from a prestigious New York company where Audrey Hepburn once liked to breakfast,’ or ‘jewelry bearing the same name as a 1980s pop star’—would be both impractical and ineffectual in identifying the type of silver jewelry available on eBay. Accordingly, the Court finds that the product or service in question is not readily identifiable without use of the TIFFANY Marks”: *Tiffany* 576 F. Supp. 2d 463, 497 (S.D.N.Y. 2008) p.497.

sponsorship or endorsement.⁴³ Genuine Tiffany goods were sold on eBay legally and eBay actively combated infringements.⁴⁴

The appellate court, reviewing the law de novo, found that nominative fair use⁴⁵ was not required to resolve the claim as the law did not reach the use of the marks in connection with the resale of genuine goods.⁴⁶ The court found eBay's use lawful and accurate, in relation to genuine goods and not confusing or suggestive of affiliation or endorsement.⁴⁷ There was no contributory liability⁴⁸ and as eBay did not itself sell the goods at issue, it did not dilute.⁴⁹

Both the Ninth and Fourth Circuits have referred to the ruling in *Tiffany* (above) and considered the nominative fair use test in relation to keywords, and other internet uses, as below.

*Toyota Motor Sales v Farzad Tabari*⁵⁰ was an appeal from an infringement claim in relation to use of "buy-a-lexus.com" and "buyorleaselexus.com" by independent and unauthorised auto brokers marketing genuine Lexus cars sold by authorised Lexus dealers. The injunction granted by the District Court enjoined any use of LEXUS on the basis that a domain name containing a trade mark will generally suggest sponsorship or endorsement. On appeal, Judge Kozinski noted this engaged First Amendment speech concerns. He said the injunction would prohibit "*independent-lexus-broker.com*" and "*we-are-definitely*

⁴³ At most, the use suggested individual eBay sellers were selling authentic Tiffany merchandise. There was scant evidence that use of the Tiffany marks on its site confused customers. They were not confused as to the immediate source of the Tiffany jewellery—i.e. individual eBay sellers. Tiffany's "About Me" page on eBay also operated as a disclaimer that Tiffany did not endorse or sanction the sale of its products through eBay and that they may not be genuine and the only way to be sure one was purchasing genuine goods was to purchase them direct from Tiffany.

⁴⁴ eBay took down listings when Tiffany filed a notice of claimed infringement (NOCI) under eBay's verified rights owner (VeRO) programme and suspended thousands of sellers every year suspected of engaging in infringing conduct. eBay implemented additional anti-fraud measures including delaying the ability of buyers to view listings of certain brand names (including Tiffany) to give right holders time to review listings.

⁴⁵ Noting, "The doctrine of nominative fair use allows '[a] defendant [to] use a plaintiff's trademark to identify the plaintiff's goods so long as there is no likelihood of confusion about the source of [the] defendant's product or the mark-holder's sponsorship or affiliation': *Tiffany* 600 F. 3d 93 (2d Cir. April 1, 2010) at p.17, §4–8, citing *New Kids on the Block* 971 F. 2d 302 (9th Cir. 1992). As endorsed in *Century 21 Real Estate Corp v Lendingtree, Inc* 425 F. 3d 211, 222 (3d Cir. 2005) and referred to in *Univ. Comm'n Sys., Inc v Lycos, Inc* 478 F. 3d 413, 424 (1st Cir. 2007); *Pebble Beach Co v Tour 18 I Ltd* 155 F. 3d 526, 547 (5th Cir. 1998) (abrogated on other grounds). Note that *Century 21 Real Estate Corp* held that nominative fair use is an affirmative defence to a prima facie case of likelihood of confusion—that is, the court adopted a two-step approach to the nominative fair use analysis whereby the plaintiff must first establish that confusion is likely through the application of an abbreviated likelihood of confusion test, and then the defendant would have the opportunity to establish nominative fair use based on a variation on the *New Kids* three-part test. See also *Playboy v Welles* 279 F. 3d 796, 806 (9th Cir. 2002) (holding that an assertion of nominative use gives rise to a modified likelihood of confusion analysis). The court need not choose between these two approaches, as the outcome would be the same under either analytical framework.

⁴⁶ Citing *Prestonettes* 264 U.S. 359, 368 (1924); *Dow Jones & Co v Int'l Sec. Exch., Inc* 451 F. 3d 295, 308 (2d Cir. 2006); and *Polymer Tech. Corp v Mimran* 975 F. 2d 58, 61–62 (2d Cir. 1992) ("As a general rule, trademark law does not reach the sale of genuine goods bearing a true mark even though the sale is not authorized by the mark owner").

⁴⁷ *Tiffany* 600 F. 3d 93 (2d Cir. April 1, 2010) at p.19: "We agree with the District Court that eBay's use of Tiffany's mark on its website and in sponsored links was lawful. eBay used the mark to describe accurately the genuine Tiffany goods offered for sale on its website. And none of eBay's uses of the mark suggested that Tiffany affiliated itself with eBay or endorsed the sale of its products through eBay's website."

⁴⁸ It also rejected Tiffany's argument that even if eBay had the right to use its mark for the resale of genuine Tiffany merchandise, it directly infringed because it knew or had reason to know there was "a substantial problem with the sale of counterfeit [Tiffany] silver jewelry" on the eBay website. Given all that eBay did to deal with illegitimate Tiffany goods, the court concluded that to impose liability because eBay could not guarantee the genuineness of all purported Tiffany products offered would unduly inhibit the lawful resale of genuine Tiffany goods (applying *Inwood Laboratories, Inc v Ives Laboratories, Inc* 456 U.S. 844 (1982)). The court applied the *Inwood* standard to the claim of contributory liability and agreed with the District Court that while eBay clearly possessed general knowledge as to counterfeiting on its website, such generalised knowledge was insufficient under *Inwood* to impose upon eBay an affirmative duty to remedy the problem.

⁴⁹ On the false advertising claims, the appeals court found the advertisements, while not literally false, could be nonetheless misleading and remanded that issue to the District Court noting eBay affirmatively advertised the goods sold through its site as Tiffany merchandise—noting that an online advertiser need not cease advertisements where it knows that not all of those goods are authentic, where a disclaimer might suffice. The District Court had concluded they were not for three reasons. First, the court found that eBay's use of Tiffany's mark in its advertising was "protected, nominative fair use". Secondly, the court found that "Tiffany has not proven that eBay had specific knowledge as to the illicit nature of individual listings", implying that such knowledge would be necessary to sustain a false advertising claim. Finally, the court reasoned that "to the extent that the advertising was false, the falsity was the responsibility of third party sellers, not eBay": *Tiffany* 576 F. Supp. 2d 463, 521 (S.D.N.Y. 2008). On remand, the District Court again ruled in favour of eBay on the last issue on September 13, 2010, *Tiffany v eBay Inc.* [2010] WL 3733894. Tiffany applied for a writ of certiorari by the Supreme Court of the US, which was denied on November 29, 2010, *Tiffany v eBay Inc.* 131 S. Ct 647 (2010).

⁵⁰ *Toyota Motor Sales v Farzad Tabari* No.07-55344 (9th Cir. July 8, 2010).

-not-lexus.com” and “lexusbroker.com” despite their truth and usefulness and the interests of consumer protection.⁵¹ Judge Kozinski continued⁵²:

“When a domain name making nominative use of a mark does not actively suggest sponsorship or endorsement, the worst that can happen is that some consumers may arrive at the site uncertain as to what they will find. But in the age of FIOS, cable modems, DSL and T1 lines, reasonable, prudent and experienced internet consumers are accustomed to such exploration by trial and error ... They skip from site to site, ready to hit the back button whenever they’re not satisfied with a site’s contents. They fully expect to find some sites that aren’t what they imagine based on a glance at the domain name or search engine summary. Outside the special case of *trademark.com*, or domains that actively claim affiliation with the trademark holder, consumers don’t form any firm expectations about the sponsorship of a website until they’ve seen the landing page — if then. This is sensible agnosticism, not consumer confusion ... So long as the site as a whole does not suggest sponsorship or endorsement by the trademark holder, such momentary uncertainty does not preclude a finding of nominative fair use.”

The fact the defendants also sold other types of cars did not render their use of the LEXUS mark unnecessary particularly as they always tried to convince the consumer to first purchase a Lexus or Toyota product and their specialty was Lexus cars. This was appropriate. The company name made no use of the mark, although the mark was used in the domain in advertisements. Use of the LEXUS logo was held to be unnecessary and the judge cautioned that visual images have special power in cyberspace (but noted that the logo use was discontinued by the trial and replaced by a disclaimer). He noted disclaimers are not obligatory for truthful, non-misleading speech, citing *Volkswagenwerk v Church*,⁵³ and dismissed Toyota’s argument that initial interest confusion had already occurred by the time consumers saw the disclaimer).

This was followed and cited in *Network Automation Inc v Advanced System Concepts, Inc*,⁵⁴ where both parties sold scheduling and management software and Network purchased System’s mark (ActiveBatch) as a keyword and when entered into a search engine it prompted a results page showing “www.NetworkAutomation.com” as a sponsored link. The District Court found a likelihood of initial interest confusion,⁵⁵ and granted a preliminary injunction against Network’s use of the mark ActiveBatch. The Appeals Court vacated the injunction, reversed and remanded—as the showing of a likelihood of confusion was insufficient to support injunctive relief. Finding the use was in commerce,⁵⁶ the case on appeal turned

⁵¹ He distinguished “*trademark.com*” from other domains, because the official Lexus site is almost certain to be found at *lexus.com*. He said that *trademark-USA.com*, *trademark-of-glendale.com* or *e-trademark.com* suggest sponsorship or endorsement as consumers expect to find the brand’s local subsidiary, franchise or affiliate, while *official-trademark-site.com* or *we-are-trademark.com* affirmatively suggest sponsorship or endorsement by the trade mark holder and are not nominative fair use.

⁵² *Toyota* No.07-55344 (9th Cir. July 8, 2010) at 1178.

⁵³ *Volkswagenwerk v Church* 411 F. 2d 350, 352 (9th Cir. 1969)

⁵⁴ *Network Automation Inc v Advanced System Concepts, Inc* 638 F. 3d 1137 (9th Cir. 2011).

⁵⁵ Applying the eight-factor test in *AMF Inc v Sleekcraft Boats* 599 F. 2d 341 (9th Cir. 1979). The District Court had analysed whether Network infringed Systems’ mark by creating initial interest confusion—as opposed to source confusion—which “occurs when the defendant uses the plaintiff’s trademark in a manner calculated to capture initial consumer attention, even though no actual sale is finally completed as a result of the confusion”, per *Nissan Motor Co v Nissan Computer Corp* 378 F. 3d 1002, 1018 (9th Cir. 2004). The District Court found that as Network’s advertisements did not clearly divulge their source, it concluded that consumers might be confused into unwittingly visiting Network’s website, allowing the company to “impermissibly capitalize ... on [Systems’] goodwill”. Based on its *Sleekcraft* analysis and its finding of likely initial interest confusion, the District Court had concluded that Systems had a strong likelihood of success on the merits of its trade mark infringement claim and the balance of hardships and the public interest favored Systems.

