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Trademark Protection and Freedom of Expression

**An Inquiry into the Conflict between
Trademark Rights and Freedom of Expression
under European, German, and Dutch Law**

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ACADEMISCH PROEFSCHRIFT

ter verkrijging van de graad van doctor
aan de Universiteit van Amsterdam
op gezag van de Rector Magnificus
prof. dr. D.C. Boom
ten overstaan van een door het college voor promoties
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Foreword

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Rotterdam, March 2010.

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List of Abbreviations

AG	Advocate General
BenCJ	Benelux Court of Justice
BGH	Bundesgerichtshof
BIE	Bijblad bij de Industriële Eigendom
BMM-Bulletin	Kwartaalblad van de Beneluxvereniging voor Merken- en Modellenrecht (BMM)
BPatG	Bundespatentgericht
BVerfG	Bundesverfassungsgericht
BVerfGE	Bundesverfassungsgerichtsentscheidungen
BVIE	Benelux Verdrag inzake de intellectuele eigendom
CFI	Court of First Instance
CoE	Council of Europe
CompAdvDir	Directive 2006/114/EC of the European Parliament and Council of 12 December 2006 concerning Misleading and Comparative Advertising (Comparative Advertising Directive)
ECJ	European Court of Justice
ECHR	European Convention for the Protection of Human Rights and Fundamental Freedoms
ECommHR	European Commission of Human Rights
ECtHR	European Court of Human Rights
ECR	European Court Reports
GG	Grundgesetz (Germany)
GRUR	Gewerblicher Rechtsschutz und Urheberrecht
GRUR Int.	Gewerblicher Rechtsschutz und Urheberrecht, Internationaler Teil
GRUR-RR	Gewerblicher Rechtsschutz und Urheberrecht, Rechtsprechungs-Report
HR	Hoge Raad der Nederlanden
IER	Intellectuele eigendom en reclamerecht
IRDI	Droits Intellectuels-Intellectuele Rechten
LG	Landgericht (Germany)
KG	Kort Geding
MarkenG	Markengesetz (Germany)
MMR	MultiMedia und Recht
NJ	Nederlandse Jurisprudentie
NJCM-Bulletin	Nederlands Tijdschrift voor de Mensenrechten
NJW	Neue Juristische Wochenschrift
NJWE-WettbR	NJW-Entscheidungsdienst Wettbewerbsrecht
OHIM	Office for the Harmonisation of the Internal Market (European Union)
OLG	Oberlandesgericht (Germany)

TRIPs	Trade Related Aspects of Intellectual Property Rights (Annex 1C of the Marrakesh Agreement Establishing the WTO)
TMDir	First Directive 89/104/EEC of the Council, of 21 December 1988, to Approximate the Laws of the Member States Relating to Trade Marks (European Trademark Directive)
TMReg	Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark (European Trademark Regulation)
Rb.	Rechtbank (the Netherlands)
UWG	Gesetz gegen den unlauteren Wettbewerb (Germany)
WIPO	World Intellectual Property Organisation
WRP	Wettbewerb in Recht und Praxis
WTO	World Trade Organisation

1 Introduction

1.1 TRADEMARK PROTECTION VS. FREEDOM OF EXPRESSION: INTRODUCTION TO A POSSIBLE CONFLICT

In this book, I will analyse the legal conflict between the protection of trademarks rooted in national and international (European) trademark laws¹ and norms protecting freedom of expression. More in particular, I will focus on the conflict between the exclusive trademark rights granted to right holders and the use of their trademarks by third parties as part of their freedom of expression.

This conflict arises because trademark law grants right holders exclusive, albeit limited, rights to use their trademarks, such as the right to prevent use of identical signs on identical goods, the right to prevent confusing uses of trademarks on similar and non-similar goods and, in the case of trademarks that have gained a reputation, the right to prevent detriment to, or the taking of unfair advantage of, the repute and distinctive character of the trademark.²

On the other hand, freedom of expression, as protected by Article 10 of the European Convention on Human Rights and Fundamental Freedoms ('ECHR'), grants all individuals a right to express themselves freely. As such, this fundamental right is deemed essential for the self-development of the speaker, but also essential for furthering cultural and political processes in society. In recent years, freedom of expression has been expanded to include the freedom of *commercial* parties to spread *commercial* information – in addition to the classical notion of citizens expressing their non-commercial, i.e. political, cultural, and social views vis-à-vis the state, a move deemed important for its beneficial, i.e. informative, effect on consumers. In practical terms, the freedom of commercial and non-commercial expression may include the freedom to use trademarks of third parties, in particular in artistic and political expression, but also in commercial expression, like comparative advertising, use as a reference, or use as a descriptive indication. Freedom of expression may thus conflict with the rights of the trademark holder to prohibit the use of his trademarks.

¹ These are the national trademark rights that are extensively harmonised by the First Directive 89/104/EEC of the Council, of 21 December 1988, to Approximate the Laws of the Member States Relating to Trade Marks, OJ 1989, L 40/1. (herein further 'European Trademark Directive' or 'TMDir') and the largely identical trademark rights contained in the Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark, [1994] OJ L-11/1 (herein further 'European Trademark Regulation' or 'TMReg').

² Article 5 TMDir, as implemented in § 14 of the German Markengesetz (herein further 'MarkenG') and Article 2.20.1 Benelux Convention on Intellectual Property (herein further 'BVIE'); equal rights are contained in Article 7 TMReg.

Until recently, this conflict did not feature prominently in legal debate, as trademarks played only a commercial, rather than a social, political, or cultural role. Besides, the protection of trademarks, focussing on forestalling confusing use, had been uncontroversial, with freedom of expression failing to feature in discourse on commercial communication.

In the commercial sphere, trademarks have always been of major importance as identifiers of the product source and product qualities. The Coca Cola logo on a bottle, for instance, primarily discloses by which company the bottle has been produced and tells people who have consumed the soft drink before how the contents of the bottle taste. Without that trademark, such information could not be provided to consumers and, without the legal protection of trademarks, third parties could use identical or similar signs and confuse consumers, thereby destroying the information benefits of the trademark.

In this field, conflict between trademark protection and freedom of *commercial* expression may arise, where trademark law protects more than solely confusing use or third party traders need to use protected trademarks in their commercial communications, for instance in the context of comparative advertising or in other commercial communications that are aimed at informing or communicating with consumers. This type of conflict is of a purely commercial character, that is to say it is all about providing information and gaining access to consumers. While trademark law already addresses this issue by striking a balance between the exclusive right to use a trademark and the access of other commercial parties to the same sign by restricting e.g. the grant of trademark rights over descriptive signs, and allowing for referential use, descriptive use and comparative advertising, it remains to be seen whether *freedom of commercial expression* may provide third parties with an additional right to use trademarks in order to provide vital information to consumers.

Outside of this area of purely commercial communication, the conflict between trademark protection and freedom of expression has gained momentum, as the role and use of trademarks has changed, due to economic, social, political and corresponding legal changes, over the past 25 to 30 years.

First, the commercial role of trademarks has changed from that of an identifier to that of a communicator; as such, trademarks become part, if not the essence, of the advertising message, by lending credibility and lasting effect to it. Without trademarks, advertising messages would not be convincing, not least because they may be unrelated to the underlying product. Coca Cola, for instance, advertises with images of youth, positive spirit, and freedom. Without the Coca Cola logo prominently employed, it is less likely that anybody would believe these advertisements and associate these properties with the product in question. Trademark law has, by now, embraced the protection of trademarks as communicators by shielding them not just against confusing use, but by protecting the distinctive character and repute of trademarks against free-riding, tarnishment and blurring.

Second, the new role of trademarks as communicators goes hand in hand with the *rise of consumerism*. This has, for one, resulted in people satisfying some of their unconscious needs by consuming trademarks, rather than the goods and services covered by them. What is more, trademarks, through pervasive use in mass media, have assumed the role of political, societal, and cultural symbols. Traditional mass media, such as newspapers,

commercial television and the Internet, which is sometimes referred to as the *new mass media*, ensure that advertising messages, including trademarks, pervade spheres of life that were previously untouched, thus leaving people exposed to literally thousands of commercial messages every day. As a result, in today's society, trademarks have come to play important roles in signalling status and defining membership of groups. Such *social functions of trademarks* have been actively shaped and promoted by right holders through advertising. While trademark law partly grants right holders control over such uses of trademarks by protecting the distinctive character and repute of trademarks, this has, in turn, triggered criticism, satire, and parody, all of which are protected by freedom of expression.

Third, politically speaking, trademarks, more than people, have come to represent the power, influence, and attitudes of companies in our age. It is therefore not surprising that criticism and commentary have been directed towards trademarks. Coca Cola, for instance, is seen by some as one of the key symbols of American cultural imperialism, while Greenpeace actively tries to target the logos of oil companies rather than naming and shaming the top managers of these companies.

Fourth, on a cultural level, some artists, both professionals and amateurs, creatively use and transform trademarks and their messages into works of art, often with the help of new technology. Examples of this development include Andy Warhol's painting of Campbell's soup cans, Tom Sachs with his creation of a 'Chanel Guillotine' and a 'Prada concentration Camp' and a German artist who creatively combined a poem by Goethe, the name 'Rainer Maria Rilke', and the trademark Milka on a purple postcard. Trademark right holders may fear this kind of art, because it takes certain amount of control over the meaning of trademarks out of their hands. By contrast, artists may be entitled to claim freedom of expression when using trademarks of third parties to influence and shape culture.

Taken together, many of the social, cultural and political uses of trademarks can be referred to as a process of 'social, cultural, and political "meaning making"',³ whereby individuals use, shape and influence the meaning contained in those signs which they deem to be of great influence over their lives or over society. The ability to exert such influence may greatly influence the perceptions of a person's place in society, as well as political and social processes.

Finally, the *emergence of new media* has created new and easy ways for third parties to use trademarks commercially and non-commercially and has enabled individuals to transmit their expression to a large audience. These new uses of trademarks may inherently conflict with the protection of the distinctiveness and repute of trademarks, which gives control over the meaning of signs to trademark right holders.

In the light of all the developments and changes briefly addressed above, this book aims to explore whether the current national and international (European) trademark laws are compatible with the freedom of expression as enshrined in Article 10 of the European Convention on Human Rights (ECHR) and corresponding provisions of various national

³ For further elaboration on the use of trademarks in social, cultural and political meaning making, see sections 1.2.5 and 3.4.2.

laws. In analysing this question, I will argue that adopting a freedom of expression perspective is necessary as it allows to shift the focus of courts and legislators from the interests of trademark right holders, who seemingly are granted ever more protection, to the justified interests of third parties. In taking this perspective, I will attempt to resolve the conflict described above by suggesting ways to establish an adequate balance between the legitimate interests of trademark right holders and the freedom of expression of third parties using their trademarks. This involves a critical analysis and re-interpretation of existing trademark law and proposals for certain legislative amendments. The new insights and imperatives provided by this book may prove useful to both courts interpreting existing provisions of trademark laws and to legislators who are faced with the challenges of drafting new rules or revising existing laws.

1.2 THE EVOLUTION OF THE CONFLICT OVER TRADEMARK USE

The introduction provided a first glimpse into the evolution of the conflict between trademark protection and freedom of expression. I will now elaborate on this conflict in more detail, first by setting out a number of classifications that accentuate key elements of the conflict and then by describing the evolution of the conflict.

1.2.1 KEY ELEMENTS OF THE CONFLICT

1.2.1.1 Two Basic Functions of Trademarks

For the purposes of describing the evolution of the role of trademarks, I will distinguish two functions of trademarks: the identifier function and the communicator function.⁴ Further down in the book, I will distinguish a number of other functions, which fall under these two basic functions.⁵

The *identifier function* refers to the part of the trademark that informs consumers about product characteristics and, thus, enables them to take a rational decision about the product. It also allows trademark right holders to identify their goods and services.

The *communicator function* features in advertising, where trademarks are used as communicators, allowing advertisers to transport messages to consumers. Such messages are often unrelated to the goods and services covered by the trademark and are given extra credibility by trademarks as a symbol of trust.

⁴ Trademark doctrine refers to various trademark functions, which are protected by trademark rights. In this introduction, I will refer to three functions, which best describe the evolution in the use of trademarks: identification, communication, and the commodity function. In section 2.3.1, I will refer to the functions, which are commonly used in legal doctrine: the source identification function, the product distinction function, the quality or guarantee function and the advertising function..

⁵ See section 2.3.1.

1.2.1.2 *The Idiosyncrasy of Trademarks*

Trademarks are signs and as such they can carry multiple meanings. The sign ‘Chiemsee’ may distinguish windsurfing products of one undertaking from those of other undertakings; it is, however, at the same time the name of the biggest lake in Germany. While ‘Barbie’ is the trademark for the most famous doll on the planet, it is also a symbol for a blonde submissive and slightly dumb girl. Most of these meanings are composed through social convention, i.e. they become accepted once a sufficient amount of people understand these signs to ‘signify’ a certain meaning. Trademark right holders can also use advertising to forge a distinctive meaning or to make a sign highly commercially attractive.

The term *idiosyncrasy* describes the fact that trademarks can simultaneously have multiple meanings, e.g. one or several commercial meanings, as well as a cultural, social or political one. While it is justifiable to grant exclusive rights to one specific trademark right holder over some of these meanings (i.e. primarily the distinctive meaning), in the case of other meanings it may be too much of a burden to exclude third parties, as they may need to use such meanings or as such exclusive rights may impair their freedom of expression.

Trademark law must thus make many precise differentiations between this multitude of idiosyncratic meanings, e.g. allowing only for distinctive signs to be registered, or allowing third parties to use trademarks in a descriptive sense (Chiemsee for products stemming from the area of the Chiemsee other than windsurfing products). Overall, trademark law does differentiate quite well between the different commercial meanings of trademarks. However, the analysis will show that it fails to sufficiently differentiate between commercial and social, political, or cultural meanings carried by one and the same sign.

1.2.1.3 *Monologic and Dialogic Communication*

In the area of communication which is not purely commercial, the conflict between trademark protection and freedom of expression is best characterised as a clash between two modes of communication, as right holders use trademarks in a mode that differs strongly from that linked to the foundations of freedom of expression: rights holders use trademarks in a monologic manner, whereas freedom of expression, ideally, strives to ensure a dialogical mode of communication. Although I have borrowed this distinction between *monologic* and *dialogic communication* from social scientists,⁶ I do not employ the exact definitions as used by them.⁷ Instead, I use the definitions in order to illuminate a deep-rooted underlying cause for the conflict between trademark rights and freedom of non-commercial expression.

Monologic communication, which is enforced by trademark rights against third parties, can be described in the following manner:

⁶ The distinction goes back to Mikhail Bakhtin, a Russian philosopher, who introduced the terms for the study of literature arguing that literature that referred to and discussed previous literature was dialogical, and literature that just posed an opinion was monologic. Bakhtin 1981 (orig. 1930s).

⁷ In social sciences, the opposition between monologue and dialogue focuses on the relationship that participants have towards each other. In monologue “Other persons are viewed as “things” to be exploited solely for the communicator’s self-serving purpose: they are not taken seriously as persons.” Dialogic communication, in contrast, is characterised by social scientists as a process, in which one party has respect for other parties and has a genuine interest in the views of the other. Johannesen *et al.* 2008, p.69.

