

In view of the doctrine of constructive trademark infringement established in the *Arsenal Football Club* case “even where a trader uses a sign and at the same time explicitly denies the connection with the mark with a reputation there may be a likelihood of confusion”⁴⁹⁰; hence a trademark proprietor must be able to prevent that use.⁴⁹¹ In the above case, Mr. Reed was selling football souvenir and memorabilia with some signs referring to Arsenal. Meanwhile, Arsenal was as well engaged on the same business under several of its registered marks such as “Arsenal” and “Arsenal Gunners”. However, Mr. Reed had expressly disclaimed his commercial connection with arsenal football club by putting a large sign at his place of business which read: “the word or logo(s) on the goods offered for sale, are used solely to adorn the product and does not imply or indicate any affiliation or relationship with the manufacturers or distributors of any other product, only goods with official Arsenal merchandise tags are Arsenal merchandise”. The court nevertheless stamped the doctrine of constructive infringement by holding that “the use of that sign is such as to create the impression that there is a material link in the course of trade between the goods concerned and the trade mark proprietor”, notwithstanding the likelihood that consumers who come across the mark at the point of sale would not confuse the origin of goods whereas those coming across the mark after the goods had left the point of sale would be confused.⁴⁹² Given this likelihood, the use of the mark in the circumstances such as those in Arsenal’s case would still be use of a trademark as a trademark as such in contravention of the CTM proprietor’s interests even where it is apparent that the use of the infringing sign “is perceived as a badge of support for or loyalty or affiliation to the trademark proprietor”.⁴⁹³

IV. Protection of a CTM with reputation

1. Reputation – what is it?

Reputation is one of the elements that must be proved in order for the infringement under Article 9(1) (c) to apply. Reputation must be in relation to

490 Cf. MANIATIS, S. M., (2003), “Whither European Trade Mark Law? Arsenal and Davidoff: The Creative Disorder Stage”, 7 Marq. Intell. Prop. L. Rev. 99, 142 (2003).

491 Case C-206/01, *Arsenal Football Club v Matthew Reed* [2002] ECR I-10273, para. 61.

492 Case C-206/01, *Arsenal Football Club v Matthew Reed* [2002] ECR I-10273, paras. 57 and 61.

493 Case C-206/01, *Arsenal Football Club v Matthew Reed* [2002] ECR I-10273, operative part of the judgment.

goods and/or services. The term “reputation”, as used in the trademark context, refers to the “consequence of the fact that (i) consumers know that a trade mark is in use, (ii) competitors know that a trade mark is in use or (iii) consumers place a particular value on the trade mark in order to make or avoid making repeat purchases”.⁴⁹⁴ Reputation must be appreciated in the EU, and, presumably, on the date of the purported infringement.⁴⁹⁵

The absence of clear guidelines on how to categorise a CTM as a trademark with reputation renders it difficult for the proprietor to prove the existence of reputation in relation to his mark. The problem is exacerbated by the fact that any use of a particular mark will end up earning the mark concerned recognition in the commercial circles, however measurable and handful the reputation may be.

The ambiguity surrounding the extent of the reputation required under Article 9(1) (c) of the CTMR may be cleared up by distinguishing a trademark’s reputation from a trademark’s goodwill. It follows that:

The existence of ‘reputation’ is the consequence of the fact that consumers know that a trade mark is being used somewhere in the world. In contrast ‘goodwill’ is the consequence that, because consumers in a particular jurisdiction know that a trademark is used (in other words, that it has a reputation), they base their decision to purchase goods or services to which that trade mark is attached on the fact that they are attracted to those goods or services by virtue of the positive effect of the reputation. In this sense, goodwill would appear to be related to the concept of ‘repute’, the main difference being that a trade mark’s ‘repute’ is its image in the eyes of the consumers while the ‘goodwill’ is the economic consequence of the trade mark having that image.⁴⁹⁶