⁵⁶ Previously, keywords had been assumed to be immune from suit on the basis that they were not a use in commerce until the decision in *Rescuecom Corp v Google Inc* 562 F. 3d 123, 127 (2d Cir. 2009). In *Network* 638 F. 3d 1137, 1144 (9th Cir. 2011), the Appeals Court said: “Previously we have assumed, without expressly deciding, that the use of a trademark as a search engine keyword that triggers the display of a competitor’s advertisement is a ‘use in commerce’ under the Lanham Act. See *Playboy Enters., Inc. v. Netscape Commc’ns Corp.*, 354 F.3d 1020, 1024 (9th Cir.2004); *Brookfield*, 174 F.3d at 1053; see also *Finance Express LLC v. Nowcom Corp.*, 564 F.Supp.2d 1160, 1172–73 (C.D. Cal. 2008). We now agree with the Second Circuit that such use is a ‘use in commerce’ under the Lanham Act. See *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 127 (2d Cir.2009) (holding that Google’s sale of trademarks as search engine keywords is a use in commerce); see also J. Thomas McCarthy, *McCarthy on Trademarks & Unfair Competition* §§ 23:11.50, 25:70:25 (4th ed. 2010) (suggesting that cases taking a more restrictive view of “use” in this context are based on an erroneous interpretation of the Lanham Act).”

on the likelihood of causing consumer confusion. Network argued that its use of System's mark was legitimate "comparative, contextual advertising" which presents sophisticated consumers with clear choices. The court cited its earlier decisions in *Brookfield Commc 'ns, Inc v West Coast Entm't Corp*⁵⁷ and *Playboy v Welles*,⁵⁸ and quoted Judge Berzon below, who cautioned against a broad reading of *Brookfield*:

"[W]hen a consumer is never confused as to source or affiliation ... because the list produced by the search engine so informs him ... the experience of browsing clearly labelled keyword advertisements [was like] shopping at Macy's ... if a shopper en route to the Calvin Klein section is diverted by a prominently displayed Charter Club (Macy's own brand) collection and never reaches the Calvin Klein collection, it could not be said that Macy's had infringed on Calvin Klein's trademark by diverting the customer to it with a clearly labelled, but more prominent display ... Therefore, it would be wrong to expand the initial interest confusion theory of infringement beyond the realm of the misleading and deceptive to the context of legitimate comparative and contextual advertising."⁵⁹

As to whether the use of keywords to trigger a party's own product advertisement was infringement,⁶⁰ the court looked at the various factors and in relation to the type of goods and degree of consumer care, and said:

"A sophisticated consumer of business software exercising a high degree of care is more likely to understand the mechanics of Internet search engines and the nature of sponsored links, whereas an un-savvy consumer exercising less care is more likely to be confused. ... We have recently acknowledged that the default degree of consumer care is becoming more heightened as the novelty of the Internet evaporates and online commerce becomes commonplace"⁶¹

Finally, in *Rosetta Stone v Google Inc*,⁶² Rosetta Stone complained of Google's sale of its marks as keywords. The District Court⁶³ had granted summary judgment to Google, finding no intent to confuse and insufficient evidence of actual confusion as to origin or source, the plaintiff's evidence being unreliable⁶⁴ and de minimis.⁶⁵ The Fourth Circuit vacated and remanded. In issue was the likelihood of confusion.⁶⁶

⁵⁷ *Brookfield Commc 'ns, Inc v West Coast Entm't Corp* 174 F. 3d 1036, 1054 (9th Cir.1999). Brookfield owned the mark "MovieBuff" and the domain, *moviebuffonline.com*. The defendant registered the mark "The Movie Buff's Movie Store" and the domain name *moviebuff.com*, and provided a film database that competed with Brookfield's product. It was held that Brookfield was likely to succeed in its claim to be the senior user of MovieBuff, and that there was a likelihood of source confusion from the domain name and consumer confusion was likely, particularly given the nature of the consumers at issue, who included casual movie watchers unlikely to realise that they had mistakenly clicked on to West Coast's site when they had intended to reach Brookfield's (at 1060) and metatag use was likely to cause not source but initial interest confusion.

⁵⁸ The case had dealt with Netscape's keying practices (a forerunner of AdWords keywords), saying: "Analyzing the nature of the goods and consumer, we 'presume[d]' that the average searcher seeking adult-oriented materials on the Internet is easily diverted from a specific product he or she is seeking if other options, particularly graphic ones, appear more quickly." Id. at 1028. We concluded that there were genuine issues of material fact with respect to whether consumers were likely to be confused by Netscape's keying practices."

⁵⁹ *Network Automation Inc v Advanced System Concepts, Inc* 638 F. 3d 1137 (9th Cir. 2011) at p.1147 and p.1148.

⁶⁰ The Appeals Court noted it had not intended *Brookfield* to be read so expansively as to forever enshrine the three factors—the "Internet trinity" or "Internet troika"—as the test for trade mark infringement on the internet. They are: (1) the similarity of the marks; (2) the relatedness of the goods or services; and (3) the simultaneous use of the Web as a marketing channel. See *GoTo.com, Inc v Walt Disney Co* 202 F. 3d 1199 (9th Cir. 2000).

⁶¹ *Network Automation Inc v Advanced System Concepts, Inc* 638 F. 3d 1137 (9th Cir. 2011) at p.1152.

⁶² *Rosetta Stone v Google Inc* F. 3d, No.10-2007, 2012 WL 1155143 (4th Cir., April 9, 2012).

⁶³ *Rosetta Stone v Google Inc* 730 F. Supp. 2d 531 and 732 F. Supp. 2d 628 (E.D. Va. 2010).

⁶⁴ It comprised the testimony of five individuals out of more than 100,000 impressions over six years. Further, their only confusion was whether or not the products were genuine—not the links—but the sites from which they were buying and the sources by which the counterfeits were located were Craigslist and spam—not Google. Further, the survey evidence was unreliable.

⁶⁵ The District Court found the average consumer for the plaintiff's language products comprised well-educated consumers who could afford to spend hundreds of dollars on the software and were likely to do their research and whose "expertise and sophistication would tend to demonstrate that they are able to distinguish between the Sponsored Links and organic results displayed on Google's search results page".

⁶⁶ The court applied the nine-factor inquiry from *George & Co LLC v Imagination Entm't Ltd* 575 F. 3d 383, 393 (4th Cir. 2009):

1. the strength or distinctiveness of the plaintiff's mark as actually used in the marketplace;
2. the similarity of the two marks to consumers;
3. the similarity of the goods or services that the marks identify;
4. the similarity of the facilities used by the mark holders;
5. the similarity of advertising used by the mark holders;
6. the defendant's intent;
7. actual confusion;

As to Rosetta Stone's argument that the District Court had not considered all factors, the court said that was not necessary, particularly where the use is referential or nominative in nature, as a nominative use is one in which the defendant uses the plaintiff's trade mark to identify the plaintiff's own goods, citing *Century 21 Real Estate Corp v Lendingtree, Inc.*,⁶⁷ *Tiffany v eBay* and *New Kids on the Block*. However, the court made clear that it was not approving or applying a nominative fair use defence. The decision to vacate and remand was focused on a re-analysis of the evidence and a view that the District Court had discounted certain evidence and in particular, the consumer sophistication factor.⁶⁸ As to contributory infringement, the court concluded that the evidence was sufficient to raise the question whether Google continued to supply its services to known infringers and the District Court's reliance on *Tiffany* was not helpful in a summary judgment context. As to dilution, the District Court had granted summary judgment for Google on two bases, first, that Rosetta Stone was required and failed to present evidence that Google was "us[ing] the Rosetta Stone Marks to identify its own goods and services" under the statutory "fair use" defence and secondly, that there was no evidence of dilution by blurring when Rosetta Stone's brand awareness has only increased. The court concluded that that analysis had omitted good faith and collapsed the fair use defence into one question—whether or not Google used the marks as a source identifier for its own products. It remanded for reconsideration of Rosetta Stone's dilution claim and said if Rosetta Stone made a prima facie case of confusion,⁶⁹ the court should re-examine the nominative fair use defence.

EU law

In EU law, the law on national registered marks has been harmonised by Directive 2008/95 to approximate the laws of the Member States relating to trade marks (TMD) (replacing Directive 89/104 under which many of the cases discussed in this article were decided. The relevant articles have the same numerical value). The TMD is not self-executing or directly enforceable in EU Member States but is implemented into national law, with limited and prescribed options for national variation. The unitary single registered Community trade mark is the subject of direct legislation and is governed by the Community Trade Mark Regulation (Regulation 207/2009 of February 26, 2009) which in relevant aspects contains identical parallel provisions.

Under the TMD, once an infringing use is established under art.5(1), defences or exceptions and limitations may apply, including honest descriptive use and exhaustion. However, for art.5(2), the dilution provision, trade mark exceptions do not play an independent role as uses of reputation marks which would benefit from one of the exceptions are made "with due cause". In order to first reach infringing use, the use must be use "as a trade mark"⁷⁰ and impact an essential function of the mark.⁷¹ That is, the exercise of

8. the quality of the defendant's product; and

9. the sophistication of the consuming public.

⁶⁷ *Century 21 Real Estate Corp v Lendingtree, Inc* 425 F. 3d 211, 217 (3d Cir. 2005).

⁶⁸ "The record includes deposition testimony from Rosetta Stone customers who purchased counterfeit ROSETTA STONE software from sponsored links that they believed to be either affiliated with or authorized by Rosetta Stone to sell genuine software. The evidence also includes an internal Google study reflecting that even well-educated, seasoned Internet consumers are confused by the nature of Google's sponsored links and are sometimes even unaware that sponsored links are, in actuality, advertisements. At the summary judgment stage, we cannot say on this record that the consumer sophistication factor favours Google as a matter of law. There is enough evidence, if viewed in a light most favourable to Rosetta Stone, to find that this factor suggests a likelihood of confusion." See *Rosetta Stone F. 3d*, No.10-2007, 2012 WL 1155143 (4th Cir. April 9, 2012).

⁶⁹ Citing *Louis Vuitton Malletier SA v Haute Diggity Dog, LLC* 507 F. 3d 252, 259 (4th Cir. 2007).