“[M]onologue seeks to command, coerce, manipulate, conquer, dazzle, deceive, or exploit. [...] Choices are narrowed and consequences are obscured. Focus is on the communicator's message, not on the audience's real needs. The core values, goals, and policies espoused by the communicator are impervious to influence exerted by receivers. Audience feedback is used only to further the communicator's purpose. An honest response from a receiver is not wanted or is precluded.”⁸

In this monologue, trademarks as identifiers and communicators are thrust towards the public to the end of making profit and trademark law grants right holders partial control over the meaning of their trademarks

Dialogic communication that is linked to freedom of expression is a form of social dialogue, which may be harsh and offensive or it may contain untrue or not immediately useful statements; yet expressions are always viewed as part of an ongoing (social) dialogue. From the perspective of freedom of expression, a response to protected expression is implicitly wanted or desired, this being one of the main reasons for granting the freedom.

1.2.2 TRADEMARKS AS IDENTIFIERS

In an economy, in which free competition is seen as resulting in the maximisation of the general good, a proper and efficient process of communication between market participants is essential. The market mechanism of supply and demand only works properly if enterprises provide sufficient and clear information about their products and services, so that consumers can make rational choices based upon the information. In this process, trademarks fulfil an essential informative function: They enable the producer to inform the potential consumer of the availability and properties of goods and services and, at the same time, they enable the consumer to quickly recognise goods that bear a trademark, since it indicates to him the origin, i.e. a certain producer, and certain product properties.

In order to serve as identifiers, trademarks need to be reliable and stable.⁹ If everyone were allowed to use trademarks freely and without restrictions, consumers could not be sure that, for instance, a Coca Cola bottle has the same origin or source today as it did the day before. The taste could be entirely different or the bottle might even contain cassis or petrol. Consequently, consumers would need to spend considerable amounts of time identifying and comparing the goods and services they want to buy. Market communication and economic decision-making might thus become a timely, unreliable, expensive, intensely frustrating experience and highly inefficient endeavour. Therefore, trademark law needs to prohibit confusing uses of trademarks by other traders

The sum of the benefits that trademarks as identifiers confer upon consumers is referred to as a reduction of ‘consumer search costs’.¹⁰ Because this reduction of

⁸ *Ibid.*, p.69. See also Coombe 1991, p. 1877.

⁹ See generally Bröcher, Hoffmann & Sabel 2005; Gielen & Wichers Hoeth 1992, p. 4; McCarthy § 3.4.

¹⁰ The origin of the term ‘search costs’ is linked to *George Stigler*’s paper ‘The Economics of information’. Stigler 1961 In this paper, *Stigler* argued that advertising plays a key role in reducing consumer’s costs (e.g. time and risk) in searching for the products they wanted. This search cost rationale has been equally applied to trademark protection mainly by members of the Chicago school of economics. See e.g. Economides

consumer search costs is such a vital economic effect, it is in everyone's interest that trademark law protects the identifier function of trademarks.

Traditionally, there was no conflict between this form of protection and freedom of expression, as this kind of restriction can be considered absolutely necessary in a democratic society. A major legal development in this respect has been the application of freedom of expression to commercial expression. As a result, third party traders may claim the freedom to use protected trademarks, e.g. in comparative lists in catalogues with spare parts, as a reference on exchange parts, or when using such trademarks descriptively. The rationale behind this sort of protection is that the information contained in advertising can be beneficial to recipients. Therefore, advertisers should, to a certain extent, be granted the freedom to inform the public. However, this rationale has been - and still is - subject to a lot of debate.¹¹

This new freedom reaches the core area of trademark law, because it applies, in principle, to the identifier function of the trademark. Third party uses that are meant to inform consumers, such as the use of descriptive and generic signs, as well as use of trademarks in comparative advertising, for spare parts, on web-sites or as ad-words, may well be protected by this kind of freedom of expression.

The question may be raised of what room for this freedom is, or should be left next to the core system of trademark law, since it coincides largely with the more specific provisions in trademark law that reduce the negative effects of the protection of the identifier function of trademarks for third parties.

Freedom of commercial expression may, however, provide an instrument for refocusing on the interest of consumers to receive adequate information, which also underlies trademark law, when too much protection is granted to right holders and, consequently, the freedom of commercial expression of third parties is severely impaired.

1.2.3 A CHANGE IN ADVERTISING PARADIGMS: FROM IDENTIFIERS TO COMMUNICATORS

As hinted at in the introduction, the conflict between trademark protection and freedom of expression evolved because of a shift in advertising paradigms, which resulted in a shift in the way trademarks are used. In advertising, trademarks have come to play the key role of communicating messages to the public and of lending credibility to advertisements. Arguably, these messages are even consumed and utilised like commodities.

Marketing and advertising may be characterised as forms of monologic communication; consequently, trademarks are also used as monologic communicators in advertising. As such, they play an essential role in gaining and keeping consumers' attention and trust and, ultimately, aim at inducing consumers to buy. Advertising thus seeks to control the behaviour of recipients or consumers. Amongst others, trademark rights help in protecting this kind of communication and, thus, ensure that right holders have undistorted access to consumers and the latter's undivided attention. By contrast,

1988; Carter 1990; Lemley 1999; Lemley & Dogan 2004; Litman 1999; Lunney 1999; Dinwoodie 2006; Landes & Posner 2003.

¹¹ E.g. Shiner 2003 p. 3; Moon 1991, p. 128; see further below section 3.4.3.

freedom of expression seeks to ensure dialogic communication, which results in dialogue or discussion, with the intention of bringing forth truth and the advancement of society.

But how has that change in advertising paradigms been brought about? During the 1980s, advertisers came to understand that the individualised consumer was not looking for goods that only factually fulfilled his needs and that had previously been directed at the class of society to which he supposedly belonged. Instead, consumers were looking for goods that identified and differentiated them as individuals.¹² Advertising campaigns started to place an increased focus on addressing the needs and desires of individual consumers. Hence, new advertising techniques were introduced.

According to *Hellmann*, such new advertising must pass three important stages.¹³ First, the message needs to solicit the attention of potential consumers. However, attention by itself does not suffice, as it must also lead to action – described as “*folgenreiche Aufmerksamkeit*” (i.e. attention that is of consequence). To that end, advertising must, as a second step, transmit a message that needs to be understood by the consumer. A good way to achieve this is if the consumer is able to recognise himself in the message. At this stage, advertising taps into the cultural or emotional framework of consumers, often using pre-existing powerful symbols or creating new icons, like the Marlborough Man, Joe Camel, or Ronald McDonald, to communicate with the consumer through a recognisable intermediary. In this process, advertising employs trademarks as *communicators*.¹⁴ Trademarks are loaded with familiar associations from the actual world consumers live in. This is facilitated by the fact that most signs, and certainly all symbols, carry cultural associations, which are part of a “systematic ‘object-language’ within which [every object] has a purposeful relationship to other objects”.¹⁵ The tendency of some trademark right holders to choose signs that describe goods or services in a positive manner or to choose signs that carry great symbolic value, such as signs that belong to a society’s cultural heritage, fits in this paradigm. Next to such descriptive meanings, trademarks are used to fabricate myths. *Drescher* explains that right holders can use an “obsessing technique,”¹⁶ e.g. a big advertising campaign, to add new meaning to a sign. If, in such a process, extensive reference is made to an existing cultural or social connotations, a complex positive myth can be created. He defines a myth as “an integrated complex of cultural relationships or cultural associations, which is present in a product or in a sign” and an obsessing technique as the efforts of advertisers to ensure that “a product name, its trademark, is highly charged with the desired associations.”

It does not, however, suffice that consumers recognise the messages carried by trademarks as being part of the world they live in. As a *third* stage, advertising must induce consumers to purchase goods and services. According to *Hellmann*, this will only

¹² Hellmann 2003, p. 114.

¹³ *Ibid.*

¹⁴ Gielen & Wichers Hoeth 1992, p. 4 and 18. *Gielen* and *Wichers-Hoeth* place great emphasis on this communication function. Franzen & van den Berg 2001, p. 55, refers to a development towards the use of trademark as tools for ‘psycho-social differentiation’ created by advertising.

¹⁵ Drescher 1992, p. 305.

¹⁶ *Drescher* has taken this term from Levi-Strauss’ account of a shaman’s incantation, where a scene is described, in which a shaman helps a woman through a difficult labour with the help of wooden figures and a mythical song. The song is used in such a way that in the mind of the woman myth and reality become indistinguishable. *Ibid.*, 307; Levi-Strauss 1963.

occur if the message carried by the trademark transmits a “*Differenzerfahrung*”, i.e. an experience of difference.¹⁷ Hence, many trademarked goods are not just offering the primary benefit that lies in the consumption of the product, but also the benefits that are connected to the ‘consumption’ of the trademark itself. In this way, trademarks are used to exert a major influence on what consumers think of a product. *Drescher* comments on this development:

“In order to make identical products attractive to different consumer groups, advertisers distinguished the products on the basis not of substance but of mythic appeal.”

Behavioural science explains how consumers can make use of the image value of trademarks. A person may strive, for instance, to achieve congruence between his self-image and the image of his self as viewed by others. If trademarks fit a desired self-image, the trademarked goods or services may be purchased in order to display publicly this self-image. They may also be purchased for reasons of self-realisation through the internalisation of the portrayed values.¹⁸

The additional benefits that are offered by trademarks range from a ‘feel good’ effect to defining the consumer by providing a sense of identity, status, belonging, or social inclusion. Wearing sanitary towels, for instance, can make people ‘care-free’ and happy; Gucci sun-glasses give the wearer status and prestige, but in order to fit in with a group of surfers one must rather prefer Oakley shades.

Some argue that, by providing an additional ‘experience of difference’, trademarks themselves have moved from being communicators to becoming meta-goods or *commodities*.¹⁹ Indeed, consumers seem to purchase and ‘consume’ the communicative value or status of trademarks. If and to the extent that certain trademarks communicate status, success, or (sexual) appeal, many consumers may be induced to buy trademarked goods and services in part or mainly because of the additional value offered by the trademark. This additional value satisfies needs that may differ from the needs that are satisfied by the good or service covered by the trademark. Such additional value may also explain price differences between e.g. trademark and house-mark goods that differ only slightly in terms of all objective qualities.²⁰

The most important function of trademarks as communicators is that they lend *credibility* to otherwise openly manipulative advertising messages. Put differently, advertisement campaigns create attention that is needed to reach consumers, while trademarks are the key in binding consumers to products and services, as they appear trustworthy and tie in with recognisable frameworks. As such, trademarks have become a

¹⁷ Hellmann 2003, p. 253.

¹⁸ Rosenberg 1976; Kressmann 2006, p. 955; Critical Heath & Scott 1997. Gielen & Wichers Hoeth 1992, p. 10. *Gielen* and *Wichers Hoeth* mention that choices between products are increasingly made based upon life-style and not upon difference in product qualities or price. Franzen & van den Berg 2001, p. 55.

¹⁹ Economides 1988, p. 533, “[i]n perception advertising a desired mental image is added to the physical commodity. The consumer buys the advertised mental image together with the physical commodity, and in his mind the commodity bought contains both. The perceived features are consumed like all other features of the commodity.” Kozinski 1993, p. 961, “There’s a growing tendency to use trademarks not just to identify products but also to enhance or adorn them, even to create new commodities altogether.” Ramello & Silva 2006, p. 946. Ramello 2006, p. 559; Bröcher, Hoffmann & Sabel 2005, p. 23 and 40; Hellmann 2003, p. 272, “Marke as Eigenwert der Werbung”.

²⁰ See Bröcher, Hoffmann & Sabel 2005, p. 23. Franzen & van den Berg 2001, p. 55.

key contributor to commercial success in many markets by moving from being mere identifiers to being communicators that transmit a recognisable and credible message to consumers.

With soaring advertising and marketing costs, right holders perceived the need to see their investments secured. This was partly made possible by trademark law, through protection against dilution and protection of the repute of trademarks. With strong pressure from the industry, positive trademark law and jurisprudence has expanded the scope of the trademark rights. European trademark law protects the communicator function by protecting the distinctive character and repute of trademarks against free-riding, blurring, and tarnishment.²¹

However, this kind of protection may conflict with the freedom of commercial expression of competitors wanting to inform consumers, e.g. by means of comparisons or referential use, as well as with the freedom of third parties who want to use trademarks as social, cultural or political communicators, e.g. in art, criticism, parody, or satire. It is here that the core conflict with freedom of expression, in the form of a conflict between monologic and dialogic communication, comes into play.

1.2.4 EMERGENCE OF A POLITICAL DIMENSION TO THE CONFLICT

Through several economic processes since the 1980s, a shift in power from national governments to multinational corporations has taken place. In Europe, many services that had formerly been provided by governments, e.g. those in the telecommunication, broadcasting or medical sectors, were privatised, in order to let market forces enhance efficiency and lower prices. During more or less the same period of time, the globalisation of international trade has allowed some multinational companies to expand and not just become major international economic forces, but to be able to gain substantial influence on political decision-making. Of course, this holds true only for a minority of companies; besides, companies wielding major political influence are no new phenomenon, as can be witnessed by examples during the eras of colonisation and of the industrial revolution. What is different today, though, is that democratic governance has evolved. At a minimum, governments are bound by the rule of law and human rights and they are accountable to the electorate. Citizens of democratic nations are used to a continuous dialogue with political power, often openly voicing their criticism. Freedom of expression protects this dialogic form of communication as one of its core purposes.

By contrast, powerful companies do not offer democratic channels of communication. Instead, they communicate in a *monologic* manner through developing *monologic* public relations strategies that aim at controlling what is said about them and their trademarks in public discourse. As a result, criticism cannot directly enter into their decision-making processes. Trademarks may, however, offer a powerful vehicle for criticism, because they identify the right holder exactly in the way he presents himself to the public.²² In other words, not the executives of right holder companies, but their trademarks represent their power. In addition, trademarks are major commercial assets. Using trademarks in criticism is efficient because it means attacking the symbol of trust and positive

²¹ For a definition of these concepts see section 2.2.3.2.

²² Klein 2000 provides one of most famous and elaborate accounts of the political power of trademarks.

perception that lies at the core of these assets. Such criticism has been popular with NGOs, as well as with angry consumers.²³

Many lawsuits arose following this sort of criticism. In these, right holders have invoked trademark law to fend off criticism, while defendants have invoked their freedom of expression.²⁴ Trademark rights can thus have the effect of limiting political discourse in the realm of the governance of multinational companies.

What is more, trademarks and monologic communication strategies have come to play a role in political communication itself. The political establishment has started to copy the strategies of commercial communication and to employ trademarks strategically. Politicians, political parties, governments, and non-governmental organisations register their names and logos as trademarks.²⁵ If the political establishment succeeded in protecting their ‘trademarks’ against damage to the repute, symbols of political ideas could be removed from public discourse. This potentially creates a major restriction of freedom of expression. Such cases are rare but do occur, as is shown by a Dutch case in which the government tried to prohibit Greenpeace from using a logo and a slogan from a campaign of the ministry for environmental affairs.²⁶

In sum, a tendency that could be characterised as the convergence of the commercial and the political sphere has added a political dimension to the conflict.

1.2.5 EMERGENCE OF A SOCIAL AND CULTURAL DIMENSION OF THE CONFLICT

Subsequently, the conflict further intensified, as well-known trademarks, through the rise of consumerism, have come to play a linguistic, sociological, and cultural role. Consumerism means that the ‘citizens’ of the consumer society have, willingly or not, accepted and endorsed trademark use as communicators and as satisfiers of needs. Consumers accept the message they convey and use them to assuage their needs, including the signalling of status, mindsets or membership in groups. For instance, wearing Gucci sunglasses when amongst windsurfers may hinder membership and acceptance as much as wearing a Heineken shirt in a golf club.