In order to enjoy a third party from using an infringing sign, the CTM proprietor is duty-bound to prove that his mark has a reputation in the Community. He may thus base on the following factors to discharge his obligation:

(a) The degree of inherent or acquired distinctiveness of the mark; (b) The duration and extent of use of the mark in connection with the goods or services with which the mark is used; (c) The duration and extent of advertising and publicity of the mark; (d) The geographical extent of the trading area in which the mark is used; (e) The channels of trade for the goods or services with which the mark is used; (f) The degree of recognition of the mark in trade areas and channels of trade used by the mark’s owner; and (g) The nature and extent of the same or similar sign by third parties.⁴⁹⁷

494 PHILIPS, J., “Trade Mark Law: a Practical Anatomy” 370 (Oxford University Press, Oxford 2003).

495 KITCHIN, D., et al, “Kerly’s Law of Trade Marks and Trade names” (4th ed.) 383 (Sweet & Maxwell, London 2005).

496 PHILIPS, J., “Trade Mark Law: a Practical Anatomy” 177 (Oxford University Press, Oxford 2003).

497 These factors are mentioned in ANNAND, R. & NORMAN, H., “Blackstone’s Guide to the Community Trade Mark” 183 (Blackstone Press, London 1998). Cf. also Case C-

2. Infringing use in relation to a CTM with reputation

Five types of use may be prohibited by the proprietor of a CTM with reputation. These are (i) the use which takes unfair advantage of the distinctive character of a proprietor's mark, (ii) the use which takes unfair advantage of the repute of this mark, (iii) the use which is detrimental to the distinctive character of the proprietor's mark, (iv) the use which is detrimental to the repute of this mark, and (v) the use of the proprietor's mark without any due cause. Pursuant to this categorisation, it is necessary to address the key terms such as unfair advantage, detriment and without due cause.

a) Unfair advantage

To contravene Article 9(1) (c) of the CTMR, the infringing sign must be used by a defendant in a way that enables him to take unfair advantage of the CTM's repute or distinctive character. Thus, unfair advantage is the result of the infringer's efforts and desire to free-ride "on the coattails of a famous mark or trading on its reputation".⁴⁹⁸ Such a desire on the part of an infringer is not allowed in view of the need "to protect the proprietor against competitors wishing to take advantage of the status and reputation of the trade mark".⁴⁹⁹

The *L'Oréal/Bellure* case⁵⁰⁰ puts it clear that the phrase "taking unfair advantage of the CTM's repute or distinctive character" does not address the harm caused to the mark with a reputation but the unfair advantage taken by the third party as a result of the use of the identical or similar sign as a result of which the public establishes a link between a trademark with reputation and the infringing sign, without confusing them. Thus, the phrase "covers, in particular, cases where, by reason of a transfer of the image of the mark or the characteristics

75/97 *General Motors Corporation v Yplon SA* [1999] ECR I-05421 in which the ECJ has, for instance, required an earlier trademark with reputation to be known "by a significant part of the public concerned by the products or services covered by that trademark" (para. 26). However, clarifying on the extent of territorial recognition of a trademark with reputation, the ECJ pointed out that it was not a requirement that such a mark must have a reputation throughout the territory of the Member State, but only in a substantial part of it (para. 28), and that this substantial part may consist of just a part of one of the EU Member States (para. 31).

498 KITCHIN, D., et al, "Kerly's Law of Trade Marks and Trade names" (4th ed.) 384 (Sweet & Maxwell, London 2005).

499 ECJ, Case C-63/97, *BMW v Ronald Karel Deenik* [1999] ECR I-00905, para. 52.

500 ECJ, Case C-487/07, *L'Oréal SA v Bellure* [2009] ECR I-05185, paras. 36, 37 and 41.

which it projects to the goods identified by the identical or similar sign, there is clear exploitation on the coat-tails of the mark with a reputation”.⁵⁰¹