⁷⁰ This was first articulated in *BMW v Deenik* (C-63/97) [1999] E.C.R. I-905; [1999] 1 C.M.L.R. 1099 at [38]: the "scope of application of Article 5 (1) and (2) of the 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". Note that traditionally under English law prior to 1938, this was the basis on which comparative advertising was protected although the language used is "use as a trade mark" that is, "for the purpose of indicating, in relation to the goods upon or in connection with which the use takes place, the origin of such goods in the user of the mark". See *Irving's Yeast-Vite Ltd v F.A. Horsenail* (1934) 103 Ch. D. 106 HL ("Yeast Tablets, a substitute for Yeast-Vite" on labels was not use as a mark). See N. Siebrasse, *Comparative Advertising, Dilution and the Meaning of Section 22 of the Trade Marks Act*, Faculty of Law, University of New Brunswick p.8.

⁷¹ In cases under TMD art.5(1) (identity of sign and goods and services). There are six conditions which result from the text of the TMD and the relevant case law and the proprietor of a registered trade mark can only succeed under art.5(1)(a) if the following conditions are satisfied:

1. there must be use of a sign by a third party;
2. the use must be in the course of trade;

the exclusive right for the trade mark owner to protect his specific interests as proprietor is reserved to cases in which a third party's use of the sign affects or is liable to affect the essential functions of the trade mark, including its function as a badge of, or guarantee of, origin.⁷² Although no statutory mention is made of the origin function⁷³ (or indeed other essential functions) of a trade mark, the infringement analysis by the court will include an assessment of whether it is affected. There is a substantial overlap with the requirement that the infringer must use the sign "as a trade mark".

For a trade mark to be able to fulfil its essential role it must offer a guarantee that all the goods or services bearing it have been manufactured or supplied under the control of a single undertaking which is responsible for their quality, and purely descriptive use is excluded.⁷⁴ In that case, Mr Reed sold souvenirs near the grounds of the famous club, including clothing bearing the club's registered mark and name ARSENAL. The court found that this use created the impression of a material link in the course of trade and was liable to jeopardise the guarantee of origin, and the national court took this to mean that the issue was not whether the use was "trade mark use" but whether it was likely to impact the origin function. This case and *Anheuser Busch*,⁷⁵ are authority that, for infringement, the use must be "trade mark use", which is consistent with use to designate origin.⁷⁶

This was applied in *Hölterhoff v Friesleben*,⁷⁷ where a manufacturing jeweller referred to a trade marked cut, "spirit sun", in negotiating a sale of his own goods to a professional jeweller, for descriptive purposes only, to describe characteristics of the product. The court held there was no adverse impact on the origin function and no infringement, as the defendant had revealed the origin of goods which he produced himself and used the sign in question solely to denote the particular characteristics of the goods he was offering for sale so that there was no question of the mark being perceived as a sign indicative of the undertaking of origin. The same approach was adopted in *Adam Opel v Autec*,⁷⁸ where Autec AG manufactured remote-controlled scale model cars, under the trade mark CARTRONIC, including a remote-controlled scale model of the Opel Astra V8 coupé, bearing the Opel logo. Opel had registered the OPEL mark both for motor vehicles and toys. The CARTRONIC mark was clearly visible on the front page of the user instructions accompanying each scale model and also on the front of the remote control transmitter. Opel sought to restrain. Autec argued its use was not "use as a trade mark" and so the origin function of the Opel logo was unaffected, as it was obvious to the public that the scale model did not come from the manufacturer of the vehicle of which it was a replica and the public were not confused by such use, which was common in the toy industry. The court noted that while the use was in the course of trade, the referring court's view that the public was used to replica toys indicated the relevant public did not perceive the Opel logo on the scale models as an indication that those products came from Opel and the use did not affect the essential function of the OPEL mark.

3. the use must be without the consent of the trade mark proprietor;
4. it must be a sign which is identical to the trade mark;
5. it must be in relation to goods or services which are identical to those for which the trade mark is registered; and
6. it must affect or be liable to affect some of the functions of the trade mark.

In cases under art.5(1)(b) (similarity cases), a likelihood of confusion must also be shown: see *Sabel v Puma* (C-251/95) [1997] E.C.R. I-4187, [1998] 1 C.M.L.R. 445; *Lloyd Schuhfabrik Meyer v Klijsen Handel* (C-342/97) [1999] I-3819, [1999] 2 C.M.L.R. 1343; *Marca Mode v Adidas* (C-425/98) [2000] E.C.R. I-4861, [2000] 2 C.M.L.R. 1061; *Canon Kabushiki Kaisha v MGM* (C-39/97) [1999] E.C.R. I-5507, [1999] E.T.M.R. 13; and *Thomson Multimedia v Medion AG* (C-120/04) [2005] E.C.R. I-8551, [2006] E.T.M.R. 13. Cases under art.5(2) do not require any showing of confusion.

⁷² See *Arsenal Football Club v Reed* (C-206/01) [2002] E.C.R. I-10273, [2003] 1 C.M.L.R. 12 at [51]; see also *Anheuser Busch Inc v Budejovický Budvar Narodni Podnik* (C-245/02) [2004] E.C.R. I-10989, [2005] E.T.M.R. 27 at [59]; and *Adam Opel AG v Autec AG* (C-48/05) [2007] E.C.R. I-1017, [2007] E.T.M.R. 33 at [21].

⁷³ See *Max Planck Study* (2011), p.52, para.1.29: "As a matter of principle, trade mark law and free competition are not in conflict with each other. On the contrary, rather than restraining competition, trade marks are indispensable elements for competition to function properly. By providing information about the commercial source of goods or services and thus enabling consumers to repeat purchases that were satisfactory, trade marks provide an incentive for entrepreneurs to invest in quality, and to increase the variety of commodities offered."

⁷⁴ See *Arsenal v Reed* [2002] E.C.R. I-10273; [2003] 1 C.M.L.R. 12 at [54].

⁷⁵ *Anheuser Busch* [2004] E.C.R. I-10989; [2005] E.T.M.R. 27 at [59] and onwards.

⁷⁶ See *BMW* [1999] E.C.R. I-905; [1999] 1 C.M.L.R. 1099.

⁷⁷ *Hölterhoff v Friesleben* (C-2/00) [2002] E.C.R. I-4187; [2002] E.T.M.R. 79.

⁷⁸ *Adam Opel v Autec* [2007] E.C.R. I-1017; [2007] E.T.M.R. 33.

Descriptive use

EU law takes a prescriptive approach to descriptive use and the TMD art.6 conditionally protects three categories of such use:

“Art. 6 “Limitation of the effects of a trade mark

- (1). The trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade:
 - (a) his own name or address;
 - (b) indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of goods or services;
 - (c) the trade mark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts;

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

All classes of protected descriptive use are subject to the express “honest practices” proviso which is a duty to act fairly in relation to the legitimate interests of the trade mark proprietor; an assessment of whether the defendant is unfairly competing with the proprietor.⁷⁹ The protection is not limited to non-trade mark use and trade mark use may be protected under art.6(1)(b) where the use is honest, see *Gerolsteiner Brunnen GmbH & Co v Putsch GmbH*, where Gerolsteiner bottled mineral water and other mineral based drinks and marketed them in Germany under the mark GERRI. It complained of the defendant’s use of “KERRY Spring” for soft drinks manufactured and bottled in County Kerry, Ireland, by the Irish company, Kerry Spring Water, using water from a spring called Kerry Spring. The issue on appeal was whether use “as a trade mark” excluded the application of art.6(1) and the court held that it did not, as the only test in that article was whether the use was in accordance with honest practices—an assessment which would include all of the circumstances and in particular, the shape and labelling of the bottle. See also *Opel v Autec*, where the defendant relied on art.6(1)(b) and the court noted that this article was designed to prevent the mark owner from prohibiting competitors from using one or more descriptive terms, forming part of his trade mark, in order to indicate certain characteristics of their products. The court found that the OPEL logo mark did not indicate the kind, quality or other characteristics of the scale models but was merely an element in the faithful reproduction of the original vehicles.

Although descriptiveness is both a defence or limitation on the rights of a mark owner, it also backs into absolute grounds prohibiting registration of descriptive marks under TMD art.3(1)(c) (in almost identical terms to art.6(1)(b)), unless secondary meaning or “acquired distinctiveness” can be made out under the proviso in art.3(3). However, the need to keep a descriptive term free is not relevant to the assessment under Art.6(1)(b): see *Adidas v Marca Mode* (“the requirement of availability cannot in any circumstances constitute an independent restriction of the effects of the trade mark in addition to those

⁷⁹ See *Gerolsteiner Brunnen GmbH & Co v Putsch GmbH* (C-100/02) [2004] E.C.R. I-2797; [2004] E.T.M.R. 40 at [24] and [26]; *Anheuser-Busch* [2004] E.C.R. I-10989; [2005] E.T.M.R. 27 at [82] and [84]; *Gillette Co v LA-Laboratories Ltd Oy* (C-228/03) [2005] E.C.R. I-2337, [2005] 2 C.M.L.R. 62 at [41].

expressly provided for in Art.6 (1)(b) of the [TMD]”).⁸⁰ See also *Hasbro v 123 Nahrungsmittel*,⁸¹ where the claimant sued for infringement of its Play Doh marks by the defendant’s strap line “Yummy Dough—the New—mouldable, edible play dough from MapsToys”. The defendant relied on art.6 and also claimed invalidity on the basis the claimant’s marks were descriptive and non-distinctive. The art.6(1)(b) defence failed on the basis of honest practices and as the defendant’s use went further than a comparison, and was likely to give rise to origin confusion. Arguably this use was descriptive of characteristics of the product; however, the court considered the defendant could have selected other words.