In addition, trademarks have taken the place of symbols and ideas that represent group identity (such as flags) and can thus be used to create a sense of community. Some commentators even argue that, in a globalised world, trademarks may become key points of reference and may provide consumers a “*Markenheimat*”, a home made of trademarks.²⁷ These social functions of trademarks are actively shaped and promoted by right holders through advertising.

Trademark law partly protects the social function of trademarks by granting right holders control over the distinctive character and repute of trademarks. The social

²³ *Ibid.*; Werner & Weiss 2006 published a black book of trademarks to criticise policies of companies.

²⁴ To name but a few: Rb. ‘s-Gravenhage 21 June 2005 *InHolland v. Kaasjager*; OLG Hamm 18 February 2003 (www.castor.de); LG Düsseldorf 30 January 2002 (scheiss-t-online.de); Cour d’Appel de Paris 30 April 2003 (www.jeboycottedanaone.fr); Cour d’Appel de Paris 16 November 2005 (*Esso*); Cour de Cassation 8 April 2008 (*Areva*); Rb. Amsterdam 6 January 2005 *Milieudefensie v. Super De Boer*.

²⁵ In the Netherlands a number of political parties have registered their logo’s as trademarks, e.g. Benelux Trademark Registration no. 0801798 (logo of the socialist workers’ party PvDA); Benelux Trademark Registration no. 0575391 (logo of the liberals VVD).

²⁶ Rb Amsterdam 22 December 2006 *The Netherlands v. Greenpeace*.

²⁷ Hellmann 2003, p. 337.

function of trademarks, in turn, triggers criticism, satire, and parody, all of which are protected by freedom of expression.

As explained in section 1.1, some artists and home-artists creatively use and transform these trademarks and their messages into works of art. In addition, as the theory of dialogic democracy, which draws on elements of postmodernist theories, explains that trademarks themselves have become key elements of today's culture. As *Rosemary Coombe* states:

“Goods are increasingly sold by harnessing symbols, and the proliferation of mass media imagery means that we increasingly occupy a “cultural” world of signs and signifiers that have no traditional meanings within social communities or organic traditions [...]

Postmodernists suggest that we address the “textual thickness and the visual density of everyday life” in societies saturated with commodified forms of cultural representation. Such images so pervasively permeate all dimensions of our quotidian lives that they are constitutive of the “cultures” in which most people in Western societies now live.”²⁸

Trademarks as ‘commodified forms of cultural representation’ are seen by postmodernists as taking on a key role in an ongoing process of ‘meaning-making’. In the eyes of postmodernists, the focus of cultural – as well as political and social – processes is the struggle over controlling, changing, or shifting the meaning contained in culturally important signs. With trademarks assuming such a cultural role for themselves, we enter into yet another new terrain full of possibilities for conflict between trademark law and freedom of expression.²⁹

1.2.6 CONFLICTS IN THE NEW MEDIA

The last important reason why the conflict between trademark protection and freedom of expression has intensified in recent years lies in the emergence of new media, such as the Internet. Traditional mass media favoured monologic communication, as they provided for a one-way form of communication, whereas the ability of individuals to interact in print, voice, and visual media was limited due to the high costs involved and the need to act through intermediaries. The new media, on the contrary, provide a low-cost, easily accessible, and multi-directional communication platform with potential for global reach. This favours dialogic communication and provides new opportunities for communication to right holders, competitors, and third parties alike.

In the field of commercial communication, the Internet, with its global reach, is providing an important platform for global marketing strategies. For these strategies to work, trademarks need to be protected in domain names and their use on web-sites other than those of right holders themselves needs to be controlled. However, competitors also have found new ways to employ the trademarks of others to attract attention to their own goods and services. This happens either openly or covertly by e.g. employing trademarks

²⁸ Coombe 1991, p. 1862.

²⁹ On the cultural role of trademarks see further Coombe 1998; Scafidi 2005.

as meta-tags or ad-words in search engines. The increased possibilities for the use of trademarks on the Internet and the ensuing struggle for control against free third party use of trademarks has led to a surge in internet-related trademark litigation, in which old trademark concepts are transformed and bent so as enable application to the new communications reality. Again, the question in such cases is whether freedom of expression, which grants the right to use trademarks in commercial expressions in order to inform consumers, is disproportionately impaired.

Moreover, in the field of social, political, and cultural communication, the Internet provides a powerful platform for individuals and groups to criticise, express themselves artistically or to create parodies or satire. The capability of allowing people to participate in a discourse on an equal footing with the commercial or political establishment is why the Internet can be seen as a new platform for free social, cultural, and political discourse and production.³⁰ An open Internet has the unique potential to advance individual self-direction and democratic self-governance, though it may be obvious that this feature of the Internet conflicts with strategies of communication that employ trademarks in monologic ways. Consequently, numerous legal disputes have arisen over the use of trademarks in domain names of critical sites and over the use of trademarks in the content of web-pages.³¹

1.3 RESEARCH QUESTION AND OUTLINE

Against the background of the conflict that I have sketched so far, I will examine whether trademark rights in the European legal order are compatible with the freedom of expression of third parties. The main question that will be examined in this book is:

Does the exercise of ‘European trademark rights’, i.e. the rights granted to right holders under the European Trademark Regulation and the national trademark rights harmonised by the European Trademark Directive, cause a disproportionate impairment of the freedom of expression of third parties as protected by Article 10 ECHR?

At its core, this question comes down to a requirement that trademark rights be adequately balanced with the freedom of expression of third parties, implying that the justified interests behind these rights are balanced. Hence, in order to answer the research question, I need to, first, examine the justified interests protected by trademark rights and by freedom of expression. I will do this in chapter 2 with respect to trademark rights and in chapter 3 with respect to freedom of expression of third parties.

³⁰ To name but a few authors from the realm of legal scholars: Lessig 2004, focusing on a cultural change brought about by the Internet; Benkler 2006, stressing the potentials of the Internet for new forms of ‘networked production’; Elkin-Koren 1995; Elkin-Koren 1996.

³¹ E.g. Rb. ‘s-Gravenhage 21 June 2005 *InHolland v. Kaasjager*; OLG Hamm 18 February 2003 (www.castor.de); LG Düsseldorf 30 January 2002 (scheiss-t-online.de); Cour d’Appel de Paris 30 April 2003 (www.jeboycottedanaone.fr); Cour d’Appel de Paris 16 November 2005 (Esso); Cour de Cassation 8 April 2008 (Areva).

In chapter 2, I will examine European trademark law, and, in particular, the national trademark rights harmonised by the European Trademark Directive (“TMDir”) and the largely identical trademark rights contained in the European Trademark Regulation (“TMReg”), in light of its rationales. The sub-question of the research question that shall be answered in chapter 2 is:

In view of the need for balancing trademark rights and the justified interests behind them with freedom of expression, what are the rationales that justify trademark rights and are ‘European trademark rights’ justified by these rationales?

The chapter is based on one of the most essential premisses of distributive justice, i.e. that property and exclusive rights are not self-explanatory, but that they rather need to be justified by one or more rationales, since they exclude third parties from various forms of use of goods, or, as is the case with trademarks, from providing information and from communicating in general. Trademark jurisprudence and doctrine rely to a great degree on the definition of a number of legally relevant trademark functions, which need to be protected by trademark law. In discussing these functions, I will show that the ‘functional approach’ taken in jurisprudence and doctrine is deficient, as it does not pay sufficient attention to the *ratio* behind the need for protection. I will therefore examine the theories that, in my opinion, provide more appropriate rationales for the protection of trademark rights, i.e. economic rationales, such as the search cost rationale and the dynamic efficiency rationale, and ethical or fairness based rationales, such as rationales related to unfair competition or the labour rationale of John Locke. Subsequently, I will examine whether European trademark rights are justified by these rationales. In this analysis, it will become clear that European trademark rights are not fully justified by the economic and ethical or fairness-based rationales and, moreover, that European trademark rights and the jurisprudence pertaining to them does not take account of the fact that trademark rights can restrict the freedom of expression of third parties.

In Chapter 3, I will examine the following sub-question of the research question:

Can or must freedom of expression, as granted under Article 10 ECHR, serve as a limitation to trademark rights and, if so, what level of protection would it grant to third parties?

In answering the first part of the question, I will examine the obligations created by Article 10 ECHR and other norms protecting freedom of expression. The analysis will show that Article 10 ECHR, as well as Article 5 of the German Grundgesetz, create the obligation to ensure that the exercise of trademark rights does not violate the freedom of expression of third parties. Accordingly, Article 10 ECHR and Article 5 GG, which normally apply only *vertically* (i.e. in the relationship between state and the individual), have an *indirect horizontal* effect in conflicts between private individuals, such as a trademark right holder and a third (private) party using the trademark. I will argue that this obligation under Article 10 ECHR should be met at several levels, i.e. by legislators, courts and trademark registering authorities, in legislating and interpreting the law in a manner that the exercise of trademark rights causes no disproportionate limitation of freedom of expression.

In order to determine the level of protection of freedom of expression of third parties when using a protected trademark, I need to, first, examine the rationales for freedom of

expression, as they justify freedom of expression and are essential tools in interpreting its scope in a particular case. In these rationales, a dividing line can be discerned between non-commercial expression and commercial expression. This line is also present in freedom of expression jurisprudence. The classic rationales of *freedom of non-commercial expression*, i.e. the argument of discovering truth, the democracy rationale and the self-fulfilment rationale, support a general freedom of expression on matters of public interest or artistic expression even when it is oppositional, presents minority views, shocks or causes a degree of harm. They do, however, not specifically explain why freedom of expression of a third party may include the freedom to use a particular registered trademark. I have located this more specific rationale in the theory of dialogic democracy as articulated by e.g. Rosemary Coombe, which explains that society is involved in a constant cultural, social, and political struggle about meaning and that the signs (including trademarks) carrying this meaning are the key elements in this struggle. In this respect, also the theory of 'bricolage' explains that the particular *choice* to use a sign in art is an integral part of the expression itself. While these theories draw on *descriptive* elements of postmodernist theories, they also deliver a convincing *normative* argument in support of freedom of expression with respect to the use and choice of particular signs (including trademarks) in expression of a social, cultural, and political character.

The rationale for the protection of *freedom of commercial expression*, including the freedom of third parties to use trademarks in certain cases, is based on the positive effects of commercial expression for a citizen in today's society. It is a freedom to provide information to (potential) consumers. Since commercial expression can also cause direct and clearly negative effects (e.g. when it is misleading, or about harmful products such as cigarettes) the rationale allows for more leniency in restricting freedom of commercial expression and, consequently, that freedom is of lesser strength than freedom of non-commercial expression.

After examining the rationales for freedom of expression of third parties to use trademarks, I will examine the jurisprudence of the European Court of Human Rights ('ECtHR') and national courts with respect to freedom of non-commercial and commercial expression, exploring the varying strength of the protection granted. In particular, I will analyse the jurisprudence that grants stronger protection to expression about public figures, since it may be possible that analogous arguments be applied to those trademarks that are of such social, cultural, or political importance and that they have retained the status of 'public symbols'. I will further focus on the treatment of artistic expression, the treatment of expression that contains both commercial and non-commercial elements (i.e. mixed expression), the treatment of purely commercial expression and the question of whether chilling effects caused by procedural requirements resulting in inequalities between litigants or by the severity of sanctions could, by themselves, amount to a disproportionate impairment of freedom of expression.

In chapter 4 and 5, I will examine two stages of balancing rights and interests in the actual conflict between trademark rights and the freedom of expression of third parties. Chapter 4 deals with the first stage, the balancing of the provision regulating the grant and revocation of trademark rights with the freedom of expression third parties; chapter 5 deals with the second stage, the balancing of the scope of protection of trademark rights with the freedom of expression of third parties.

Chapter 4 draws on one of the conclusions of chapter 3, i.e. that the protection of freedom of expression is best realised and the least chilling effects are caused, if trademark law internalises the necessary balancing with freedom of expression. This can and should be done by drafting and interpreting trademark law in such a manner that the exercise of trademark rights will cause no disproportionate limitations on freedom of expression. In chapter 4, I focus on registering authorities and courts who grant, invalidate, or revoke trademark rights, under the grounds for refusal, invalidity and revocation contained in the TMDir and TMReg. They can interpret the ‘open’ criteria in these grounds (i.e. the criteria that allow for open interpretation) in a manner that causes no disproportionate restriction to the freedom of expression of third parties. To do so, the grant and revocation of trademark rights, under the grounds for refusal, invalidity and revocation, should thus be weighed against a *public interest* that represents the freedom of expression of the potentially affected parties. That public interest has two aspects, the first being connected to the freedom of commercial expression of third party traders to use trademarks in a descriptive or otherwise informative manner in order to inform consumers about their own goods and services. The second aspect relates to trademark rights in signs of high social, cultural, or political value for expressive goods or services, e.g. a trademark right in the name Elvis Presley for the organisation of festivals, shows, or merchandise may grant the right holder such far-reaching control over the representation of the idol ‘Elvis’ in the public sphere, that such a trademark right may impair the freedom of expression of third parties and it may impair expressive diversity of society at large.

The sub-question to the research question that I will examine in Chapter 4 is thus:

Can the existing grounds for refusal, invalidity and revocation as defined by European trademark law and jurisprudence be interpreted in a manner to ensure that no trademark rights come into or are in existence, whose exercise would very likely cause a disproportionate impairment of freedom of expression?

In the analysis, I specifically will focus on the (open) interpretation of the grounds for refusal of trademark registration of descriptiveness, customariness, non-distinctiveness, bad faith and public policy and I will examine the ground for revocation for trademarks that have become a common name in trade. According to the ECJ, each of these grounds for refusal or revocation protects a specific public interest. While none of these interests is that of freedom of expression of third parties, it will become apparent that the grounds of refusal and revocation have the effect to protect, to some extent, both aspects of the public interest stemming from the freedom of expression of third parties. However, as certain elements of the public interest stemming from freedom of expression may not be sufficiently protected, I will examine whether the grounds for refusal and revocation can be interpreted in a manner that permits rectifying any (potential) impairment of the public interest.

In chapter 5, I will examine the second stage of balancing, i.e. the balancing of the scope of trademark rights with the freedom of commercial and non-commercial expression of third parties. The sub question of the research question that I will examine in chapter 5 is:

Can the criteria defining the scope of trademark rights as set by European trademark law, i.e. the constitutive criteria as well as the limitations, be interpreted

in a manner to ensure that the exercise of trademark rights will not cause a disproportionate impairment of freedom of expression?

In answering this question, I will analyse those constitutive criteria of the scope of trademark rights as well as limitations that can be interpreted in such a manner as to allow for balancing with freedom of expression. In particular, I will examine the criterion of ‘use in the course of trade’, which is supposed to limit the scope of trademark rights to the commercial sphere, the interpretation of the absolute protection of trademarks against the use of identical signs on identical goods, as well as that of the prohibition against confusing use. Furthermore, I will analyse in detail criteria relating to the right to prohibit trademark use that affects the distinctive character or repute of trademarks. A major part of this analysis is dedicated to examining the room for balancing trademark rights with freedom of expression under the limitations to that provision.

Finally, I will summarise the analysis in chapter 6 and I will present the most important recommendations to legislators and courts. In particular, I will indicate to legislators, in which areas of trademark law legislative action should be taken, and I will make recommendations for a number of limitations to trademark law that should aid legislators in drafting concrete amendments. Moreover, I will indicate possibilities to interpret present trademark law in line with Article 10 ECHR in the absence of action taken by the legislator.