b) Detriment

Detriment to the distinctive character or the repute of the CTM signifies that the infringer’s activities harm or injure the CTM concerned in such a way that the CTM becomes “less attractive (tarnishing) or less distinctive (blurring)”.⁵⁰² The *Intel* case⁵⁰³ elucidates on the concept of “detriment to the distinctive character of the earlier mark” – a concept which is interchangeably referred to as ‘dilution’, ‘whittling away’ or ‘blurring’. According to the case, the concept is relevant when the ability of the earlier mark “to identify the goods or services for which it is registered and used as coming from the proprietor of that mark is weakened, since use of the later mark leads to dispersion of the identity and hold upon the public mind of the earlier mark” with the result that “the earlier mark which used to arouse immediate association with the goods and services for which is registered, is no longer capable of doing so”.⁵⁰⁴

The concept “detriment to the repute of the mark” (otherwise referred to as ‘tarnishment’ or ‘degradation’) was given a judicial interpretation in the *L’Oréal* case.⁵⁰⁵ According to the school of thought in this case, a detriment to the repute of an earlier mark “is caused when the goods or services for which the identical or similar sign is used by the third party may be perceived by the public in such a way that the trade mark’s power of attraction is reduced”. A particular example of this concept would be where the “goods or services offered by the third party possess a characteristic or a quality which is liable to have a negative impact on the image” of the earlier mark.

501 Regarding how to determine the question whether the use of a sign takes unfair advantage of the distinctive character or the repute of the mark, refer to Case C-487/07, *L’Oréal SA v Bellure* [2009] ECR I-05185, para. 44.

502 KITCHIN, D., et al, “Kerly’s Law of Trade Marks and Trade names” (4th ed.) 384 (Sweet & Maxwell, London 2005).

503 ECJ, Case C-252/07 *Intel Corporation Inc. v CPM United Kingdom Ltd* [2008] ECR I-08823.

504 Case C-252/07, *Intel Corporation Inc. v CPM United Kingdom Ltd* [2008] ECR I-08823, para. 29.

505 ECJ, Case C-487/07, *L’Oréal SA v Bellure* [2009] ECR I-05185, para. 40.

c) Without due cause

The use of the term “without due cause” in Article 9(1) (c) implies that, under certain circumstances, a defendant is able to derive unfair advantage from, or to cause detriment to, the CTM in any of the ways explained above, without being held liable. To put it simply, a defendant can only be held liable if he fails to show due cause. A trademark use with due cause would therefore signify a different legal situation that may arise only when such a trademark use “can be justified by special circumstances which alter its basically illegal character”. This would be the case, for instance, when the user of the mark is under compulsion to use a CTM with reputation or any other sign confusingly similar to the CTM in such a way that he cannot honestly be asked to refrain from doing so, notwithstanding the damages the owner of the CTM would suffer from such use, or where the user is entitled to the use of this very CTM in his own right and does not have to yield this right to that of the owner of the CTM.⁵⁰⁶

V. Limitations to CTM rights

A CTM registration does not give a proprietor a monopoly over a mark in all circumstances. Third parties may, for instance, use the very CTM owned by an independent person without infringing it. This possibility is clearly described under Articles 12 and 13 of the CTMR, just to mention but a few.⁵⁰⁷ While the legal entitlement to use a CTM pursuant to Article 12 of the CTMR is grounded on the honest use of the CTM by third parties, the entitlement under Article 13 of the CTMR implements the doctrine of CTM exhaustion. The contents of the two Articles are addressed below.

1. Honest use of a CTM

Where third parties use a CTM in a way that is considered honest according to practice of the relevant industry and commercial circle, the proprietor is not entitled to interfere with such use. Three types of use of a CTM by third parties are presumed honest, unless proved otherwise. These are (i) the use of one’s own

⁵⁰⁶ Cf. Benelux Court 01.03.1975 “Claeryn”/“Klarein” 7(3) IIC 420, 425 (176).

⁵⁰⁷ The limitations discussed under this part do not include, for instance, limitation in consequence of acquiescence, which is discussed *infra* in the part addressing opposition proceedings.