Article 6(1)(c) protects all indications of purpose, and is wider than the examples of spare parts and accessories mentioned. The seminal authority is *BMW v Deenik*, where an independent and unauthorised dealer in BMWs provided repair and maintenance services for BMWs and made reference to that in his marketing. The use in relation to the repair services was protected by art.6(1)(c) and the use was “necessary” to indicate that purpose and in accordance with honest practices.⁸² Similarly, in *Gillette v LA-Laboratories*, Gillette owned the GILLETTE trade mark in Finland for razors and blades. The defendant sold competing razors and blades in Finland under the mark PARASON FLEXOR and its packaging said “All Parason Flexor and Gillette Sensor handles are compatible with this blade”. Gillette complained this created a link or gave the impression that that defendant was authorised by it. The court observed that art.6(1)(c) contained *no criteria* but merely required that use of the trade mark be necessary in order to indicate purpose. Whether the product is represented as being of the same quality as, or having equivalent properties to, the product whose trade mark is being used, is a factor for consideration in the honest practices analysis.⁸³ The position is no different where the third party also markets the product itself.⁸⁴

Comparative advertising

The trade mark owner cannot prevent the use of his trade mark in comparative advertising which satisfies the requirements of Directive 2006/114 art.4 (formerly 84/450 as amended by 97/55) (CAD). This functions as an additional exception which covers some cases of referential use and partly overlaps with TMD art.6(1)(c); see in particular, the OEM cases.⁸⁵ The marks protected include registered and “other

⁸⁰ *Adidas AG v Marca Mode CV* (C-102/07) [2008] E.C.R. I-2439; [2008] E.T.M.R. 44 at [47]. The general interest in keeping descriptive terms available is at not relevant at the registration stage; see *Windsurfing Chiemsee v Huber & Attenberger* (C-108/97 and C-109/97) [1999] E.C.R. I-2779; [1999] E.T.M.R. 585 (as to a geographical term which had acquired a certain degree of distinctiveness through use on the market, the court stated that the threshold for acquired distinctiveness cannot be measured according to the strength of the need to keep the sign available: at [48]). The *Max Planck Study* (2011), however, notes at p.56, para.145 that the standards may differ with the kind of mark and that well known geographical names can only acquire distinctiveness with long-standing and intensive use. The interests of competitors to having a sign kept available was also declared irrelevant for assessing the scope of rights in case of conflict in *Adidas v Marca Mode* at [34]. Similar considerations apply to TMD art.5(2): “It is clear that the requirement of availability is extraneous both to the assessment of the degree of similarity between the mark with a reputation ...”: at [43]. The position is different in relation to colour marks: see *Libertel BV v Benelux-Merkenbureau* (C-104/01) [2003] E.C.R. I-3793; [2005] 2 C.M.L.R. 45, but not yet shape marks, as are only available in limited stock, which means that the exclusive effect of trade mark protection on the availability of the sign for others entails (more or less aggravating) obstacles for competition, to which the law must respond. See the *Max Planck Study* (2011), p.56, paras 1.45 and 1.48.

⁸¹ *Hasbro v 123 Nahrungsmittel* [2011] EWHC 199 (Ch); [2011] E.T.M.R. 25.

⁸² But see also *Volvo v Heritage* [2000] F.S.R. 253 Ch D, where a former authorised Volvo dealer holding himself out as “independent” and “specialist” was held to have intended to confuse where these words were in smaller letters.

⁸³ The court noted the following are not in accordance with honest practices: (a) that done in such a manner as to give the impression that there is a commercial connection between the third party and the trade mark owner; (b) that which affects the value of the trade mark by taking unfair advantage of its distinctive character or repute; (c) that which entails the discrediting or denigration of that mark; (d) where the third party presents its product as an imitation or replica of the product bearing the trade mark of which it is not the owner.

⁸⁴ See *Datacard Corp v Eagle Technologies* [2011] EWHC 244 (Pat); [2012] Bus. L.R. 160, where the claimant was a supplier of card printers and printer ribbons. The defendant sold printer ribbons, including genuine ribbons of the claimant’s as well as its own brand range PLUS-RIBBON. No complaint was made of the use in relation to genuine goods (and as the judge noted at [318], none could be, as this was protected by exhaustion under art.7). As to the use in relation to the own brand, these were spare parts under art.6(1)(c) and the use was necessary to indicate its ribbons were compatible with the claimant’s printers. However the manner of some uses gave the impression of a commercial connection and took unfair advantage (the website use was originally “DATACARD PLUS RIBBON(tm)” (not acceptable) later changed to “Plus-Ribbon™ compatible with Data Card” (acceptable) and the box labels for the own brand included “Datacard card printers” or “Data Card Printers” (not acceptable)).

⁸⁵ The OEM numbers fell within “other distinguishing marks” also protected by the CAD. See *Toshiba Europe v Katun Germany GmbH* (C-112/99) [2001] E.C.R. I-7945; [2002] 3 C.M.L.R. 7; and *Siemens AG v VIPA Gesellschaft für Visualisierung und Prozessautomatisierung mbH* (C-59/05) [2006] E.C.R. I-2147; [2006] 2 C.M.L.R. 32, and the use of the third-party numbers was upheld in both cases.

distinguishing marks” and use of logo marks and visual images are permitted. However, the use must be in relation to objective characteristics and merely calling a competitor’s products to mind is not protected and the CAD gives way where there is a likelihood of confusion with, or dilution of, the mark compared.⁸⁶ The narrow scope of the protection combined with aggressive litigation by rights holders has substantially reduced the protection for honest referential use by competitors.

O2 v Hutchison dealt a serious blow to the potential for honest comparative referential use, in the finding that even use to correctly identify the trade mark owner’s products in a comparative advertisement is use for the infringement analysis under art.5(1) and (2), even when it does not impact the origin function—because “it is aimed at promoting the goods and services of that advertiser”.⁸⁷ The case concerned a mobile telephone provider who complained of the use of its bubble marks by a competitor in a television ad campaign to compare prices. The court noted that while the Community legislature intended to promote comparative advertising to stimulate competition to the consumer’s advantage, where there is a likelihood of confusion for the TMD art.5(1)(b), then the comparative advertisement cannot satisfy the conditions of the CAD. The particular advertisement was not confusing or misleading and the essential functions of the mark were not affected. The court did not go on to the question of whether necessity gives way to indispensability in a comparative advertising context.⁸⁸

*L’Oreal SA v Bellure*⁸⁹ (the “smell-alike” case) confirmed that use of a competitor’s trade mark in comparative advertising constitutes use of that mark in relation to the advertiser’s own goods and services, but that such use is protected if it complies with the CAD. The case concerned the defendant’s marketing of its perfumes by reference to comparison lists indicating the relevant perfume of the claimant’s which it smelt like. The court held the use was not descriptive as it was for advertising even though it accepted the origin function was not affected. It said that exercise of the exclusive right under TMD art.5(1)(a) is 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, and further:

“These 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.”⁹⁰

It was held the defendant’s use was not protected under the CAD as it prohibits any marketing “as a replica or imitation” and as the lists fell foul of this. It also found that the defendant diluted the claimant’s marks by taking unfair advantage and free-riding to benefit from the power and prestige and reputation of the

⁸⁶ Comparative advertising is excluded from the scope of trade mark infringement—provided the advertising meets the conditions laid down in CAD art.4 and does not create confusion or discredit, denigrate or take unfair advantage of the competitor’s mark. These restrictions essentially render the defence useless to infringers.

⁸⁷ *O2 Holdings Ltd v Hutchison 3G UK* (C-533/06) [2008] E.C.R. I-4231; [2008] 3 C.M.L.R. 14 at [35].

⁸⁸ O2 argued that for comparative advertising the use had to be “indispensable”. That term is used in Recital 14 of the CAD (“it may however be indispensable in order to make comparative advertising effective” to identify the goods and services of a competitor making reference to his name or mark).

⁸⁹ *L’Oreal SA v Bellure* (C-487/07) [2009] E.C.R. I-5185; [2010] Bus. L.R. 303.

⁹⁰ *L’Oreal v Bellure* [2009] E.C.R. I-5185; [2010] Bus. L.R. 303 at [58]. Jacob L.J. said in *L’Oreal SA v Bellure* [2010] EWCA Civ 535; [2010] Bus. L.R. 1579 at [65]:

“We are to consider whether the functions of communication, investment or advertising are liable to be affected, even though the use ‘is not capable of jeopardizing the essential function of the mark which is to indicate the origin of the goods.’ I am bound to say that I have real difficulty with these functions when divorced from the origin function. There is nothing in the legislation about them. Conceptually they are vague and ill-defined ... So far as this case is concerned, however, it seems that the Court has indicated the answer as to whether the use is within Art.5(1)(a). According to the Court the use goes beyond ‘purely descriptive’ use because it is used for advertising. A line is apparently to be drawn between something like a discussion between a would-be seller and his potential customer (‘I can supply a diamond cut in the same shape as Spirit Sun’), which is apparently not ‘advertising’ even though ‘Spirit Sun’ is being used to gain a sale, and an out-and-out general purpose advertising aid such as a comparison list. I confess I do not know where that line is, but this case falls the wrong side of it. Why? Because the Court has said so. It regards the use as affecting the communication, advertising and investment functions of the mark.”

Arnold J. echoed Jacob L.J.’s comments and raised concerns about what the essential functions of a trade mark and the criteria for their engagement and maintained a reference to the ECJ in *Interflora v Marks and Spencer* [2010] EWHC 925. but the court declined to elaborate.

marks without financial compensation. On return to the national court, Jacob L.J. questioned why this case of truthful speech fell on the wrong side of the line when *Hölterhoff* did not,⁹¹ and said:

“My final general comment is this. I believe the consequence of the ECJ decision is that the EU has a more “protective” approach to trade mark law than other major trading areas or blocs.”⁹²

The decision is controversial not least as the making of imitations or replicas is entirely lawful. The court clarified:

“The particular object of the condition laid down in Art.3a(1)(h)[CAD] is to prohibit an advertiser from stating in comparative advertising that the product or service marketed by him constitutes an imitation or replica of the product or the service covered by the trade mark. In that regard, as the Advocate General stated in point 84 of his Opinion, it is not only advertisements which *explicitly* evoke the idea of imitation or reproduction which are prohibited, but also those which, having regard to their overall presentation and economic context, are capable of *implicitly* communicating such an idea to the public at whom they are directed.”⁹³

The Max Planck Study⁹⁴ notes the effect of the two decisions above is that honest referential use may fall within the scope of TMD art5.1(a) and the present state of the law is unsatisfactory and recommends an express limitation or defence be introduced.

Keyword use by advertisers may be comparative advertising, as noted by the court in *Google France Sàrl v Louis Vuitton Malletier SA*⁹⁵ (use⁹⁶ of third-party marks as keywords by advertisers is permissible and non-infringing—provided there is no confusion as to whether the goods or services originate from the mark owner or a third party).⁹⁷ The court did not address whether the advertiser’s use was comparative

⁹¹ See *L’Oreal* [2010] EWCA Civ 535; [2010] Bus. L.R. 1579 at [6] and onwards:

“The problem, stated at its most general, is simple. Does trade mark law prevent the defendants from telling the truth? Even though their perfumes are lawful and do smell like the corresponding famous brands, does trade mark law nonetheless muzzle the defendants so that they cannot say so? ... I have come to the conclusion that the ECJ’s ruling is that the defendants are indeed muzzled ... Truth in the market place matters ... The ECJ’s decision in this case means that poor consumers are the losers ... Moreover there is no harm to the trade mark owner — other than possibly a ‘harm’ which, to be fair, L’Oréal has never asserted. That ‘harm’ would be letting the truth out — that it is possible to produce cheap perfumes which smell somewhat like a famous original ... My second reason is more specific. It is about freedom to trade — indeed, potentially in other cases, to compete honestly... If a trader cannot (when it is truly the case) say: ‘my goods are the same as Brand X (a famous registered mark) but half the price’ ... One can think of many others who do the same sort of thing: a generic drug merchant for instance ... Or a dealer in print cartridges.”