1.4 LIMITATION OF THE SUBJECT-MATTER

As is the case with any research project, I have been forced by constraints of both time and space to limit my research. For one, this research has been finalised in September 2009 and no jurisprudence after that date has been considered. Moreover, I chose to focus my analysis on a certain number of problems in the relationship between trademark rights and freedom of expression and I am painfully aware that this book may leave some questions unanswered. With a view to managing the expectations of my reader, I want, in particular, to address two areas that I have excluded from the scope of this research.

First, I will not examine the question of whether the rules of trademark law may limit the freedom of expression of a prospective trademark rights holder *himself*. Instead, the focus of this research is on exploring the conflict between trademark holders’ rights and the free expression rights of *third parties* who may want to use the former’s trademarks.

It has been argued that this freedom of the trademark right holder may be impaired in particular where certain signs are not registerable as trademarks, e.g. because they belong to the sphere of government (such as flags) or they are considered to be against public policy or generally accepted principles of morality (such as offensive trademarks).³² A (potential) trademark right holder may invoke freedom of expression to justify his claim to register, or keep registered, a particular sign as a trademark. A good example is the case of the Washington Redskins, an American football team, whose trademark registration was cancelled after a lawsuit by four United States Associations of Native

³² Van Woensel 2007, p. 322.

Americans over the use of the diminutive term Redskins.³³ In such cases, courts have been called upon to consider whether the freedom of expression of a trademark right holder may have been impaired.³⁴ Moreover, it has been argued that the right to protect the distinctiveness or repute of trademarks may also follow from the freedom of expression of right holders, which should shield their goods or services from unwanted associations.³⁵

In my opinion, there is a severe dogmatic problem when assuming that the grant, refusal or limitation of trademark rights may impair the freedom of expression of the relevant trademark right holder. First, a (potential) trademark right holder always remains free to use a sign in trade, as he does not need a trademark right in order to *use* the sign. Second, and most importantly, however, trademark rights grant a right holder the *exclusive* right to *prevent* third parties from using a sign, which is the antithesis of *freedom* of expression, which grants a right to *non-exclusive* use of a sign in order to e.g. inform consumers. Not being granted such a *right to prevent* can never affect the *freedom* of expression of a right holder. Therefore, I will not deal with this alleged freedom of expression of trademark right holders.

Second, as this book follows the internal structure of trademark law, it does not contain separate thematic sections on conflicts involving domain names or ad-words. Cases involving domain names or ad-words are, however, discussed in the sections that deal with interpretation of the criteria defining the scope of trademark rights, e.g. the criterion of ‘use in the course of trade’ (section 5.2), the discussion of the likelihood of confusion (section 5.3) or the section dealing with the criticism of individuals (section 5.5.3.4).

Third, it is beyond the scope of the research to deal with the problem of cumulative application in intellectual property laws. In some countries, copyright law can be applied cumulatively to trademark law for slogans or logos that possess some degree of originality. However, the different nature of and rationale behind copyright law requires thorough study that can only be, and already has been, done in separate research.³⁶

1.5 A COMPARATIVE PERSPECTIVE

As both the area of trademark law and that of freedom of expression are codified at the international (European) level, the main focus of this research will be on the analysis of norms and jurisprudence of the European Court of Justice and the Court of First Instance, as well as of the European Court of Human Rights.

However, since the harmonised norms at an international or rather European level have been transposed into national laws, they have thus become part of an ongoing process of interpretation, in which existing the legal traditions still can play a decisive

³³ U.S. Court of Appeals, D.C. Circuit 15 July 2005 *Pro Football Inc. v. Suzan S. Harjo, et al.*

³⁴ Hof Amsterdam 30 November 2006 (‘Shiva’).

³⁵ Spence 2008.

³⁶ E.g. Hugenholtz *diss.* 1989; Geiger *diss.* 2004.

role. It is therefore essential to consider European trademark law and freedom of expression in their national contexts and applications.

Since I deem it not necessary to discuss national norms, jurisprudence, and doctrine in separate national chapters, I will use these sources in thematic chapters that follow the line of the main argument. In this context, I have chosen to examine the norms and jurisprudence of two European jurisdictions, those of Germany and the Netherlands. In addition, I will, by way of a brief and selective comparison, also refer to cases from other European jurisdictions and to federal United States trademark law and jurisprudence.

I have selected Germany because its jurisprudence in cases concerning freedom of expression and trademark rights is rich, legal doctrine is well developed and German law has been influential in Europe both concerning trademark rights and concerning freedom of expression. Moreover, legal doctrine on constitutional rights such as freedom of expression, their place in society and their application to subjective rights of private law, such as trademark rights, offers valuable insights into the possible manners of achieving a balance.

Dutch trademark law, which is part of Benelux trademark law, has also been very influential in shaping the harmonisation process of European trademark rights. The particularly broad scope of Benelux trademark rights is more problematic with regard to freedom of expression, which makes for an interesting bias in balancing the interests in the question of trademarks versus freedom of expression.

I chose a selective comparison with United States law, because trademark law in the United States, while being very similar to European trademark law, puts a greater focus on freedom of competition and offers a range of valuable balancing solutions, in the form of fair use exceptions. Furthermore, in the US, the problematic relationship between trademark law and freedom of expression has been the subject of continuous and extensive doctrinal debate.

2 Trademark Rights and their Rationales

2.1 INTRODUCTION

This book deals with the conflict between trademark rights and freedom of expression. A resolution of this conflict requires a balancing process, in which the justified interests of the parties concerned are weighed against each other. These justified interests can only be determined if both rights are interpreted in light of their aims and rationales; in the present chapter, I will, therefore, examine trademark rights in light of their rationales. In the subsequent chapter, I will examine freedom of expression in light of its rationales. In particular, whether 'European trademark rights', i.e. the national trademark rights harmonised by the European Trademark Directive ('TMDir') and the largely identical trademark rights contained in the European Trademark Regulation ('TMReg'), are justified by these rationales.

The chapter will start out by presenting a bird's eye view of European trademark law (section 2.2). Subsequently, in section 2.3 I will examine the rationales for trademark rights. In that section, I will first take a look at relevant functions of trademarks that are used in trademark jurisprudence and doctrine to interpret and justify trademark rights, i.e. the source identification function, the product distinction function, the quality or guarantee function and the goodwill and advertising function. I will also look at the role of trademark functions in European trademark law.

Second, I will examine the justification of trademark rights by economic rationales, i.e. search cost rationale and dynamic efficiency rationale, and ethical and fairness-based rationales, such as the Lockean labour rationale. The discussion of the rationales will show in how far the protection of the individual trademark functions is justified.

In section 2.4, I will assess whether the trademark rights harmonised by the TMDir and granted under the TMReg are justifiable under the rationales for trademark rights. First, I will examine the grant and revocation of European trademark rights (section 2.4.1); thereafter, I will turn to the identity protection and protection against confusing use (section 2.4.2); Then, I will look at the protection of the distinctive character and repute of the trademarks (section 2.4.3); and, finally, I will consider the limitations of trademark rights provided by the TMDir the TMReg as well as the Directive on Comparative Advertising (section 2.4.4).

2.2 A BIRD'S EYE VIEW OF EUROPEAN TRADEMARK LAW

The European Trademark Directive has harmonised to a large extent national trademark law in the Member States of the European Union.¹ In addition, the European Trademark Regulation provides for supra-national trademark rights that are valid throughout the entire E.U. territory.² Many of the provisions of the TMDir and TMReg, in particular those relation to the grant and revocation as well as to the scope of rights, are identical. I will therefore refer to both sets of rights jointly as the 'European trademark rights' and I will introduce these European trademark rights as well as the European trademark law framework in the sub-sequent paragraphs.

2.2.1 THE EUROPEAN TRADEMARK LAW FRAMEWORK

On the international level, European trademark law must respect important treaties, which set parameters for the substantive provisions relating to the grant of trademark rights, as well as to the scope of such rights. The first of these is the 1886 Paris Convention on the Protection of Industrial Property ('Paris Convention'), Articles 6 to 7 of which provide *inter alia* for standards relating to the registration of trademarks and for the protection of well-known marks. The European Union is no party to this convention, but all Member States of the European Union have ratified it. Second, in 1994 the Agreement on Trade Related Aspects of Intellectual Property Rights ('TRIPs') was adopted under the auspices of the World Trade Organisation ('WTO'). TRIPs sets rules relating to (the refusal of) registration and minimum rights and provides for the protection of well-known trademarks. The European Union itself as well as all its Member States are bound by this treaty due to their membership of the WTO.³

Within the European Union, trademark jurisprudence developed at an early stage, because disparities in national trademark laws have, at times, interfered with the fundamental freedoms of the European common market.⁴ The relevant two fundamental freedoms that were affected were the free movement of goods and the freedom to provide services on the internal or common market, as contained in Article 28 and 30 of the Treaty Establishing the European Community ('EC Treaty').⁵ The main interpretative tool used by the ECJ to interpret the scope of European trademark rights, i.e. the essential

¹ First Directive 89/104/EEC of the Council, of 21 December 1988, to Approximate the Laws of the Member States Relating to Trade Marks, OJ 1989, L 40/1, (herein after 'Trademark Directive' or 'TMDir')

² Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark, [1994] OJ L-11/1, (herein after 'Trademark Regulation' or 'TMReg')

³ The European Union is a Member of the WTO since 1 January 1995 www.wto.int. In addition to the harmonisation of content of trademark rights through the Paris Convention and TRIPs, a system for the international registration of trademarks was created with the 1891 the Madrid Agreement. It creates a Union within which it enables right holders to extend trademark rights to the territories of some or all other Member States. The European Union is a Member of this Union. Most EU Member States are equally part of the Union.

⁴ The first trademark related case was ECJ 23 May 1978 *Hoffmann-La Roche*.

⁵ Treaty Establishing the European Community, [2002] OJ C-325/69 (consolidated version), (herein after 'EC Treaty').

function doctrine, stems from the jurisprudence relating to conflicts between national trademark rights and the fundamental freedoms of the internal market.⁶

During the 1980ies, a process of legislating in the area of trademarks took place. This was done under what is presently Article 94 EC Treaty, which states that the European Council has powers to

“issue directives for the approximation of such laws, regulations, or administrative provisions of the Member States as directly affect the establishment or functioning of the common market”.⁷

In 1989, the negotiations led to the adoption of Directive 104/89/EEC (the ‘Trademark Directive’ or ‘TMDir’). This directive largely harmonised the national trademark laws of the now 27 Member States⁸ of the European Union.⁹

The TMDir does not amount to a fully-fledged single European trademark law. It is rather an instrument of harmonisation, approximating to a large extent the provisions regulating the grant and revocation of national trademark rights, as well as their scope. To that end, the Directive contains mostly mandatory and a few optional provisions. For instance, the optional Article 5.5 TMDir provides that states may allow for the protection of the distinctive character and repute of all trademarks, even those without a reputation, outside the scope of trade. That Article has been implemented in its entirety solely in Benelux law in Article 2.20.1.d of the Benelux-verdrag inzake de intellectuele eigendom (‘BVIE’).

Member States have transposed the TMDir into their national laws, meaning that the trademark rights in question are obtained under national law by registration with the national trademark registers. National courts deal with disputes over trademark rights that are provided by these harmonised national trademark laws. If, in a national trademark dispute, a question arises about the interpretation of provisions stemming from the Trademark Directive, national courts may ask for a preliminary ruling on questions of interpretation to the European Court of Justice; national courts of last instance are under an obligation to refer such questions to the ECJ.¹⁰ Interestingly, in the interpretation of the provisions of the TMDir, the ECJ continues to adhere to the interpretative tool developed under its common market jurisprudence prior to the implementation of the TMDir, i.e. the essential function doctrine.

⁶ In addition, the ECJ defined the specific object of trademark rights in the internal market, which is to grant trademark right holders “an assortment of rights and powers which are intended to reserve for him the exclusive right to use the distinctive sign and to protect the trade mark against competitors who wish to take advantage of its status and reputation.” ECJ 17 October 1990 *HAG II*, para. 14; ECJ 10 October 1978 *Centrafarm*, paras. 10 to 12; ECJ 23 February 1999 *BMW*, para. 52; AG Colomer 18 January 2001 *Merz & Krell* (‘Bravo’), para. 32; *Beier* 1970. This specific object is of specific relevance only to parallel import cases, e.g. *Hays* 2008, p. 205, and it is far less used in the interpretation of trademark rights under the TMDir and TMReg. Therefore, I will not further elaborate on the specific object of trademark rights.

⁷ *Ibid.*, Article 94.

⁸ Note that Belgium, Luxembourg, and The Netherlands have one uniform trademark law, which is codified in the Benelux Convention on Intellectual Property, (herein after ‘BVIE’).

⁹ The Trademark Directive 89/104/EEC of 21 December 1988.

¹⁰ Article 234 EC Treaty.

European Council Regulation 40/94/EC (the ‘Trademark Regulation’ or ‘TMReg’) established a Community trademark system.¹¹ Under this Regulation, Community trademark rights are obtained by a single registration with the Office for the Harmonization of the Internal Market (OHIM) located in Alicante, Spain and the rights are valid throughout the entire EU territory. The TMReg deals with the subject matter of community trademark rights, as well as their scope.

2.2.2 THE GRANT AND REVOCATION OF TRADEMARK RIGHTS

Both the national laws harmonised by the Trademark Directive as well as the Trademarks Regulation grant rights upon registration. National registering authorities set up in each Member State of the European Union register trademarks that are subject to national trademark rights and are limited to the national territory of that Member State. In the case of the Benelux, this is the territory of the Benelux countries, i.e. Belgium, Luxembourg, and the Netherlands. Under the TMReg, registrations take place at OHIM.

In the register, trademarks are registered for specific goods and services, for which the International Agreement of Nice provides a classification.¹² At present, it contains 34 classes of goods and 11 classes of services. Each of these classes contains a list of terms designating goods and services. Trademarks are registered for individual goods or services within one or several classes of goods or services. Many of the grounds for refusal, invalidity, or revocation of trademark registrations are assessed in relation to the concrete goods and services that are mentioned on the application. This concerns in particular the grounds for refusal of distinctive character, descriptiveness, and customariness.

Furthermore, trademark registration under European trademark law is based on an attributive system. Trademarks can be registered even when they have not yet been used in trade and trademark rights over such signs lapse only after five years of non-use.¹³ The reasoning behind making registration easier was to make obtaining trademark rights less burdensome. Proving the actual distinctive character of a trademark in trade may be a quite costly affair and it would disadvantage the licensing and merchandising industry, which thrives on trademark rights that are registered before the trademarks are used in trade.

There is no time limit for the duration of the registered rights is established, with the exception of an administrative requirement of periodic renewal of registrations by a

¹¹ The Trademark Regulation No 40/94 of 20 December 1993.

¹² Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks (1957).

¹³ Article 12.1 TMDir, Article 50.1.a TMReg, § 49.1 MarkenG and 2.26.2.a BVIE. Article 12.1 TMDir states, “if, within a continuous period of five years, the trade mark has not been put to genuine use [...] in connection with the goods or services in respect of which it is registered, and there are no proper reasons for non-use.” According to Article 10 TMDir “[t]he following shall also constitute use within the meaning of paragraph 1: (a) use of the trade mark in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered; (b) affixing of the trade mark to goods or to the packaging thereof in the Member State concerned solely for export purposes. 3. Use of the trade mark with the consent of the proprietor or by any person who has authority to use a collective mark or a guarantee or certification mark shall be deemed to constitute use by the proprietor.” ‘Defensive marks’, which are designed to circumvent this requirement of genuine use are not accepted under European Law. ECJ 13 September 2007 *Il Ponte Finanziaria* (‘Bainbridge’). See further section 2.3.2.

payment of fees.¹⁴ Registrations can be revoked, however, if a trademark has not been used for five consecutive years.

The definition subject matter of trademark rights under both the TMDir and TMReg uses a functional approach. Accordingly, a protectable trademark is,

“any sign capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings”.¹⁵

According to this definition, trademarks may consist of words, designs or logos, numbers, shapes, or colours, though this list is not limitative.¹⁶

2.2.2.1 *Grounds for Refusal of Registration*

The registration of trademarks and the grant of a trademark right can be refused on a number of absolute and relative grounds. The relative grounds for refusal protect pre-existing exclusive rights in signs such as other trademarks or trade names, whereas the absolute grounds for refusal protect various types of public interests defined by the ECJ. To a large extent, the latter grounds are the recognition by European trademark law that trademark rights in certain signs may cause problems disproportionate to third party traders. Some of the absolute grounds for refusal deal with the regulation of communication,¹⁷ some deal more in general with avoiding competitive disadvantages,¹⁸ and again others deal with the protection of the interests of states¹⁹ and the protection of public policy.²⁰ Since this book deals solely with issues related to communication, only the absolute grounds for refusal that deal with regulating communication are of interest. These are the grounds for refusal of non-distinctiveness, descriptiveness and customariness.²¹

¹⁴ § 47 MarkenG, Article 2.9 BVIE, Article 47 TMReg.

¹⁵ Article 2 TMDir and Article 4 TMReg.

¹⁶ Trademarks could also consist of sounds (ECJ 27 November 2003 *Shield Mark*) or smells (ECJ 12 December 2002 *Sieckmann*). However, the requirement that trademarks must be capable of graphic representation limits significantly the registration of these two types of signs.

¹⁷ Articles 3.1.b to d TMDir and 7.b to d TMReg.

¹⁸ E.g. Articles 3.1.e TMDir and 7.1.e TMReg, prohibiting the registration of the shapes as trademarks under certain conditions.

¹⁹ Articles 3.1.h and 3.2.c TMDir and 7.1.i TMReg, prohibiting the registration of state symbols such as flags.

²⁰ Articles 3.1.f TMDir and 7.1.f TMReg.

²¹ The origin of the three requirements is found in Article 6*quinquies*.B.2 of the Paris Convention. It states:

“B. — Trademarks covered by this Article may be neither denied registration nor invalidated except in the following cases: 2. when they are devoid of any distinctive character, or consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, place of origin, of the goods, or the time of production, or have become customary in the current language or in the bona fide and established practices of the trade of the country where protection is claimed” Within the boundaries of this provision Member States of the Paris Union are free to set requirements of registration of trademarks.

See also Article 15.1 TRIPS which states “1. Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark. Such signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colours as well as any combination of such signs, shall be eligible for registration as trademarks. Where signs are not inherently capable of distinguishing the relevant goods or services, Members may make registrability depend on distinctiveness acquired through use. Members

First, according to Article 3.1.b TMDir and Article 7.1.b TMReg, the registration of signs devoid of any distinctive character must be refused.²² This provision is interpreted by the ECJ in the light of the public interest of consumers, which is “manifestly indissociable from the essential function of a trade mark.”²³ The essential function of a trademark is,

“to guarantee the identity of origin of the marked goods or services to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the goods or services from others which have another origin. For the trade mark to be able to fulfil its essential role in the system of undistorted competition which the Treaty seeks to establish and maintain, 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.”²⁴

Second, pursuant to Articles 3.1.c TMDir and 7.1.c TMReg trademarks may not be registered, if they consist

“exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin, or the time of production of the goods or of rendering of the service, or other characteristics of the goods.”

For instance, geographical names like Chiemsee – a lake in Bavaria - may not be registered, if they currently or in the future “designate places which are, in the mind of the relevant class of persons [...] associated with the category of goods in question,” e.g. windsurfing equipment or clothing.²⁵

The public interest underlying Article 3.1.c TMDir and Article 7.1.c TMReg “requires that the signs and indications descriptive of the categories of goods or services for which registration is sought may be freely used by all.”²⁶ ‘All’ has to be understood in a competitive context; in the *Sat.1 v. OHIM* case, Advocate General Jacobs described the rationale of this provision to lie in the following reasoning:

may require, as a condition of registration, that signs be visually perceptible. 2. Paragraph 1 shall not be understood to prevent a Member from denying registration of a trademark on other grounds, provided that they do not derogate from the provisions of the Paris Convention (1967).”

²² Article 3.1.b TMDir and 7.1.b TMReg.

²³ ECJ 16 September 2004 *Sat.1* (‘Sat.2’), para. 27; identical ECJ 15 September 2005 *BioID AG* (‘BioID’), para. 60. “[T]he essential function of a trade mark is to guarantee the identity of the origin of the marked product to the consumer or end-user by enabling him, without any possibility of confusion, to distinguish the product or service from others which have another origin [...] Article 7(1)(b) of the regulation is thus intended to preclude registration of trade marks which are devoid of distinctive character which alone renders them capable of fulfilling that essential function.” ECJ 16 September 2004 *Sat.1* (‘Sat.2’), para. 23. The origin of the ‘essential function doctrine’ is found in ECJ 23 May 1978 *Hoffmann-La Roche*, para. 7. See also below Section 2.3.1.5.

The CFI further held that the essential function enables consumers to, “identif[y] the origin of the goods or services, thus [to] enabl[e] the consumer who acquired them to repeat the experience, if it proves to be positive, or to avoid it, if it proves to be negative, on the occasion of a subsequent acquisition.” CFI 5 March 2003 *Alcon* (‘BSS’), para. 48.

²⁴ ECJ 12 November 2002 *Arsenal Football Club*, para. 48; ECJ 23 May 1978 *Hoffmann-La Roche*, para. 7; ECJ 18 June 2002 *Philips*, para. 30.

²⁵ ECJ 4 May 1999 *Windsurfing Chiemsee*.

²⁶ *Ibid.*, para. 25, and ECJ 8 April 2003 *Linde*, para. 73; in the context of Article 7.1.c TMReg, ECJ 23 October 2003 (‘Doublemint’), para. 31.

“To allow one trader to monopolise a term which may serve to designate a product's characteristics would be to accord him an unfair advantage over competitors who have a legitimate interest in being able to use the term descriptively.”²⁷

Third, Article 3.1.d TMDir and Article 7.1.d TMReg contain a specific absolute ground for refusal for trademarks,

“which consist exclusively of signs or indications which have become customary in the current language or in the bona fide and established practices of the trade.”

An example is the suffix ‘-tex’ for textile products or the word or ‘BSS’ for a balanced salt solution, in particular when the customers of the product are only composed of pharmaceutical professionals.²⁸ In addition, the ground for refusal of customariness applies to customary features of goods.²⁹ This ground does, however, not extend to signs which are not customary but merely laudatory, e.g. ‘gold medal’, ‘Bonus’ or ‘Bravo’. Such laudatory signs may sometimes fall foul of the ground for refusal of non-distinctiveness, as they may be too common as to identify the specific source of a particular product or service.

The public interest behind the ground for refusal of customary signs is equal to that underlying Article 3.1.c TMReg and Article 7.1.c TMDir, namely that these signs must be freely used by all traders.³⁰ Moreover, the ECJ and CFI consider customary signs not to be “capable of distinguishing the services of one undertaking from those of other undertakings,” i.e. they are considered unable to fulfil the essential function of a trademark.³¹

According to Article 3.3 TMDir and 7.3 TMReg, the three grounds for refusal mentioned above may be set aside if it can be shown that a non-distinctive, descriptive, or customary sign has actually acquired a distinctive character:

“A trade mark shall not be refused registration or be declared invalid in accordance with paragraph 1 (b), (c) or (d) if, before the date of application for registration and following the use which has been made of it, it has acquired a distinctive character. Any Member State may in addition provide that this provision shall also apply where the distinctive character was acquired after the date of application for registration or after the date of registration.”³²

²⁷ AG 11 March 2004 *Sat.1* (‘Sat.2’), para 22. AG Jacobs further stated that “Such reasoning can be transposed to Article 7(1)(d) and (e), respectively for terms which have become customary for a product and for shapes which are in some way closely bound up with its nature”, making reference to ECJ 18 June 2002 *Philips*, paras. 78 to 80.

²⁸ CFI 5 March 2003 *Alcon v. OHIM* (‘BSS’), para 44.

²⁹ ECJ 4 October 2001 *Merz & Krell* (‘Bravo’), para .41. “It is immaterial, when that provision is applied, whether the signs or indications in question describe the properties or characteristics of those goods or services.”

³⁰ ECJ 16 September 2004 *Sat.1* (‘Sat.2’), paras. 21 and 23.

³¹ ECJ 4 October 2001 *Merz & Krell* (‘Bravo’), para. 37; CFI 5 March 2003 *Alcon* (‘BSS’), para. 40; CFI 16 March 2006 (‘WEISSE SEITEN’), para. 52.

³² Identical provisions are contained in § 8.3 MarkenG. The BVIE does not contain a separate provision on acquired distinctiveness. However, since a trademark may only be registered once a ground for refusal no longer exists, the registration system under the BVIE recognises the same rule on acquired distinctiveness. See also Article 2.28.2 BVIE.

If a significant number of consumers has come to recognise a non-distinctive sign like ‘Have a break...’ as a distinctive trademark (e.g. for chocolate bars), the sign may be registered.³³ This provision on acquired distinctiveness recognises that the meaning of signs can change over time and that a trademark can become distinctive.

2.2.2.2 *Revocation of Registration*

The reverse effect of acquiring distinctiveness is that a registered trademark over time becomes a customary or generic designation for a product. For instance, ‘aspirin’ is a trademark of Bayer, but in some countries it is considered a customary or generic term for any kind of painkiller containing acetylsalicylic acid.³⁴ In this context, Article 12.2 TMDir and Article 51.1.b TMReg state that a trademark may be revoked:

“if, [...] in consequence of acts or inactivity of the proprietor, it has become the common name in the trade for a product or service in respect of which it is registered”

This provision is an important recognition of the fact that trademarks may lose their distinctiveness and may gain a new meaning that needs to become accessible for third party traders.

2.2.3 *THE SCOPE OF TRADEMARK RIGHTS*

The scope of European trademark rights is determined by Article 5 TMDir and Article 9 TMReg. First, Article 5.1.a and b TMDir and Article 9.1.a and b TMReg protect the identity of all trademarks and they protect trademarks against confusing third party use. Second, Article 5.2 TMDir and 9.1.c TMReg protect trademarks ‘with a reputation’ against third party use that takes unfair advantage of or harms the distinctive character or repute of those trademarks. Third, Article 5.5 TMDir provides Member States with the option to protect all trademarks against third party use that takes unfair advantage of or harms the distinctive character or repute. That last, quite far-reaching, provision has only been implemented in the BVIE.³⁵

2.2.3.1 *Identity Protection and Protection against Confusing Use*

Articles 5.1 TMDir and 9.1.a and b TMReg grant trademark right holders two rights to prohibit the use of trademarks by third parties:

The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

(a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered;

(b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the

³³ ECJ 5 July 2005 (‘Have a Break...’), paras. 26 to 29.

³⁴ E.g. in the United States the trademark Aspirin was declared a common name in trade. District Court, S.D. New York 14 April 1921 *Bayer* (‘Aspirin’).

³⁵ Article 2.20.1.d BVIE.

sign, there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trade mark.

I will refer to the protection granted by Article 5.1.a TMDir as ‘identity protection’. It is an ‘absolute’ protection, which entitles a right holder to prohibit use of an identical sign in relation to identical goods or services without further proof of confusion or any other form of harm.³⁶ I will refer to the protection in Article 5.1.b TMDir as ‘protection against confusion’. It extends to the use of similar signs on similar goods or services. In contrast to Article 5.1.a TMDir, this provision requires proof of a likelihood of confusion.

a. ‘Identity Protection’ under Article 5.1.a TMDir

Since Article 5.1.a TMDir is phrased in absolute terms, lacking criteria of the sort of harm of third party use that may be prohibited. As a result, the scope of the provision is mainly determined by the interpretation of the criterion of ‘use in relation to goods and services’. This criterion has been interpreted by the ECJ with reference to the essential function of a trademark, which is,

“to guarantee the identity of origin of the marked goods or services to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the goods or services from others which have another origin.”³⁷

The criterion of ‘use in relation to identical goods or services’ encompasses not only the typical case of trademark ‘piracy’, i.e. just use *on* identical goods or services, but also extends to use of a trademark in comparative advertising,³⁸ use of a trademark registered for automobiles in relation to use for car repair services by a non-licensed dealer,³⁹ use of the logo of a football club on unlicensed merchandise,⁴⁰ and use of an automobile trademark registered for toys on unlicensed toy replicas.⁴¹

Although the prohibition is absolute, a national court may, as a matter of fact, establish that the relevant public does not perceive the use of an identical sign as an indication that products origin from the trademark right holder or an undertaking economically linked to it.⁴² This means that if consumers do not recognise a trademark as an indication of origin, but rather as an ornamental feature (e.g. the automobile trademark on an exact toy replica)⁴³ Article 5.1.a TMDir creates a rebuttable presumption of infringement.

While in most cases the ECJ defines the scope of Article 5.1.a TMDir in relation to the essential function, it has indicated in its *l’Oréal* decision that Article 5.1.a TMDir will

³⁶ Confusion under this provision is largely presupposed and does not need to be proven. This right does, however, have wider scope than a mere prohibition of confusing use. E.g. when read in conjunction with Article 7.1 TMDir, it also implicates the right to prohibit trademark use in relation to goods or services produced by the right holder that have been put on the Community market for the first time without his consent. In such a situation, consumers may not be confused about the product source or the product characteristics at all.

³⁷ For an elaborate discussion of the essential function see below section 2.3.1.5. ECJ 12 November 2002 *Arsenal Football Club*, paras. 43 to 48; see further ECJ 23 May 1978 *Hoffmann-La Roche*, para. 7 and ECJ 18 June 2002 *Philips*, para. 30.

³⁸ ECJ 12 June 2008 *O2*.

³⁹ ECJ 23 February 1999 *BMW*.

⁴⁰ ECJ 12 November 2002 *Arsenal Football Club*.

⁴¹ *Ibid.*, para. 57.

⁴² ECJ 25 January 2007 *Adam Opel*, para. 24.

⁴³ *Ibid.*

also protect the advertising function or investment function of trademarks, implying that trademarks are protected outside cases of confusing use also when merely their distinctive character or repute is affected.⁴⁴

b. Protection against Confusion under Article 5.1.b TMDir

Article 5.1.b TMDir provides the right to prohibit third party use of an identical or similar sign in relation to identical or similar goods or services if that use causes a likelihood of confusion. The likelihood of confusion must be proven by a plaintiff. It requires courts to engage in a comprehensive analysis of many factors, such as the distinctive character of a trademark, the similarity between the trademark and the sign used by the third party and the similarity between the goods and services at stake.