He also cited the Constitutional Court of South Africa in *Laugh It Off Promotions v South African Breweries*, May 27, 2005, Case CCT 42/04 (Carling Black label logo used on T-shirts as Carling Black Labour as a reference to its racist labour policies).

⁹² *L’Oreal* [2010] EWCA Civ 535; [2010] Bus. L.R. 1579 at [20].

⁹³ *L’Oreal* [2010] EWCA Civ 535; [2010] Bus. L.R. 1579 at [75] (emphasis added). See also at [76]:

“It is not in dispute that the object and effect of the comparison lists at issue in the main proceedings are to draw the attention of the relevant public to the original fragrance of which the perfumes marketed by Malaika and Starion are purportedly an imitation. Those lists thus attest to the fact that those perfumes are imitations of the fragrances marketed under certain marks belonging to L’Oréal and Others, and they consequently present the goods marketed by the advertiser as being imitations of goods bearing a protected trade mark ... it is irrelevant in that regard whether the advertisement indicates that it relates to an imitation of the product bearing a protected mark as a whole or merely the imitation of an essential characteristic of that product such as, in the present case, the smell of the goods in question.”

⁹⁴ *Max Planck Study* (2011), p.122, §2.260.

⁹⁵ *Google France Sàrl v Louis Vuitton Malletier SA* (C-236/08 to C-238/08) [2011] Bus. L.R. 1.

⁹⁶ Decided under TMD art.5(1)(a), it turns largely on the origin function which keywords do not offend, provided there is no confusion (as described above)—in part due to audience expectation and the neutralising effect of the natural search results and the priority they gave to the mark owner. The “advertising function” was also not engaged on similar reasoning. This enabled Google to bring its European policy into line with its US policy.

⁹⁷ The case decided the following points:

1. a trader does use marks when he buys an keyword and it is use in relation to goods—advertising the goods of the AdWord buyer;
2. the fact he does not use the mark in the sign itself does not take it outside the concept of use;
3. this might be comparative advertising;
4. it is an essential function of a trade mark online that it can advertise goods;
5. whether or not it is infringing use will depend on how it is used;
6. a key factor is whether a searcher can tell whether the goods or services originate from the trade mark owner or a third party. The owner must be entitled to prohibit the display of third-party ads which internet users may erroneously perceive as emanating from the owner;
7. the owner can prevent use adversely that affects his use of its mark as a factor in sales promotion or as an instrument of commercial strategy—but not just because he has to pay more for the keyword himself; and
8. Google does not itself use the marks in the keywords.

advertising but noted that it might be. Shortly thereafter, *Interflora v Marks & Spencer* clarified that if a keyword text enables users to determine that the goods and services offered do not originate from the mark owner, there is no dilution, as the user does not associate the goods or services with those of the mark owner, but rather sees them as *alternatives*. The referring court also sought guidance on the criteria for engaging the new essential functions of communication, investment or advertising but the court did not elaborate. It was clear that the court regarded the advertising function as potentially engaged in *L'Oreal* and although this is not yet clear, there may be an overlap between that function and the luxury goods cases (see below).⁹⁸

These keyword cases,⁹⁹ where advertisers are treated as offering alternatives, are difficult to reconcile with *L'Oreal* and as yet there is no guidance on the difference between alternative or substitute products and “implied imitations”. It is also difficult to reconcile with the decision in *Specsavers v Asda*¹⁰⁰ (infringement found in relation to two strap lines, currently before the European Court of Justice on points related to validity) where a distinction was drawn by the claimant between *L'Oreal* (above) and comparative advertising by legitimate businesses with their own independent reputations. In *Specsavers*, the defendant used a sign which “alluded” to a competitor’s mark, to promote himself advantageously as against that competitor. This was described as “living dangerously” (trying to get as close to the SPECSAVERS marks as it could, without crossing the line)¹⁰¹ and the court held it was not legitimate comparative advertising or offering alternatives. The defendant had decided against a price comparison as it was too difficult to substantiate. Instead, its use was intended to bring the claimant to mind and convey superiority in terms of value, and superiority or parity in the areas of range and professionalism, in a manner which did not involve an objective comparison of verifiable and representative features of the parties’ goods or services. The defendant intended to benefit from the power of attraction of the claimant’s mark and to exploit it, without paying any compensation.

Following *Specsavers*, keyword advertisers may find it difficult to rely on the CAD as most keyword use does not make an objective comparison of verifiable and representative features of the parties’ goods or services.¹⁰²

Exhaustion

EU trade mark law includes a statutory form of regional exhaustion.¹⁰³ The trade mark right in genuine goods is exhausted, and the owner’s right to control the corporeal goods ceases, when he sells/distributes

⁹⁸ See the comments to this effect by Arnold J. in *Datacard* [2011] EWHC 244 (Pat); [2012] Bus. L.R. 303 at [271].

⁹⁹ Subsequent keywords cases have followed: see *BergSpechte Outdoor Reisen v Trekking at Reisen GmbH* (C-278/08) [2010] E.T.M.R. 33 (both parties provide “outdoor” tours such as trekking, adventure and mountain expeditions. The defendant purchased the claimant’s names as keywords and the claimant sought to restrain. Applying *Google* (above), the court held the use could only be restrained if it adversely affected one of the functions of the mark and in particular origin and advertising and based on *Google*—the advertising function was not impaired by the keyword use. Where the ad is vague as to origin, the conclusion must also be that there is an adverse effect on that function of the trade mark). See also *Eis.de GmbH v BBY Vertriebsgesellschaft GmbH* (C-91/09) Order of the Court March 26, 2010 (the parties were competitors in the porn industry and the claimant sued to restrain the defendant’s purchase of its mark as a keyword; *Google* applied).

¹⁰⁰ *Specsavers v Asda* [2012] EWCA Civ 24; [2012] E.T.M.R. 17.

¹⁰¹ This looks very much like a finding of intent but the court made it clear that it was not; see *Specsavers v Asda* [2012] EWCA Civ 24; [2012] E.T.M.R. 17 at [141].

“I do not consider that the ‘living dangerously’ evidence changes this view of the matter. I have set out its significance above. It does not amount to evidence of an intention to confuse. Even if it is evidence of an intention to be close but not so close as to infringe, which is obviously a dangerous tactic, it is still evidence of an intention not to confuse because confusion would be dangerous. The process of starting with *Specsavers* and then moving away ended up with a final design. The real question is, and remains, whether that design confuses, not whether *Asda* hoped that it did not confuse, or hoped that they would get away with not confusing, or thought they had got far enough away. The question is whether they are far enough away.”

¹⁰² But if precise characteristics are compared, a more generous view may be taken: see *Pippig Augenoptik GmbH & Co KG v Hartlauer Handelsgesellschaft mbH* (C-44/01) [2003] E.C.R. I-3095; [2004] 1 C.M.L.R. 39, a price comparison case where the claimant complained it was discredited as the products for comparison were chosen so as to obtain a price difference greater than the average and generally to create the impression that its prices were excessive. This was held not to offend the CAD’s conditions. The competitor’s logo and a picture of its shop were used and the court upheld the use.

¹⁰³ The principle of exhaustion is credited to Joseph Kohler, and his work *Urheberrecht an Schriftwerken und Verlagsrecht* (Stuttgart: Enke, 1907). German authorities used the term “*Erschöpfung*”, meaning exhaustion, at the turn of the century in trade mark and patent cases and then later in relation

the goods within the European Economic Area (EEA) (or by his consent).¹⁰⁴ This is harmonised and codified in the TMD art.7.

“Exhaustion of the rights conferred by a trade mark

- (1). The trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Community under that trade mark by the proprietor or with his consent.
- (2). Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialization of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.”

This comprehensively regulates¹⁰⁵ exhaustion. Article 7 is interpreted in accordance with the European Community Treaty rules on free movement of goods¹⁰⁶ in the single internal market.¹⁰⁷ Facilitating the single/common market is the primary object of the exhaustion rule in the EU; a single market without trade barriers, customs tariffs or duties, all of which are objectionable,¹⁰⁸ unless justified on narrow, defined grounds including protection of industrial and commercial property. The doctrine reconciles the public interest in free trade and competition with exclusive intellectual property rights¹⁰⁹ largely by creating a dichotomy between the “existence” of the intellectual property right, and the “exercise” of that right, which must comply with the Treaty(s).¹¹⁰ The mark owner’s rights are exhausted once he has realised the economic value of the goods and transferred the right of disposal.¹¹¹ Although the language of art.7 is

to copyright. It entered the lexicon of Community law in the mid-1960s with *Consten & Grundig v Commission* (56 and 58/64) [1966] E.C.R. 429; [1966] C.M.L.R. 418 (trade mark licensee of a GRUNDIG mark in France attempted to prevent parallel imports but the ECJ upheld a Commission decision that the agreement restricted competition as it was used to prevent parallel imports of genuine goods within the single market and to partition the single market). Later cases made it clear that the market in question extended to the whole of the Community; see *Deutsche Grammophon v Metro* (78/70) [1971] E.C.R. 487; [1971] C.M.L.R. 631 (copyright) and *Centrafarm v Winthrop* (16/74) [1974] E.C.R. 1183; [1974] 2 C.M.L.R. 480 (trade marks). *Merck & Co Inc v Stephar BV* (187/80) [1981] E.C.R. 2063; [1981] 3 C.M.L.R. 463 clarified that it applied to all forms of industrial property and whether or not a national right is held in a particular member state. Thereafter the principle was enshrined in the TMD art.7 in 1988. Jurisprudence on the balancing of the competing interests engaged when interstate trade might be affected by the exercise of trade mark rights focuses on the essential functions of the marks and the legitimate interests of the proprietor. Modern copyright law also recognises exhaustion and this is provided for in art.6 of the WIPO Copyright Treaty 1996 but is limited to the distribution right and does not apply to the reproduction or making available rights, as recently clarified by the Advocate General in *UsedSoft v Oracle* (C-128/11) A.G. Bot April 24, 2012.

¹⁰⁴ The European Economic Area (EEA), established on January 1, 1994, allows Iceland, Liechtenstein and Norway to participate in the EU’s internal market without a conventional EU membership. In exchange, they are obliged to adopt all EU legislation related to the single market, except laws on agriculture and fisheries. Switzerland has not joined the EEA. The EEA Agreement Annex XVII extended Art.7(1). See [1994] OJ L1/483. See *Kerly’s Law of Trade Marks and Trade Names*, 15th edn, edited by James Mellor et al. (Sweet & Maxwell, 2011), p.537, para.16-083.