A likelihood of confusion may consist of different types of confusion. First, this may be ‘direct confusion’, i.e. confusion as to the trademark itself or the goods and services that they are affixed to.⁴⁵ Second, it may be ‘indirect confusion’, i.e. confusion whereby a consumer recognises a difference in the sign or the products but will assume that the goods originate from undertakings that have an economic relationship,⁴⁶ i.e. “where the public makes a connection between the proprietors of the sign and those of the mark and confuses them.”⁴⁷ In the *Canon v. MGM* decision, the ECJ gave a more lengthy definition of such confusion, holding that

“the risk that the public might believe that the goods or services in question come from the same undertaking or, as the case may be, from economically-linked undertakings, constitutes a likelihood of confusion within the meaning of Article 4(1)(b) of the Directive.”⁴⁸

Third, the ECJ has implicitly acceptance of the prohibition of post-sale confusion in its *Arsenal v. Reed* decision.⁴⁹ Post-sale confusion occurs not with original consumers, but with a later ‘audience’. When a person purchases unlicensed merchandise, he or she will often not be confused about the origin or quality of the goods as e.g. significant differences in prices between a licensed and non-licensed merchandise may prove sufficient to avoid a likelihood of confusion. However, according to the theory other people, who see this person wearing or carrying the goods after the purchase may get confused about the source of the goods. If the merchandise is of inferior quality, the theory states that these other people may be confused as they may associate the inferior quality with the trademark. Consequently, there is a supposed need for a prohibition of such third party use.

⁴⁴ ECJ 18 June 2009 *l’Oréal et al. v. Bellure et. al.*, para. 65; ECJ 25 January 2007 *Adam Opel*, para 21, speaking of “the functions of trademarks”; ECJ 12 November 2002 *Arsenal Football Club*, para. 46 to 50.

⁴⁵ T. Cohen Jehoram, Van Nispen & Huydecooper 2008, p. 327.

⁴⁶ ECJ 11 November 1997 *Puma v. Sabel*, para. 16 “where the public makes a connection between the proprietors of the sign and those of the mark and confuses them.”; ECJ 29 September 1998 *Canon*, para. 29.

⁴⁷ ECJ 11 November 1997 *Puma v. Sabel*, para. 16.

⁴⁸ ECJ 29 September 1998 *Canon*, para. 29; In this context, it must be pointed out that Article 4 TMDir allows trademark rights holders to oppose the registration of a trademark that would cause such a likelihood of confusion. The ECJ interprets Article 4 and Article 4 TMDir in a unitary manner.

⁴⁹ ECJ 12 November 2002 *Arsenal Football Club*.

2.2.3.2 *Protection of the Distinctive Character and Repute*

The distinctive character and repute of ‘trademarks with a reputation’ receives additional protection under Articles 5.2 TMDir and 9.1.c TMReg, as well as under Article 5.5 TMDir. That last provision shall be discussed separately, as it provides for a larger scope than Article 5.2 TMDir.

Article 5.2 TMDir is an optional provision, which has been implemented by all Member States:

“Any Member State may also provide that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered, where the latter has a reputation in the Member State and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.”

The protection of Article 5.2 TMDir extends to third party use outside of direct competition between identical or similar goods and services to the use of similar signs on *dissimilar* goods and services.⁵⁰ Right holders may prohibit others from (i) taking unfair advantage of the distinctive character or repute of their trademarks (or free-riding); (ii) from causing detriment to the distinctive character of the trademark (or blurring); and (iii) from causing detriment to the repute of the trademark (or tarnishment), if such use is made without due cause.

a. *Use In Relation to Goods and Services*

Equal to Article 5.1 TMDir the requirement of ‘use in relation to goods and services’ plays an important role in determining the scope of Article 5.2 TMDir. In the *Adidas v. Fitnessworld* decision,⁵¹ the ECJ established that Article 5.2 TMDir does not require the existence of a likelihood of confusion,⁵² or that the essential function of a trademark be affected by the third party use. Rather it is sufficient that the relevant public establishes a *link* between the trademark and the sign used by the third party, as,

“[t]he infringements referred to in Article 5(2) of the Directive, where they occur, are the consequence of a certain degree of similarity between the mark and the sign, by virtue of which the relevant section of the public makes a connection between the sign and the mark, that is to say, establishes a link between them even though it does not confuse them.”⁵³

The meaning of ‘connection’ or ‘link’ in the *Adidas* judgement must be understood as being the same as ‘bringing to mind’ or ‘association’. According to the AG, these terms

⁵⁰ ECJ 23 October 2003 *Adidas v. Fitnessworld*; ECJ 9 January 2003 *Davidoff*.

⁵¹ ECJ 23 October 2003 *Adidas v. Fitnessworld*, para. 29.

⁵² Earlier this was already mentioned in ECJ 22 June 2000 *Adidas v. Marca I*, para. 36; later it was confirmed in ECJ 25 January 2007 *Adam Opel*.

⁵³ ECJ 23 October 2003 *Adidas v. Fitnessworld*, para. 27.

“all imply a mental process above the threshold of consciousness, something more than a vague, ephemeral, indefinable feeling or subliminal influence.”⁵⁴

b. Free-Riding, Blurring, and Tarnishment

The prohibition of ‘taking advantage of the distinctive character or repute’ of a trademark with a reputation

“covers, in particular, cases where, by reason of a transfer of the image of the mark or of the characteristics 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.”⁵⁵

A stereotypical example of such free-riding is the use of the trademark Rolls Royce in a whisky commercial.⁵⁶ In such a case, the whisky producer will try to exploit the reputation of the Rolls Royce trademark in order to give his product the aura of exclusiveness or style.

According to the ECJ, *blurring* or detriment to the distinctive character of the earlier mark occurs in cases where

“[a] mark’s ability 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.”⁵⁷

According to AG Jacobs, this is the case when a trademark is “no longer capable of arousing immediate association with the goods for which it is registered and used.”⁵⁸

The theory underlying the prohibition of blurring is that if other traders were allowed to use e.g. the Rolls-Royce trademark on BBQs, razors, or chocolate nuts, the distinctive character of the trademark would rapidly deteriorate; it would be ‘gradually whittled away’.⁵⁹ In addition, it is argued that blurring harms consumers, who in the long run may not be able to use the Rolls-Royce trademark as source identifier for luxury cars. According to *Frank Schechter*, one of the prominent proponents of the protection of famous trademarks against blurring, “if you allow Rolls Royce restaurants and Rolls Royce cafeterias, and Rolls Royce pants, and Rolls Royce candy, in 10 years you will not have the Rolls Royce mark any more.”⁶⁰

In most cases of actionable blurring, a third party uses a registered trademark as an identifier of origin. In the Rolls Royce example, the third party uses the sign Rolls Royce as a trademark for BBQ’s. The definition of blurring has however expanded beyond such use. As discussed above, since the *Adidas v. Fitnessworld* judgement actionable use

⁵⁴ AG Sharpston 26 June 2008 *Intel*, para. 46.

⁵⁵ ECJ 18 June 2009 *l’Oréal et al. v. Bellure et. al.*, para. 41; Order CFI 12 December 2008 *Aktieselskabet v. OHIM and TDK*, para. 65; AG Jacobs 10 July 2003 *Adidas v. Fitnessworld*, para. 39.

⁵⁶ BGH 9 December 1982 ‘Rolls-Royce’.

⁵⁷ ECJ 27 November 2008 *Intel*, para. 76.

⁵⁸ AG Jacobs 10 July 2003 *Adidas v. Fitnessworld*, para. 37. “The essence of dilution in this classic sense is that the blurring of the distinctiveness of the mark means that it is no longer capable of arousing immediate association with the goods for which it is registered and used.”

⁵⁹ Schechter 1927, p. 825. See also Senftleben 2009.

⁶⁰ AG Jacobs 10 July 2003 *Adidas v. Fitnessworld*, para. 37, making reference to Schechter 1927.

under Article 5.2 TMDir is use that creates a link or an association. Consequently, also the definition of blurring has been enlarged. It now may encompass use other than as a source identifier, such as use of trademarks in (commercial) parodies, critical use, or use as a descriptive term.

Damage to the repute of a trademark is referred to as *tarnishment*. The repute of a trademark consists of its fame or image. It is referred to as the advertising power, power of attraction, appeal, or incentive to purchase encompassed by a trademark.⁶¹ *Thomasberger* defines repute as all positive expectations that a consumer combines with a product and which induce him to purchase a product.⁶² According to German doctrine, repute can be inferred from high turnover, importance of the company, high quality of the products or services, longstanding tradition, exclusivity, or prestige.⁶³

The prohibition of tarnishment is, in some respects, similar to the prohibition of indirect confusion. This is the case when tarnishment is caused by the use of trademarks on inferior goods, e.g. spare parts or replacement parts. In that case, harm would only result if consumers believed that the trademark right holder has endorsed the goods. In addition to situations of indirect confusion,

“tarnishment of the mark, describes the situation where the goods for which the infringing sign is used appeal to the public's senses in such a way that the trade mark's power of attraction is affected.”⁶⁴

For instance, the ECJ found that in a case, which concerns prestigious, luxury goods

“[a] reseller must not act unfairly in relation to the legitimate interests of [a] trade mark owner. He must therefore endeavour to prevent his advertising from affecting the value of the trade mark by detracting from the allure and prestigious image of the goods in question and from their aura of luxury.”⁶⁵

c. Article 5.5 TMDir

In addition to Article 5.2 TMDir, Article 5.5 TMDir makes it optional for Member States to protect the distinctive character and repute of *all* trademarks, i.e. even those

⁶¹ Gielen & Wichers Hoeth 1992, p. 511.

⁶² Thomasberger 1993, p. 164. "Unter einem ‚guten Ruf‘ ist alles zu verstehen, was der Verbraucher an positiven Erwartungen mit dem entsprechend gekennzeichneten Produkt verbindet und was ihn bewegt, diese zu kaufen. Träger des guten Rufs, der sich auf sachliche und emotionelle Bewertungen stützen kann, ist in erster Linie die Kennzeichnung des Produkts (die Marke).“

⁶³ Ströbele & Hacker 2006, § 14, no. 177.

⁶⁴ AG Jacobs 10 July 2003 *Adidas v. Fitnessworld*, para 38, making reference to BenCJ 1 March 1975 (‘Claeryn/Klarein’). That case concerned the identically pronounced marks ‘Claeryn’ for a Dutch gin and ‘Klarein’ for a liquid detergent. The BenCJ found that the similarity between the two marks might cause consumers to think of detergent when drinking ‘Claeryn’ gin. Consequently, the use of the word ‘Klarein’ was held to cause damage to and thus to infringe the ‘Claeryn’ mark.”

⁶⁵ ECJ 4 November 1997 *Dior v. Evora*, para. 45. In this case, a Dutch budget drugstore had advertised for the resale of Dior perfumes in a print folder, which listed many perfumes side by side and especially pointed out that the perfumes were particularly cheap. Dior complained against this advertisement under Article 7.2 TMDir, which makes an exception to the rule of exhaustion, i.e. that trademark right holder can invoke Article 5.1.a TMDir only for the case that goods are put on the market for the first time, amongst others for a case of tarnishment.

without a reputation, against third party use even outside of trade, when such use amounts to free-riding, blurring, and tarnishment.

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

Article 5.5. TMDir has solely been adopted in Benelux trademark law in Article 2.20.1.d BVIE. It provides for extremely broad protection because it applies outside the scope of trade and when trademarks are used “other than for the purposes of distinguishing goods or services.”

2.2.4 LIMITATIONS OF TRADEMARK RIGHTS

Article 6 TMDir contains two important limitations to the scope of trademark rights, i.e. it allows for descriptive use and for referential use.⁶⁶ *Descriptive use* under Article 6.1.b TMDir is permitted, if trademarks are used as,

“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.”

Referential use under Article 6.1.c TMDir is permitted,

“where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts.” In both cases the third party use must be “in accordance with the honest practices of trade”

Comparative advertising is allowed under Directive 2006/114/EC, which is applied concurrently to the TMDir. Third party use of a trademark in comparative advertising is allowed if the requirements of the Comparative Advertising Directive are fulfilled, which means that this Directive acts as a limitation to Article 5 TMDir.⁶⁷ In relation to trademark use, a number of these criteria are highly relevant, i.e. that the advertisement must not be confusing, that it must not discredit or denigrate a trademark, that it must not take unfair advantage of the reputation of a trademark and that it must not present the goods as an imitation.⁶⁸ The ECJ interprets these criteria in the CompAdvDir and in the TMDir Directive in a uniform manner.

Finally, Articles 5.2 TMDir and 5.5 TMDir, both contain the criterion of unfairness and ‘without due cause’ which are used as limitations or provisions under which interests are balanced. Since Article 6 TMDir and the criteria of unfairness and due cause exist side by side, their respective position to each other needs clarification. According to

⁶⁶ I will not elaborate on Article 7 TMDir, which provides for the rule of exhaustion, i.e. that “[a] 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.”

⁶⁷ ECJ 12 June 2008 *O2*; ECJ 18 June 2009 *l’Oréal*, para. 53 and 54. Previously, German courts had placed comparative advertising as falling outside the ambit of trademark law. Fezer 2001, p. 860; Ströbele & Hacker 2006, § 2 no. 47. Under Benelux jurisprudence, trademark use in comparative advertising was seen as falling under Article 2.20.1.d BVIE, the implementation of Article 5.5 TMDir

⁶⁸ Article 4 of Directive 2006/114/EC.

German jurisprudence, Article 6 TMDir takes no separate role next to the provisions of unfairness and due cause,⁶⁹ meaning that the criteria of Article 6 TMDir and those of the CompAdvDir are imported into the balancing process under the criteria of unfairness and due cause. I will adhere to this interpretation of the BGH and it will further elaborate on the interpretation of the criteria of unfairness and due cause in section 2.4.4.

2.3 RATIONALES FOR GRANTING TRADEMARK RIGHTS

Property rights, including exclusive trademark rights, are not self-explanatory. From a perspective of distributive justice, they are in constant need of justification, because they create negative effects on third parties by empowering “individuals to make decisions about the use of scarce resource in a way that is not necessarily sensitive to others' needs or the public good.”⁷⁰ In the field of communication by signs, be it economic, cultural, political or social life, we have to face the fact that such communication is mutual interdependence as the meanings of such signs are the result of convention or of a process involving interaction between (active and passive) users of a sign.⁷¹

Property rights must thus be justified by one or several rationales. In my opinion, such rationales must contain a number of minimum properties: (i) they should provide a specific reason that justifies the right and from which (ii) one must be able to deduce some indications as to the subject matter of the right, its scope, and its limitations.

The numerous theories that explain or justify private property rights and satisfy these criteria, can, for the most part, be divided into two main groups.⁷² First, *utilitarian or consequentialist theories* stress the beneficial (economic) consequences of granting property rights. Such positive effects may lie in achieving efficient exploitation of resources. In the case of trademark rights, the relevant theories are economic rationales, which argue that trademark rights should be granted for reasons of economic efficiency, as they improve the communication between producers and consumers and they provide incentives to traders to invest in their products.

Second, a number of theories focus on the *moral or ethical entitlement* of the individual right holder to hold a property right against the backdrop of a society in which individuals are bound by a social contract to respect each other's rights and freedoms. An entitlement to a property right may be found in the labour that an individual invested in a product, or possibly in the mere fact that that individual has produced something of value. For instance, Lockean labour theory states that it would be unjust if value that has been created through the labour of one producer may be appropriated by another.

Trademark jurisprudence and doctrine do not always take such a principled approach when justifying trademark rights. Courts and scholars frequently justify the grant and scope of trademark rights by pointing to certain functions that trademarks fulfil in trade and by deducing the need for legal protection directly from these functions. Amongst

⁶⁹ BGH 17 June 1999 ('Big Pack').

⁷⁰ Waldron 2004; see further Ellickson *et al.* eds. 1995, p. 99.

⁷¹ See the discussion on the idiosyncrasy of signs in section 1.2.1.

⁷² For an overview see Waldron 2004; Ellickson *et al.* eds. 1995.

others, these functions are the source identification function, the product distinction function, the quality or guarantee function, and the advertising and goodwill function.