¹⁰⁵ The TMD does not leave it open to the Member States to provide in their domestic law for exhaustion of the rights conferred by a trade mark in respect of products put on the market in non-member countries: see *Silhouette International v Hartlauer* (C-355/96) [1998] E.C.R. I-4799; [1998] E.T.M.R. 539 at [26].

¹⁰⁶ See *Bristol Myers Squibb v Paranova* (C-436/93) [1996] E.C.R. I-3457; [1997] 1 C.M.L.R. 1151; and *Frits Loendersloot v George Ballantine & Sons* (C-349/95) [1997] E.C.R. I-6227; [1998] 1 C.M.L.R. 1015—now governed by the Treaty on the Functioning of the European Union (TFEU) since December 1, 2009. See TFEU art.34: “Quantitative restrictions on imports and all measures having equivalent effect shall be prohibited between Member States” and art.36: “The provisions of Articles 28 and 29 shall not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public policy or public security; the protection of health and life of humans, animals or plants; the protection of national treasures possessing artistic, historic or archaeological value; or the protection of industrial and commercial property. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States”. (Formerly arts 30 and 36.)

¹⁰⁷ This was a three-stage test under the relevant articles (now 34–36), namely the rule that restrictions on imports were prohibited unless there was a justification (to be strictly and narrowly interpreted) for the enforcement of a right on grounds of protection of the right but not if its arbitrary or a disguised restriction of trade.

¹⁰⁸ See I. Avgoustis, “Parallel Imports and Exhaustion of Trade Mark Rights” [2012] E.I.P.R. 108, 112.

¹⁰⁹ S. K. Verma, “Exhaustion of Intellectual Property Rights and Free Trade” (1998) 29(5) I.I.C. 534, 538.

¹¹⁰ S. K. Verma, “Exhaustion of Intellectual Property Rights and Free Trade” (1998) 29(5) I.I.C. 534, 547.

¹¹¹ A formulation designed to negotiate definitions of markets, transfers to intermediaries and importers and reservations of title; see *Peak Holding AB v Axolin-Elinor AB* (C-16/03) [2004] E.C.R. I-11313; [2005] 1 C.M.L.R. 45. The concepts of “putting on the market” and “consent” require a uniform interpretation throughout the EU: see *Zino Davidoff SA v ATG Imports Ltd* (C-414/99 to C-416/99) [2001] E.C.R. I-8691; [2002] 1 C.M.L.R. 1. In *Peak Holding*, note also that implied consent cannot be inferred from the fact the goods carry no label prohibiting their resale in the EEA or from the fact that the proprietor of the mark does not impose contractual restrictions on buyers which prohibit the resale of the goods within the EEA, and consent also covers acts undertaken by separate persons or entities who are economically linked to the proprietor in a manner which allows him to exercise control as to the marketing of the products, such as members of the same group of companies, subsidiaries or licensee—see *IHT Heiztechnik v Ideal Standard* (C-9/93) [1994] E.C.R. I-2789; [1994] 3 C.M.L.R. 857. Trade marks are exhausted only with respect to the individual items of the product which have been put on the market: *Sebago Inc v GB Unic SA* (C-173/98) [1999] E.C.R. I-4103; [1999] 2 C.M.L.R. 1317.

limited to goods and exhaustion has not historically applied to services,¹¹² commentators now see no reason in theory why it could not apply to services.

Article 7(2) subjects the principle to legitimate reasons for limiting exhaustion, and established categories include cases where the condition of the goods is altered,¹¹³ they are debranded or repackaged (the pharmaceuticals cases¹¹⁴), luxury goods and commercial connection cases.

Luxury goods cases often concern unlicensed or unauthorised dealers and dilution by tarnishing or blurring. In *Parfums Christian Dior SA v Evora BV*,¹¹⁵ the defendant chain of chemists, Kruidvat, were not authorised distributors for Dior Netherlands but sold Dior products obtained by parallel imports from within the EEA. Dior took exception to a Christmas advertisement featuring the goods—on the basis it did not correspond to their luxurious and prestigious image—and claimed infringement and an order that the defendant desist from use of DIOR marks in catalogues, brochures or advertisements. The court noted that the TMD art. 7 was to be interpreted in the light of the Treaty and that the purpose of the “exhaustion of rights” rule is to prevent owners of trade marks from being allowed to partition national markets and thus facilitate the maintenance of price differences which may exist between Member States. If the right to make use of a trade mark in order to attract attention to further commercialisation was not exhausted in the same way as the right of resale, the latter would be made considerably more difficult and the purposes of exhaustion would be undermined. The court held that where the marketing was by a retailer habitually marketing goods of the same kind (but not quality) in a manner customary in the trade, the marketing could not be opposed unless in the specific circumstances of the case, the use seriously damaged the luxurious and prestigious image of the mark and aura of luxury created by the mark owner’s presentation and advertising of the goods. Some commentators have since described this as damage to the advertising function of the mark.¹¹⁶ This was applied in *Copad SA v Christian Dior Couture SA*.¹¹⁷

Similar issues arise in commercial connection cases, and the seminal case is *BMW v Deenik*, where the defendant sold second-hand BMWs, holding itself out as a “BMW specialist” and/or “specialised in BMWs”, although it was not an authorised or licensed dealer. In relation to the sales of second-hand BMWs, the court considered *Christian Dior* (above) but held that the reseller genuinely specialising in the sale of BMWs could not practically communicate that to his customers without using the BMW mark—so that an informative use of the BMW mark was necessary to guarantee the right of resale under art. 7. The reseller did not take unfair advantage of the distinctive character or repute of that trade mark—unless the advertising might create the impression of a commercial connection between the reseller and the trade mark proprietor, a question of fact for the national court in each case.¹¹⁸

¹¹² See *Kerly's Law of Trade Marks and Trade Names* (2011), p. 513, para. 16-006. See *UsedSoft v Oracle* (C-128/11) A.G. Bot April 24, 2012. Although a copyright case, the Advocate General rejected arguments that exhaustion did not apply. A review of the software cases is beyond the scope of this article but see the discussion in Thomas Schaffit and Tjeerd Overdijk, Polo van der Putt, and Eva de Vries, “Exhaustion and Software Resale Rights” (2011) 2 CRi 33.

¹¹³ See for example *Sony Computer Entertainments Inc v Tesco Stores Ltd* [2000] E.T.M.R. 102 Ch D (UK adaptors added to French Sony Playstations without any notice as to the origin of the adaptor).

¹¹⁴ There has been intense litigation in relation to repackaging of pharmaceuticals. The general rule is that trade mark rights cannot be enforced to prevent parallel imports from elsewhere in the EEA where the importer has repackaged the goods fairly. Rules have developed on what that means. The starting point is the formulation in *Bristol-Myers Squibb v Paranova* [1996] E.C.R. I-3457; [1997] 1 C.M.L.R. 1151, where the court summarised the case law and the conditions that the reseller must satisfy in order to avoid infringement. This applies to repacking, relabelling and rebranding (where the manufacturer uses different marks in different states).

¹¹⁵ *Parfums Christian Dior SA v Evora BV* (C-337/95) [1997] E.C.R. I-6013; [1998] 1 C.M.L.R. 737.

¹¹⁶ *Kerly's Law of Trade Marks and Trade Names* (2011), p. 551, para. 16-127.

¹¹⁷ *Copad SA v Christian Dior Couture SA* (C-59/08) [2009] E.C.R. I-3421; [2009] E.T.M.R. 40. The case concerned resales by a licensed seller (without consent and where consent was sought and refused) of genuine luxury corsetry to a discount house in breach of licence where the court held the sales could be legitimately opposed if damaging, as above.

¹¹⁸ If the trader falls on the wrong side of the divide, he may find that he has to answer for his conduct in passing off, as in *Sony KK v Saray Electronics (London) Ltd* [1983] F.S.R. 302 CA (Civ Div), where a parallel importer was held to have held itself out as an authorised dealer for in part having purported to sell with the manufacturers guarantee (which the altered goods did not have) and was ordered not to deal with the claimant’s goods thereafter without labelling them. See *Kerly's Law of Trade Marks and Trade Names* (2011), p. 526, para. 16-051, noting that passing off and unfair competition are not referred to in art. 34 of the TFEU from which art. 36 derogates, and which must be interpreted strictly, so such claims cannot restrict free movement of goods.

The right extends to all components of the goods, see *Viking Gas A/S v Kosan Gas A/S*,¹¹⁹ where it was held that a trade mark owner who sells a reusable container with his products exhausts his rights in the container (which was also goods and not merely reusable packaging) and cannot prevent the branded second-hand containers being commercially refilled, unless he has a legitimate reason for doing so such as if the manner of the relabelling by the refiller (required by law), was such as to suggest a commercial connection or engaged another legitimate reason for opposing further commercialisation under art.7(2).¹²⁰

Free expression and article 10 ECHR

Article 10 of the European Convention on Human Rights (ECHR) protects freedom of expression,¹²¹ but art.10 rights may be subject to lawful restrictions provided they, as stipulated in art.10(2):

- (a) pursue a legitimate aim or aims;
- (b) are 'prescribed by law' (i.e. easily accessible and formulated with sufficient precision for the ordinary citizen to rely upon them to regulate his conduct); and
- (c) are necessary in a democratic society for the protection of the legitimate aim or aims; including the protection of *the reputation or rights of others, or for preventing the disclosure of information received in confidence*. They must also be proportionate to the end pursued, securing what is necessary for the protection of these aims and no more.¹²²

The emphasised words clearly include intellectual property rights, including trade marks. Article 10 protects commercial speech¹²³ but political and artistic speech are of greatest social significance and therefore likely to receive greater protection from interference or restriction.¹²⁴ Crucially art.10 has no automatic priority over competing Convention rights and a balancing act is required when one or more Convention rights conflict with it.¹²⁵

¹¹⁹ *Viking Gas A/S v Kosan Gas A/S* (C-46/10) [2011] E.T.M.R. 58.

¹²⁰ Although not an exhaustion case, see also *Frisdranken Industrie Winters BV v Red Bull GmbH* (C-119/10) [2012] E.T.M.R. 16 (refilling cans at the order of a third party does not constitute use of the marks by the party filling them nor use in relation to the goods/services for which they were registered such that the mark owner can prevent it, citing *Google France* [2011] Bus. L.R. 1).

¹²¹ ECHR art.10: "Everyone has the right to freedom of expression. This right shall include freedom to hold opinions and to receive and impart information and ideas without interference by public authority and regardless of frontiers. This article shall not prevent States from requiring the licensing of broadcasting, television or cinema enterprises. The exercise of these freedoms, since it carries with it duties and responsibilities, may be subject to such formalities, conditions, restrictions or penalties as are prescribed by law and are necessary in a democratic society, in the interests of national security, territorial integrity or public safety, for the prevention of disorder or crime, for the protection of health or morals, for the protection of the reputation or the rights of others, for preventing the disclosure of information received in confidence, or for maintaining the authority and impartiality of the judiciary." The Convention was implemented in English law by the Human Rights Act 1998 (HRA). By HRA s.6, the court (as a public authority) is required to act compatibly with Convention Rights. By s.1(1) the court is also required to take into account judgments of the European Court of Human Rights.

¹²² See *Goodwin v News Group Newspapers Ltd* [2011] EWHC 1437 (QB) at [626].

¹²³ See *Markt Intern Verlag v Federal Republic of Germany* (1990) 12 E.H.R.R. 161 ECtHR; *Casado Coca v Spain* (1994) 18 E.H.R.R. 1 ECtHR; *Jacobowski v Germany* (1995) 19 E.H.R.R. 64 ECtHR; and *Hertel v Switzerland* (1999) 28 E.H.R.R. 534 ECtHR.

¹²⁴ In *Campbell v MGN Ltd Ltd* [2004] UKHL 22; [2004] 2 A.C. 457, Baroness Hale said at [158]–[159]: "There are undoubtedly different types of speech, just as there are different types of private information, some of which are more deserving of protection in a democratic society than others. Top of the list is political speech. The free exchange of information and ideas on matters relevant to the organization of the economic, social and political life of the country is crucial to any democracy. Without this, it can scarcely be called a democracy at all. This includes revealing information about public figures, especially those in elective office, which would otherwise be private but is relevant to their participation in public life. Intellectual and educational speech and expression are also important in a democracy, not least because they enable the development of individuals' potential to play a full part in society and in our democratic life. Artistic speech and expression is important for similar reasons, in fostering both individual originality and creativity and the free-thinking and dynamic society we so much value. No doubt there are other kinds of speech and expression for which similar claims can be made. But it is difficult to make such claims on behalf of the publication with which we are concerned here. The political and social life of the community, and the intellectual, artistic or personal development of individuals, are not obviously assisted by pouring over the intimate details of a fashion model's private life."

¹²⁵ The following approach is adopted when both art.8 (reputation and privacy) and art.10 rights are involved: (1) neither article as such has precedence over the other; (2) where the values under the two articles are in conflict, an intense focus on the comparative importance of the specific rights being claimed in the individual case is necessary; (3) the justifications for interfering with or restricting each right must be taken into account; (4) finally, the proportionality test—or "ultimate balancing test"—must be applied to each. See *Re S (A Child) (Identifications: Restrictions on Publication)* [2004] UKHL 47; [2005] 1 A.C. at [17].

Pure criticism, comment and artistic speech should not fall within the scope of trade mark law, and some safeguard is provided by the requirements that the use be “as a trade mark” and “in the course of”¹²⁶ trade¹²⁷ and impacting an essential function. However, the course of trade includes activities such as publishing, broadcasting and artistic use. There is an urgent and compelling case for change. Article 10 does not provide a sufficient degree of certainty and the jurisprudence in this area is thin. Further, national courts have taken varied approaches in the past, particularly in cases of comparative advertising. This is flimsy protection; even if it has not caused issues in practice in traditional media, there is greater potential for old boundaries to be strained online. The Max Planck Study recommends that criticism and comment be expressly protected as a category of honest referential use.¹²⁸

By way of example, in *Hertel v Switzerland*,¹²⁹ the claimant, an independent research scientist, conducted a study on the impact of microwaves on food which concluded that they influenced a carcinogenic process. The study was cited in an article in a quarterly publication which called for microwave ovens to be banned. The Swiss Association of Manufacturers and Suppliers of Household Electrical Appliances sued for denigration and unfair competition and sought an undertaking from Mr Hertel not to disseminate his statements. An injunction was granted by the Swiss courts.¹³⁰ Mr Hertel complained that this breached his rights under art.10. The court stated that freedom of expression includes the right to offend, shock and disturb—subject only to exceptions to be construed strictly where there is a pressing social need.¹³¹ This case differed from purely commercial cases as the statements were not purely commercial, but were participation in a debate affecting the general public interest, and on public health. The court found the effect of the injunction was in part to censor Mr Hertel’s work and substantially to reduce his ability to put forward views which had their place in a public debate. It did not matter that his opinion was a minority one and might even be devoid of merit, since it would be unreasonable to restrict freedom of expression only to generally accepted ideas. Accordingly, the injunction could not be considered as “necessary” “in a democratic society” and violated art.10.

Courts facing applications for injunctions to restrain commercial speech must consider whether the relief is necessary to protect the rights and freedoms of others.¹³² Many of the English cases deal with the crossroads between trade libel and infringement and the treatment of the libel rule against prior restraint, also known as the rule in *Bonnard v Perryman*,¹³³ which also applies to malicious falsehood; see *Bestobell v Bigg*¹³⁴.

“In the interests of freedom of speech, the courts will not restrain the publication of a defamatory statement, whether a trade libel or a personal one, where the defendant says he is going to justify it at the trial of the action, except where the statement is obviously untruthful and libellous.”

It has been questioned¹³⁵ whether the rule with its predetermined outcome is compatible with the convention and the balancing act, but it remains good law and was affirmed in *Greene v Associated Newspapers*.¹³⁶ However, a bare statement of intent to defend is not sufficient to engage the rule and the ambit or extent

¹²⁶ The use must be made in the alleged infringer’s own commercial communication; see *Google France* [2011] Bus. L.R. 1 at [56].

¹²⁷ *Arsenal v Reed* [2002] E.C.R. I-10273, [2003] 1 C.M.L.R. 12 at [40].

¹²⁸ See *Max Planck Study* (2011), p.122, para.2.262.

¹²⁹ *Hertel v Switzerland* (1999) 28 E.H.R.R. 534; 5 B.H.R.C. 260.

¹³⁰ Under the relevant local law, “a person acted unfairly if ... he denigrates others or the goods, work, services, prices or business of others by making inaccurate, misleading or unnecessarily wounding statements” and even a person who was not a “competitor of the suppliers or buyers” of such goods could act “unfairly” within the meaning of that statute if he committed an “act of competition”, that is one likely to affect the market.

¹³¹ The court’s task was to look at the interference complained of in the light of the case as a whole and determine whether it was “proportionate to the legitimate aim pursued” and whether the reasons adduced by the national authorities to justify it were “relevant and sufficient”—accepting that there was a margin of appreciation for the local courts to decide whether there was a “pressing social need”.

¹³² See *Kerly’s Law of Trade Marks and Trade Names* (2011), p.885, para.28-013.

¹³³ *Bonnard v Perryman* [1891] 2 Ch. 269 CA.

¹³⁴ *Bestobell v Bigg* [1975] F.S.R. 421 at 421 Ch D.

¹³⁵ See *Sunderland Housing Co v Baines* [2006] EWHC 2359 (QB).

¹³⁶ *Greene v Associated Newspapers* [2004] EWCA Civ 1462; [2005] Q.B. 972.

of the defence must be provided. If the statement complained of is made in a comparative advertisement when the defendant has a commercial interest in diverting trade, so that issues other than pure free speech are engaged, it has been held that the prior restraint rule should not apply to prevent the grant of an injunction.¹³⁷ However in that case Jacob L.J accepted that the general rule is as stated in *Microdata v Rivendale*¹³⁸ and *Service Corp v Channel Four*¹³⁹:

“The rule prohibiting the grant of an injunction where the claim is in defamation does not extend to claims based on other causes of action despite the fact that a claim in defamation might also have been brought, but if the claim based on some other cause of action is in reality a claim brought to protect the plaintiffs’ reputation and the reliance on the other cause of action is merely a device to circumvent the rule, the overriding need to protect freedom of speech requires that the same rule be applied.”¹⁴⁰

The crossroads between expression and trade marks is comparatively under-developed in EU law, although the paucity of cases suggests that historically distinctions have been recognised and speech protected.

Parody

This is a form of criticism or comment¹⁴¹ and EU law does not recognise any express defence protecting for parody.¹⁴² However, it has been suggested that the test for dilution in art.5(2), which requires the use be “without due cause”, would be relevant to any analysis of infringement.¹⁴³ The Max Planck report recommends that parody be expressly protected as a category of honest referential use.¹⁴⁴

Keywords and resellers

The doctrine of exhaustion has been applied to protect resellers in the cases below—with little protection on other grounds given the issues reviewed above.

In *Portakabin v Primakabin*,¹⁴⁵ both parties sold portable structures or cabins and the defendant purchased the claimant’s mark as a keyword and advertised its own structures as well as the claimant’s second-hand ones under it, with the words “new and used” and “used Portakabins”. The court held that exhaustion under the TMD art.7 requires a reseller be free to sell goods placed on the market in the EEA by the proprietor, by reference to the trade marks in order to bring to the public’s attention the further commercialisation of the goods.¹⁴⁶ The claimant was not entitled to prohibit keyword selection by resellers

¹³⁷ See *Boehringer Ingelheim Ltd v Vetplus Ltd* [2007] EWCA Civ 583; [2007] Bus. L.R. 1456, where the parties were competitors in the market for nutritional supplements for animals and the defendant intended to place advertisements in the veterinary press, to the effect that one of the claimants’ products contained significantly less of its principal active ingredient than claimed on its label, and in doing so to use the claimants’ trading name, and that of their product, both of which were registered trade marks). On appeal the court applied the s.12(3) HRA test of whether the claimant would probably succeed at the trial so unless the defendant puts in credible material going to justification then an injunction should be granted. Jacob L.J accepted that the general rule as stated in *Microdata v Rivendale* [1991] F.S.R. 681 CA (Civ Div), and *Service Corp v Channel Four* [1999] E.M.L.R. 83 Ch D, but did not accept that the trade mark infringement action, in respect of comparative advertising, was merely a claim to protect the claimant’s reputation. It is submitted that decision is wrong as the very essence of a passing-off action is protection of reputation; however, in issue was the discretionary remedy of an injunction where the balance of convenience clearly favoured the claimant. See also *Miss World Ltd v Channel Four Television Corp* [2007] E.T.M.R. (use of “Mr Miss World” in name of TV programme was restrained).

¹³⁸ *Microdata v Rivendale* [1991] F.S.R. 681.

¹³⁹ *Service Corp v Channel Four* [1999] E.M.L.R. 83 at 89–90.

¹⁴⁰ See also *Ciba-Geigy v Parke Davis* [1994] F.S.R. 8 Ch D, also a passing-off claim in a case of comparative advertising, where the claim could also have been pleaded in trade libel and where there was a serious issue to be tried, it was held that the appropriate remedy was an injunction that restrained the misrepresentation without infringing on the defendant’s right to free speech.

¹⁴¹ See *Max Planck Study* (2011), p.122, para.2.262.