Legal doctrine in Germany refers to a multifunctionality of trademark functions that are protected by the German *Markengesetz*.⁷³ Dutch legal doctrine refers to the source identification function, quality function, advertising function, and goodwill function.⁷⁴ United States doctrine refers to the source identification function, the quality function, and the advertising function.⁷⁵

European Court of Justice in its jurisprudence frequently refers to the ‘essential function’ of trademarks, being a conglomerate of trademark functions that are particularly relevant in the European internal market. Due to the far-reaching harmonisation of European trademark rights, the essential function doctrine developed by the ECJ has also become a main tool in the interpretation of trademark rights by national courts.⁷⁶

In my opinion, justifying trademark rights solely by referring to trademark functions is problematic. As a matter of principle, the normative consideration about what should or *ought* to be protected cannot be derived directly from an empirical *is*, such as the function fulfilled a trademark in trade. Trademark rights can only be properly justified if they meet the criteria set by utilitarian or ethical or fairness based rationales, meaning that the legal protection of some functions may be justifiable, whereas the protection of other functions may not (as it may overly impair the rights and interests of third parties).

In analysing the justifications of trademark rights (section 2.3.1), I will start from the functions approach taken in jurisprudence and legal doctrine. I will describe the source identification function, the product distinction function, the quality or guarantee function, the goodwill and advertising functions as well as the essential function that is used in the jurisprudence of the ECJ. Subsequently, I will examine whether and to what extent economic rationales or ethical and fairness based rationales justify trademark rights that protect these functions (sections 2.3.2 and 2.3.3). Finally, I will address the fact that human rights or constitutional rights that protect property, i.e. Article 1 of the 1st Additional Protocol of the ECHR and Article 14 of the German *Grundgesetz*, do not provide a separate *rationale* of property rights.

In the discussion, I will distinguish between two abstract types of trademark rights. First, I will refer to trademark rights that protect trademarks against confusion; they protect the source identification function, the product distinction function and the quality or guarantee function. Since they are less burdensome to the freedom of others, the requirements for the justification of these rights may be less stringent.

Second, I will refer to trademark rights that protect trademarks against free-riding, blurring, or tarnishment, which protect the goodwill or advertising function. Since the scope of the latter sort of rights is much broader, a stronger justification is required.

The two types of rights are normative constructs, which serve to illustrate a clear difference in the need for justification. The division also relates to the varying scope of rights granted under European trademark law. The former rights relate to the protection

⁷³ Fezer distinguishes the following trademark functions: the distinction function as basic function; the origin function; the trust-, guarantee-, and quality function; the advertising function; the communication function; and the sale- and codification function. He also mentions a name function, consumer protection function, and identification function. Fezer 2001, Einl. No. 30 to 34, 39.

⁷⁴ Gielen & Wichers Hoeth 1992, § 1:14; Geilen *et al.* 2007, § 2:250. T. Cohen Jehoram, Van Nispen & Huydecooper 2008, p. 39.

⁷⁵ Callmann on *Unfair Competition, Trademarks & Monopolies* 2008, § 17. McCarthy 2008, chap. 3.

⁷⁶ Fezer 2001, Einl. No. 37.

granted under Articles 5.1 TMDir and 7.1 a and b TMReg and the latter rights relate to the protection granted under Article 5.2 and 5.5 TMDir as well as Article 7.1.c TMReg.

In the discussion in section 2.3, I will thus not examine the actual positive rights contained in the TMDir and TMReg; rather I analyse the rationales for the protection of the two abstract types of rights. In section 2.4, I will apply the results of section 2.3 to the positive rights stipulated under European trademark law.

2.3.1 TRADEMARK FUNCTIONS IN TRADE

In section 1.2, I differentiated between two basic trademark functions, the identifier function and the communicator function. In this section, I will split these two functions into four different functions that trademarks perform in trade. These are, first, the source identification function, second, the product differentiation function and, third, the quality or guarantee function, all of which fall under the indicator function discussed above. Fourth, this is the goodwill and advertising function, which falls under to the communicator function discussed in the introduction.

2.3.1.1 Source Identification Function

The source identification function refers to the ability or function of trademarks to identify the source of a product or service.⁷⁷ Already in Roman times, trade symbols were used to indicate the origin of goods.⁷⁸ The legal protection of this function became particularly important with the rise of industrial production, following which producers were separated from consumers by distribution chains entailing a multitude of traders. In these distribution chains, producers were unable to exercise control in a manner that would ensure that no third party uses their trademarks to sell their own goods. With this lack of factual control, legal control against such a diversion of trade became a very important concern of producers. Trademark laws recognised the need to protect the source identification function by ensuring that producers could indicate to consumers that they, and no one else, had produced certain goods. This was mainly done by prohibiting confusing use of trademarks.

While initially, trademark rights protected the link between product and a specific local source,⁷⁹ legal doctrine, and occasionally jurisprudence, recognised that consumers might not know or care too much about the specific local source of goods, as they would rather seek to identify particular goods because of their specific characteristics.⁸⁰ Therefore, trademark rights now are seen as protecting the link between a *constant* source of production be it that the particular local source is unknown to consumers.⁸¹

⁷⁷ *Ibid.*, Einl. No. 30; T. Cohen Jehoram, Van Nispen & Huydecooper 2008, p. 39.

⁷⁸ Diamond 1975, p. 271; Ruston et al. 1955, p. 240.

⁷⁹ Fezer 2001, Einl. No. 31; Bröcher, Hoffmann & Sabel 2005, p. 37.

⁸⁰ See Bröcher, Hoffmann & Sabel 2005, p. 37; McCarthy 2008, § 3.9; Gielen & Wichers Hoeth 1992, p. 9.

⁸¹ For instance, § 45 of the United States Lanham Act recognises that a trademark may be any sign, which a right holder has the intention to use in order to “to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.”

2.3.1.2 *Product Distinction Function*

The product distinction function is congruent with the source identification function, but it focuses on the perspective of consumers, for whom trademarks are relevant mostly because they enable them to distinguish products from each other. By knowing that ‘Nokia’ stands for telephones produced by, or under licence of Nokia, consumers are able to distinguish phones that bear the Nokia trademark from other mobile telephones.

A good example of the importance of this distinction function is the use of trademarks on bulk products. Until the 19th century, grocers offered goods like oats or soap in bulk. As the products were in principle interchangeable, consumers could not distinguish them according to different producers. Only when producers started to package their goods and to use trademarks like ‘Quaker’ Oats could consumers distinguish various types of oats from different sources. Producers of bulk products, using their source identification function, could start to compete in consumer markets.⁸²

The product distinction function and its ‘flip side’ the source identification function are thus of major importance to economic competition because they enormously simplify economic decision-making.

In addition to distinction *per se*, the distinction function enables consumers to associate product characteristics with a trademark. This is especially relevant with regard to repetitive purchases of goods, where trademarks allow consumers to make use of prior experience with the same goods in subsequent purchases. The Coca Cola trademark, for instance, enables consumers to re-purchase Coca Cola or to avoid purchasing it because of prior experience with the soft drink.

German doctrine views the distinction function to be the primary function of trademarks.⁸³ It stresses that trademarks individualise goods and services and thereby take them out of the anonymity of commerce. European trademark law incorporates the distinction function as an integral part of the subject matter definition of trademark rights under the European Trademark Directive and the European Trademark Regulation. Article 2 TMDir defines the signs, of which a trademark may consist, as:

“Any sign capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings.”⁸⁴

Trademarks that are not capable of distinguishing a good or service may not be registered.

2.3.1.3 *Quality or Guarantee Function*

It is sometimes argued that trademarks possess a separate quality or guarantee function.⁸⁵ This function does not guarantee objective quality standards of goods or

⁸² Drescher 1992; Schechter 1925, p. 49.

⁸³ Fezer 2001, Einl. no. 30.

⁸⁴ Art. 2 TMDir, implemented in Art. 2.1 BVIE and § 3 MarkenG; Art. 4 TMReg (underline added WS).

⁸⁵ Gielen & Wichers Hoeth 1992, p. 10; Fezer 2001, Einl. no. 32; Bröcher, Hoffmann & Sabel 2005, p. 39; Callmann on *Unfair Competition, Trademarks & Monopolies* 2008 § 17:3; McCarthy 2008, § 3:10.

services;⁸⁶ rather it is based on the assumption that the public exposure of trademarks will cause right holders to produce goods or offer services of consistent quality. If trademarks do not consistently possess certain expected characteristics, consumers will use trademarks to identify these products or services in order to refrain from re-purchasing them. For instance, if Masterfoods, the producer of Mars bars, would start selling Mars bars that taste of fish, consumers may be disappointed or repulsed and would stop purchasing Mars bars. The economic pressure created by the consumer expectation is said to induce producers or providers to keep qualities more or less constant. As a result, the trademark is said to guarantee a consistent quality to consumers.⁸⁷

AG Jacobs, for instance, referred to this function, stating that,

“Trade marks are able to [act as an incentive to keep quality consistent] because they act as a guarantee, to the consumer, that all goods bearing a particular mark have been produced by, or under the control of, the same manufacturer and are therefore likely to be of similar quality. The guarantee of quality offered by a trade mark is not of course absolute, for the manufacturer is at liberty to vary the quality; however, he does so at his own risk and he - not his competitors - will suffer the consequences if he allows the quality to decline. Thus, although trade marks do not provide any form of legal guarantee of quality - the absence of which may have misled some to underestimate their significance - they do in economic terms provide such a guarantee, which is acted upon daily by consumers.”⁸⁸

As I see it, European trademark law does not specifically protect this function, because it does not require right holders to ensure that goods bearing the same mark will have the same characteristics.⁸⁹ Still, trademark rights that forestall confusion may have the *effect* of ensuring constant quality, because they provide incentives to right holders to invest in the quality of the goods or services covered by the trademark and to keep quality constant. This effect is one of the major arguments underlying dynamic efficiency rationale of trademark rights, which will I analyse in more detail below in section 2.3.2.3.

⁸⁶ An objective guarantee of quality is rather regulated by provisions on warranty. Bröcher, Hoffmann & Sabel 2005, p.40.

⁸⁷ *Gielen and Wichers-Hoeth* also point out that consumers in fact do not expect total consistency in product characteristics, but rather accept that product and service quality can change over time. *Gielen & Wichers Hoeth* 1992, p. 11.

⁸⁸ AG Jacobs 13 March 1990 *Hag II*, para. 18.

⁸⁹ Before the implementation of the Trademark Directive, German trademark law under the *Warenzeichengesetz*, for instance, required that a link between the business and the trademark be maintained, which was referred to as “Akzessoritätsprinzip.” It was required that an actual business and products must exist for a trademark to be registered. Fezer 2001, p. 173. As described above in section 2.2.2, under the TMDir and TMRReg trademark rights are granted even before trademarks have proven their utility as indicators of product source or product characteristics. Trademarks may also be transferred independently of the undertaking, which is expressly allowed by Article 2.31 BVIE, § 27.1 MarkenG (limited to well-known marks), and Article 19 TMDir. This is an indication that European trademark law does not expressly protect this quality or guarantee function.

In comparison, § 10.1 Lanham Act does implicitly protect the quality function. Under this provision, a trademark may not be assigned without goodwill. The rule is meant to ensure continuity of quality and ultimately to forestall consumer deception. *Callmann on Unfair Competition, Trademarks & Monopolies* 2008, § 20.44.

2.3.1.4 *Goodwill and Advertising Function*

The goodwill and advertising function of trademarks becomes apparent when trademarks are viewed from the perspective of right holders. Trademarks do not just allow them to convey information about a product or service to consumers, but more importantly, they enable right holders to build up and bundle goodwill (hence goodwill function) and they enable traders to create additional purchasing motivations for their goods or services (hence advertising function).⁹⁰

Goodwill is an intangible asset that comprises a good name and/or reputation as well as regular customer satisfaction or technical efficiency. For example, the trademark ‘Coca Cola’ carries more goodwill than a private label cola of a supermarket. Goodwill can be seen as the total of customer satisfaction and the prospective consumer’s willingness to buy a trademarked product. Trademarks typically are the carriers of this goodwill.⁹¹

The goodwill function is the ability of a trademark to carry and represent a business or its goods and services to the outside world. Goodwill binds consumers to businesses and products and is of key influence on a trader’s position on the market.⁹² It enables traders to transfer the positive associations connected to one type of products sold under a mark to other (dissimilar) products sold under the same mark, meaning that trademarks can become independent carriers of goodwill.⁹³

The advertising function is the specific ability of trademarks to provide consumers with additional or alternate motivations for purchases, i.e. reasons other than the characteristics of the products or service itself. This function has been described by *Frank Schechter* in a seminal article in 1928,⁹⁴ in which he referred to trademarks as ‘silent salesmen’ and stressed that “[t]he fact that through his trademark the manufacturer or importer may reach over the shoulder of the retailer and across the latter’s counter straight to the consumer cannot be over-emphasized.”⁹⁵

⁹⁰ A strict separation between these two functions cannot be made. For the purposes of the present research, it is also not necessary to make such a separation.

⁹¹ According to United States trademark doctrine, “goodwill is merely a concept, it requires perceptible symbols, e.g., trademarks and trade names, for its survival. Goodwill can no more be separated from a business than reputation from a person. Goodwill *is* the business as it is viewed by others. If the business is unknown, it has no goodwill as an additional business value.” *Callmann on Unfair Competition, Trademarks & Monopolies* 2008, § 1:11 (citations omitted).

⁹² *Ibid.*, § 1:11.

⁹³ Kaufmann *diss.* 1985.

⁹⁴ Schechter 1925; Schechter 1927. McCarthy explains that currently a trademark is “not merely a symbol of good will but is often the most efficient agent for the very creation of good will and consumer acceptance”. McCarthy 2008, § 3:12.

⁹⁵ Schechter 1927, p. 818. Schechter used this description to demonstrate the value of a trademark as carrier of goodwill. U.S. Supreme Court 4 May 1942 *Mishawaka Rubber*. Justice Frankfurter of the United States Supreme Court has eloquently described the workings of the advertising function in the 1942, “If it is true that we live by symbols, it is no less true that we purchase goods by them. A trademark is a merchandising short-cut which induces a purchaser to select what he wants, or what he had been led to believe he wants. The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the end is the same—to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears.” Altman and Pollak express it in the following manner, “Taste is affected, and even created, by imagination; and the mere fact that an article enjoys a degree of popularity might readily influence a buyer’s judgment. Therefore, a trademark is sometimes a more convincing selling point than

The goodwill and advertising function has been recognised by Dutch and German jurisprudence and doctrine. The Benelux Court of Justice protected the goodwill or advertising function to a very large extent.⁹⁶ In 1975, in the ‘*Claeryn/Klarein*’ decision it stated that a trademark can possess powers that induce consumers to purchase (‘*kooplustwekkend vermogen*’) and that this ability or function of trademarks needs to be protected by trademark law.⁹⁷ In its 1977 *Capsule* decision, the BenCJ held that it belongs to the essential function of a trademark - next to securing a guarantee of origin - to protect the goodwill of the right holder.⁹⁸

The existence of the goodwill and advertising function is also recognised in Dutch doctrine. *Gielen* and *Wichers-Hoeth* argued that this function is part of a more general ‘communication function’, which should be protected by trademark law.⁹⁹ *Pinckaers*, *Schaap*, and *Spoor* state that the goodwill function is one of the main economic functions of trademarks. It allows trademark right holders to connect advertising and product information to a product and it makes trademarks the carrier of an image.¹⁰⁰ *Cohen Jehoram*, *Nispen*, and *Huydecooper* underline the commercial importance of the goodwill and advertising function and point to the fact that the function is protected by various provisions of Benelux trademark law.¹⁰¹

Prior to the implementation of the Trademark Directive in the German Markengesetz in 1995, the German Warenzeichengesetz, did not endorse the protection of the goodwill or advertising function. Protection was limited to the source identification and the product distinction functions. The goodwill or advertising function was nevertheless protected outside of trademark law by unfair competition law by means of two separate doctrines, i.e. the protection of distinctive character and repute of particularly well-known trademarks against dilution and of the protection of the repute of well-known trademarks against free-riding.¹⁰²

Bröcher, *Hoffmann* and *Sabel* explain that the goodwill function is protected through the protection of the repute of trademarks with a reputation in Section 14.2.3 of the Markengesetz. According to them, this provision pre-supposes that a right holder has accumulated goodwill under a trademark and that the trademark has gained an intrinsic value (‘*Eigenwert*’). This value consists of the fact that consumers associate positive meaning with the trademark.¹⁰³ Similarly, the German trademark law commentary by Fezer speaks of an advertising function and of the importance of protecting it.¹⁰⁴

In my opinion, the goodwill and advertising function differs strongly from the three functions discussed above. The source identification, product distinction, and quality or

even the quality of the product to which it refers. Frequently there is little, if any, actual difference between competing products, so that competition is between trademarks rather than qualities.” *Callmann on Unfair Competition, Trademarks & Monopolies* 2008, § 17:4 (citations omitted).