¹⁴² See *Rowling v Uitgeverij Byblos BV* [2003] E.C.D.R. 23 (as to the book titled *Tanja Grotter and the Magic Double Bass* and the claim that it was confusingly similar to a Harry Potter mark, where the court ignored the question of parody and found dilution).

¹⁴³ See *Kerly’s Law of Trade Marks and Trade Names* (2011), p.471, para.14-112.

¹⁴⁴ See *Max Planck Study* (2011), p.122, para.2.262.

¹⁴⁵ *Portakabin v Primakabin* (C-558/08) [2011] Bus. L.R. 1339.

¹⁴⁶ Per *Parfums Christian Dior* [1997] E.C.R. I-6013, [1998] 1 C.M.L.R. 737 at [38]; and *BMW v Deenik* (C-63/97) [1999] E.C.R. I-905, [1999] 1 C.M.L.R. 1099.

without legitimate reasons (under art.7(2)).¹⁴⁷ The defendant's use was held to be non-infringing.¹⁴⁸ The court reasoned that consumers are familiar with the marketing of second-hand goods under a trade mark, and so it does not create the impression the reseller and the proprietor are economically linked or render an advert seriously detrimental to the reputation of the mark. While the keyword took users to offers for used Portakabins and offers for goods from other manufacturers, this was neither misleading nor gave the defendant a greater advantage "than necessary", where the ads were otherwise honest and fair. It was not a legitimate reason to prevent further commercialisation "unless" the resales by volume, presentation or poor quality risked damaging the image the proprietor had created for the mark.

This was followed in *L'Oreal v eBay*, in which the Advocate General acknowledged his debt to *Tiffany*.¹⁴⁹ On a referral from the English court,¹⁵⁰ L'Oreal complained of sale of counterfeit, unpackaged and parallel, goods sold on eBay, use of its marks on eBay's site and eBay's purchase of its marks as keywords from Google.¹⁵¹ It was common ground between L'Oreal and eBay that two of the 17 items in issue were counterfeits and the other 15 items were genuine. The essential complaint against eBay was that by so using L'Oreal's marks, eBay directed its users to infringing goods and by its close involvement in pre-sale activities and after-sales processes, eBay was involved in the infringements committed by individual sellers and directly liable for infringement.

eBay had installed filters (for listings in contravention of the conditions of use of the site) and had a VeRO (verified rights owner) notice and takedown system which L'Oreal declined to participate in. eBay suspended sellers in breach of the conditions of use. The court below took the view that eBay could do more to reduce the number of infringing sales but it was not legally obliged to do so.

The European Court of Justice noted initially that the exclusive rights conferred by trade marks may be relied on only as against economic operators, that is, the use must take place "in the course of trade" so an individual selling a product bearing a trade mark through an online marketplace, provided he is not a business seller, is not acting in the course of trade.¹⁵² The trade mark owner cannot rely on his exclusive right in the TMD art.5, unless by volume or frequency or other characteristics, the sales fall outside the realm of private activity. Some of the individual defendants in the case had acted as business sellers and the remaining questions were examined only in relation to those. As to the application of art.5 to items outside the jurisdiction, eBay argued a mark owner cannot prevent offers where the goods are in a third state and may never enter the territory. L'Oreal countered that offers *targeted* at consumers in the territory covered by the trade mark is sufficient and the court agreed, but noted that targeting requires more than mere accessibility within the jurisdiction. Here it noted that given the domain name was "*www.ebay.co.uk*", the site appeared to be targeted at consumers in the territory.

As to whether L'Oreal's rights were exhausted in the testers and samples (all "not for sale" items), these had not been put on the market within the meaning of the TMD. L'Oreal had prohibited authorised distributors from selling the items, citing *Silberquelle GmbH v Maselli-Strickmode GmbH*¹⁵³ (promotional items distributed free of charge were distributed without penetrating the market); they were not put on

¹⁴⁷ Per *BMW v Deenik* (C-63/97) [1999] E.C.R. I-905, [1999] 1 C.M.L.R. 1099; and *Boehringer Ingelheim KG v Swingward Ltd* (C-348/04) [2007] E.C.R. I-3391, [2007] 2 C.M.L.R. 52 at [46].

¹⁴⁸ Apart from some "debranding" of the defendant's goods which had already ceased by trial—that is, Primakabin had removed Portakabin signs from the structures themselves and replaced them with Primakabin signs, and this de-branding damaged the essential function of the mark, preventing the consumer from distinguishing between the goods originating from the proprietor from those of the reseller. The mark owner can prevent this further commercialisation.

¹⁴⁹ *Tiffany* 576 F. Supp. 2d 463 (S.D.N.Y. 2008), affirmed 600 F. 3d 93 (2d Cir. April 1, 2010).

¹⁵⁰ The result in the referring English court (which had considered eBay's VeRO notification and takedown programme in detail) had been that while eBay could do more than it did to minimise sales of counterfeits that did not mean it was legally obliged to do so; see *L'Oreal v eBay* [2009] EWHC 1094 (Ch); [2009] E.T.M.R. 53.

¹⁵¹ For example, eBay had purchased the Google keyword "Shu Uemura" and when entered into Google, the following sponsored ad appeared "Great deals on Shu uemura, Shop on eBay and Save! *www.ebay.co.uk*", and clicking on this ad link led to a page on the eBay site showing a search for "shu uemura" in "all categories" with the result "96 items found for shu uemura".

¹⁵² Citing *Anheuser-Busch* [2004] E.C.R. I-10989; [2005] E.T.M.R. 27 at [62]; and *L'Oreal v Bellure* [2009] E.C.R. I-5185; [2010] Bus. L.R. 303 at [57].

¹⁵³ *Silberquelle GmbH v Maselli-Strickmode GmbH* (C-495/07) [2009] E.C.R. I-137; [2009] E.T.M.R. 28at [20]–[22].

the market by the trade mark proprietor or with his implied consent.¹⁵⁴ As to the unboxed items, L’Oreal claimed their further commercialisation could legitimately be opposed owing to the rules in Directive 76/768 (requiring listing of ingredients and maker for cosmetic products, etc.). The court held that when information, which is required as a matter of law, such as information relating to the identity of the manufacturer or the person responsible for marketing the cosmetic product, is missing, the trade mark’s function of indicating origin is impaired in that the mark is denied its essential function of guaranteeing that the goods that it designates are supplied under the control of a single undertaking which is responsible for their quality.¹⁵⁵ It was also argued that the packaging is an essential part of the image of perfumes and cosmetics and the mark owner should, as a consequence, be able to oppose the resale of those goods in an unboxed state in any event. eBay disputed this on the grounds that with perfumes and cosmetics sector, it is the bottle or the product’s container, not the packaging, which conveys the image of prestige and luxury. The court held this should be determined on a case-by-case basis but the trade mark owner may oppose the resale of an unboxed perfume or cosmetic product bearing his trade mark, if he establishes that the removal of the packaging has damaged the image of the product and the reputation of the mark.

The keywords caused a sponsored link to appear to *www.ebay.co.uk*, accompanied by a marketing message about the opportunity to buy, via that site, goods bearing the trade mark searched for. eBay accepted it was an advertiser who used the mark. The court noted this was use in the course of trade, citing *Google* and *BergSpechte*.¹⁵⁶ The court found that eBay used keywords corresponding to L’Oreal trade marks to promote its own service of making available an online marketplace—which services were neither identical or similar, so only art.5(2) (dilution) could apply. But keywords promoting offers by eBay’s customers could be used (by eBay) as an economic operator can use a sign in relation to goods which are not his own, in the sense that he does not have title to them; and this does not in itself prevent that use from falling within the TMD art.5.¹⁵⁷ In this case, the court pointed to its earlier decisions on keywords and whether they are liable to have an adverse effect on one of the functions of the trade mark, restating it thus¹⁵⁸:

“[T]here is such an adverse effect where that advertising does not enable reasonably well-informed and reasonably observant internet users, or enables them only with difficulty, to ascertain whether the goods or services referred to by the advertisement originate from the proprietor of the trade mark or from an undertaking economically linked to it or, on the contrary, originate from a third party.”

As to the listings on eBay site, the court held the operator of an online marketplace does not “use”, for the purposes of art.5, signs identical with or similar to trade marks which appear in offers for sale displayed on its site.¹⁵⁹

Conclusion

The review above, although superficial, shows that while the European courts strive for fair outcomes in individual cases without stifling emerging technologies and business models, the reasoning is tortured. EU law would be served by clarity in its protection for descriptive and honest uses. The difficulty is

¹⁵⁴ See *Coty Prestige Lancaster Group* (C-127/09) [2010] E.T.M.R. 41 at [43], [46] and [48].

¹⁵⁵ Citing *Arsenal v Reed* [2002] E.C.R. I-10273, [2003] 1 C.M.L.R. 12 [48]; and *Copad* [2009] E.C.R. I-3421; [2009] E.T.M.R. 40 at [45].

¹⁵⁶ *Google France* [2011] Bus. L.R. 1 at [51] and [52]; and *BergSpechte* [2010] E.T.M.R. 33 at [18].

¹⁵⁷ Citing *Google France* [2011] Bus. L.R. 1 at [6]; and *UDV North America Inc v Brandtraders NV* (C-62/08) [2009] E.C.R. I-1279; [2010] E.T.M.R. 25 at [43].

¹⁵⁸ *L’Oreal v eBay* [2011] E.T.M.R. 52 at [94], citing *Google France* [2011] Bus. L.R. 1 at [99] and *Portakabin* [2011] Bus. L.R. 1339 at [54].

¹⁵⁹ Citing *Google France* [2011] Bus. L.R. 1 at [56] and [57]. As to the application of the intermediary defence for hosts under the E-Commerce Directive (2000/31) the court held that where an operator of an online marketplace has not played an active role (providing assistance in optimising the presentation of the offers for sale in question or promoting them) providing it to have knowledge or control of the data stored so that the service provided falls within the scope of the hosting exemption in Directive 2000/31 art.14(1), the operator cannot rely on the exemption if it was aware of facts or circumstances on the basis of which a diligent economic operator *should have realised* that the offers for sale in question were unlawful and, in the event of it being so aware, failed to act expeditiously (to take the offers down as required by the hosting exemption in art.14(1)(b)).

perhaps in part due to the late arrival of dilution to European law and a lack of protection for fair and other uses from its width. The United States' subjugation of dilution to fair uses and its tolerance of some economic motivation even for protected speech is worthy of further study. The current protection in the EU is prescriptive and fragmented, and given the wide range of interests engaged, and the complexity of EU trade mark law, this is far from ideal. While keyword use and resales have been protected to date, threats lurk. We welcome the recommendations of the Max Planck Study¹⁶⁰, however, they do not go far enough and comparative advertising would be greatly liberalised by the removal of the purportedly enabling, CAD.

¹⁶⁰ *Max Planck Study* (2011), p.123, para.2.266.