⁹⁶ Holzhauser 2005, p. 330.

⁹⁷ BenCJ 1 March 1975 ‘*Claeryn/Klarein*’; see also BenCJ 9 June 1984 ‘*Tanderil*’.

⁹⁸ BenCJ 9 February 1977 ‘*Capsule*’. “het behoort tot de wezenlijke functies van een individueel merk de consument een waarborg te bieden voor de identiteit van de waren als afkomstig van een bepaalde onderneming en de goodwill van de merkhouders te beschermen; het door het eerste lid van art. 1 geëiste onderscheidend vermogen moet dan ook van die aard zijn, dat het merk daartoe kan dienen.”

⁹⁹ *Gielen & Wichers Hoeth* 1992, p. 13.

¹⁰⁰ *Pinckaers, Schaap & Spoor* 2006.

¹⁰¹ T. Cohen Jehoram, Van Nispen & Huydecooper 2008, p. 44.

¹⁰² The protection against “*Rufausbeutung*” und “*Verwaesserung*” was based on the German UWG.

¹⁰³ *Bröcher, Hoffmann & Sabel* 2005, p. 41.

¹⁰⁴ Fezer 2001, Einl. no. 33.

guarantee functions are of utility to both producers and consumers, meaning their protection can be justified by their general utility. Such general utility is less straightforward in the case of the goodwill and advertising function as the main beneficiaries of this function are the right holders. Therefore, the justification of the protection of this function may have to be based on other rationales than the protection of the first three functions.

2.3.1.5 *The Essential Function of Trademarks as viewed by the ECJ*

Long before the harmonisation of trademark rights through the TMDir, trademark rights have been the objects of scrutiny by the ECJ because they were, on some occasions, conflicting with Articles 28 and 30 of the EC Treaty. These Articles regulate the free movement of goods and the freedom to provide services, two of the fundamental freedoms of the internal market of the European Union. Disparities in national provisions on trademark rights impaired these two fundamental freedoms.

In the context of its internal market jurisprudence, the ECJ had developed a vision on trademark rights.¹⁰⁵ It held that trademark rights are “an essential element in the system of undistorted competition, which the [EC] Treaty seeks to establish and maintain.”¹⁰⁶ After the entry into force of the TMDir and the TMReg, the ECJ maintained this vision on trademark rights; it kept regarding the contribution of trademark rights to undistorted competition as the ultimate aim of trademark rights. In order to secure this aim, the ECJ uses the *essential function doctrine* as a tool of interpreting the rights contained in TMDir and the TMReg.¹⁰⁷ According to the ECJ, the essential function serves

“to guarantee the identity of origin of the marked goods or services to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the goods or services from others which have another origin. For the trade mark to be able to fulfil its essential role in the system of undistorted competition which the Treaty seeks to establish and maintain, 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.”¹⁰⁸

This doctrine describes the role of trademarks in the internal market as seen from the viewpoint of consumer and it is a conglomerate of the trademark functions, which have been described above,¹⁰⁹ i.e. it refers to the source identification, product distinction and quality functions. The CFI, in dealing with conflicts arising from the registration of

¹⁰⁵ See above section 2.2.1.

¹⁰⁶ E.g. ECJ 23 May 1978 *Hoffmann-La Roche*, para 7.

¹⁰⁷ In addition, the ECJ defined the specific object of trademark rights in the internal market, which is to grant trademark right holders “an assortment of rights and powers which are intended to reserve for him the exclusive right to use the distinctive sign and to protect the trade mark against competitors who wish to take advantage of its status and reputation.” ECJ 17 October 1990 *HAG II*, para. 14; ECJ 10 October 1978 *Centrafarm*, paras. 10 to 12; ECJ 23 February 1999 *BMW*, para. 52; AG Colomer 18 January 2001 *Merz & Krell* (‘Bravo’), para. 32; Beier 1970. This specific object is of specific relevance only to parallel import cases, e.g. Hays 2008, p. 205, and it is far less used in the interpretation of trademark rights under the TMDir and TMReg. Therefore, I will not further elaborate on the specific object of trademark rights.

¹⁰⁸ ECJ 12 November 2002 *Arsenal Football Club*, para 48; ECJ 23 May 1978 *Hoffmann-La Roche*, para 7; ECJ 18 June 2002 *Philips*, para. 30.

¹⁰⁹ Simon 2005, p. 405.

Community trademarks, stresses in particular the role of the product distinction function.¹¹⁰ The goodwill and advertising function forms no part of this essential function.

The essential function doctrine plays a crucial role in the interpretation of the scope of trademark rights and the conditions of registration.¹¹¹ Through the extensive use in the interpretation of the TMDir and TMReg, this doctrine has become part of the body of Community and national trademark law.¹¹²

As I see it, there exists a problem with the use of this essential function doctrine, as it may not provide a convincing justification for the protection of trademarks, i.e. the essential function doctrine solely *describes* the effect of the function but does not clarify the *normative* reason for protection. The ECJ has, as of yet, not defined with sufficient clarity the exact nature of the rationale to protect the essential function of trademarks, which results in difficulties to determine the exact scope of trademark rights. There is for instance room for an argument as the one raised by AG Colomer in the Arsenal case:

“A distinctive sign can indicate at the same time trade origin, the reputation of its proprietor and the quality of the goods it represents, but there is nothing to prevent the consumer, unaware of who manufactures the goods or provides the services which bear the trade mark, from acquiring them because he perceives the mark as an emblem of prestige or a guarantee of quality. When I regard the current functioning of the market and the behaviour of the average consumer, I see no reason whatever not to protect those other functions of the trade mark and to safeguard only the function of indicating the trade origin of the goods and services.”¹¹³

Moreover, the ECJ found in its *l'Oréal* decision that also the other functions of trademarks – i.e. communication, investment or advertising – would merit protection under Article 5.1.a TMDir without giving any consideration to the fact that the protection of these other functions would require an entirely different basis of justification.¹¹⁴

While it may be true that trademarks indicate not just trade origin, but also prestige, the important point here is that the ECJ in its essential function doctrine fails to articulate ‘the reason’ why the essential function or the other functions of trademarks should or should not be protected.

In my opinion, only a doctrine that incorporates such a reason or rationale can provide the crucial instrument to interpret the scope of trademark rights. In the following two sections, I shall thus take a closer look at the economic and ethical or fairness based rationales underlying the protection of trademark rights.

¹¹⁰ According to the CFI, the essential function is in particular, “that of identifying the origin of the goods or services, thus enabling the consumer who acquired them to repeat the experience, if it proves to be positive, or to avoid it, if it proves to be negative, on the occasion of a subsequent acquisition.” CFI 5 March 2003 *Alcon* (‘BSS’), para. 48.

¹¹¹ ECJ 17 October 1990 *HAG II*, para. 14. According to the ECJ, “in order to determine the exact scope of this right exclusively conferred on the owner of the trade mark, regard must be had to the essential function of the trade mark.”

¹¹² Fezer 2001, Einl. No. 37.

¹¹³ AG Colomer 13 June 2002 *Arsenal Football Club*, para 47.

¹¹⁴ ECJ 18 June 2009 *l'Oréal et al. v. Bellure et. Al.*, paras. 56 to 65.

2.3.2 *ECONOMIC RATIONALES*

After having discussed those trademark functions that play an important role in trade, I will now examine rationales that explain why particular functions should be protected and particular rights should be granted. As indicated above, I will differentiate between two abstract types of trademark rights, i.e. rights that protect trademarks against confusion and rights that protect trademarks against free-riding, blurring, and tarnishment. The former rights protect the source identification, product distinction, and quality or guarantee function. The latter rights protect the goodwill or advertising function.

I will first explain the background of economic rationales for trademark rights and then I will discuss the search cost and dynamic efficiency rationale. Both of these rationales clearly justify trademark rights that protect trademarks against confusion, which protect the source identification, product distinction and quality or guarantee function. Since the protection of the goodwill and advertising function through rights that protect the distinctive character and repute of trademarks restrict third party use much further, and do thus need stronger justification, I will separately analyse this protection in section 2.2.2.3.

2.3.2.1 *Background*

The most appropriate rationale for the justification of trademark rights is based on an economic cost/benefit analysis, which views trademark rights as tools that regulate market communication.¹¹⁵ This economic rationale of trademark rights is part of a welfare economic assessment, which deals with normative public policy questions related to the economy.¹¹⁶ Economics in general and welfare economics in particular are grounded in classic utilitarian theory,¹¹⁷ which, in simplified terms, states that the merit of all economic decisions, and in the case of this research all rules and policies, must be judged solely by their utility or consequences (hence the name ‘utilitarianism’ or ‘consequentialism’). Rules that are adopted can be justified if they serve the maximisation of the general good.¹¹⁸

One of the guiding principles of the specific economic variety of utilitarianism is the idea of an invisible hand that leads free markets to achieve congruence between self-interest of an individual and the interest of others.¹¹⁹ This idea goes back to Adam Smith, and in a reformulated manner means that,

“[a] person will be led by self-interest to put his or her resources to use there wherever they earn most. But to earn, you must produce something others want to

¹¹⁵ Economides 1988; Carter 1990; Landes & Posner 2003; Lemley 1999; Lemley & Dogan 2004; Litman 1999; Lunney 1999; Dinwoodie 2006; Teijl & Holzhauser 1991; Holzhauser 2005.

¹¹⁶ Hirshleifer 1988, p. 460.

¹¹⁷ The main proponents of this theory were Jeremy Bentham and John Stuart Mill. Bentham 1789; Mill 1861. See also Sinnott-Armstrong 2003.

¹¹⁸ On the problems related to ‘maximising consequentialism’ see Sinnott-Armstrong 2003. With regard to welfare economics see Hirshleifer 1988, p. 463.

¹¹⁹ Originally articulated by Adam Smith in his seminal work *The Wealth of Nations*. Smith 1776, Book IV, chap. 2.

buy. Consequently seeking your own advantage automatically leads you to produce goods or services that suit consumer's desires."¹²⁰

It is assumed that markets, on which free competition reigns, will achieve an optimum between supply and demand. Prices will be kept at an optimal level while producers are still granted a reasonable profit. In addition, free competition will produce higher efficiency and lower costs than situations of monopoly production or a government controlled economy.

This is of course a simplistic picture as major economic crises have demonstrated that the idea of complete *laissez faire* economic policy is not sustainable and that a certain level of public control over markets is necessary. Nevertheless, the conviction that free competition is one of the most beneficial manners to regulate markets is still the dominant idea in today's society.

Scholars of the Chicago school of economics are best known for applying the theories of economic benefits and costs to the law in general and to intellectual property rights in particular.¹²¹ In line with that school of thought, trademark rights are seen as important instruments in facilitating market communication and in providing incentives to producers to provide high quality and constant quality goods and services. Accordingly, trademark rights should be granted if the benefits of granting a certain type of trademark protection outweigh possible negative consequences or costs.

According to a classification introduced by *Calabresi* and *Melamed*, trademark rights are based on a so-called 'property rule', meaning that the right holder himself can set the conditions to sell or license the property as he sees fit, since he holds an exclusive right, which he can transfer or license to his discretion.¹²² Granting a right under property rule is beneficial, because it enhances legal certainty and it makes rights fully transferable. While the property rule is thus an efficient instrument for the regulation of trade on free markets, its drawback is that by its very nature it will exclude others from using the same goods, resources, or as in the case of trademarks, certain types of uses of signs. If these types of uses of signs are scarce or uniquely important to others, the grant of an exclusive right based on a property rule may entail significant costs for the excluded third parties.

¹²⁰ Hirshleifer 1988, p. 14.

¹²¹ Economides 1988; Landes & Posner 2003. For the application of economic reasoning to trademark law see also Dinwoodie 2006; Carter 1990; Lemley 1999; Lemley & Dogan 2004; Litman 1999; Lunney 1999;; Teijl & Holzhauser 1991.

¹²² Calabresi & Melamed 1972. According to *Calabresi* and *Melamed* there are three types of property like entitlements that can be differentiated, i.e. a 'property rule', a 'liability rule', and an 'inalienability rule'. Under the liability rule, others than the owner are free to use the property upon the condition that they pay an objectively determined compensation for it. The value of the compensation and therefore the economic value of the property is determined by some organ of the state. Under the liability rule, exclusivity of the owner over the property is decreased because he can neither determine the value of the property, nor can he exclude others from using it. The liability rule reduces the negative effects of exclusion of the property rule. However, lacking clear-cut ownership, transferability is hampered. Thus, liability rules do not set favourable conditions for a free trade in the goods at stake. They would require a centralised authority that would determine prices. Were this centralised authority to regulate production, it would need to make value judgements on what to produce and in what quantity. However, centralised systems have proven to be inefficient. In intellectual property law, we find liability rules in e.g. compulsory licences of patents in times of emergency. Under the inalienability rule, a transfer of the property is not permitted. Not even between a willing buyer and a willing seller. These rules "not only 'protect' the entitlement; they may also be viewed as limiting or regulating the grant of the entitlement itself." The idea of inalienability is strongly present in natural law property theories, which would not allow the sale personal freedom or bodily integrity e.g. the sale of body parts. Moral rights of authors and performing artists are based upon an inalienability rule.

In order to find the economic optimum between benefits and costs, the grant and scope of property or exclusive rights should therefore be limited by a welfarist principle like the principle of *Pareto optimality*,¹²³ which states that an intervention in free markets, such as the grant of trademark rights and their specific scope, is only justified if it makes at least one person better off and no one worse off.

2.3.2.2 Lowered Search-Costs and Dynamic Efficiency

The economic theories of trademark rights view trademarks as remedies for market failure, which occur due to monopoly structures, due to problems such as overuse of scarce resources, due to free-riding, or due to information asymmetries. *Search cost rationale*¹²⁴ views trademark rights as a means to reduce the market failure of asymmetric information, thereby focussing on the benefits of trademark rights to consumers. *Dynamic efficiency rationale* views trademark rights as a means to counteract the market failure connected to free-riding, thereby focussing on the appropriate remuneration of producers and traders.

The underlying concern of search cost theory is that economic equilibrium in a freely competitive situation can only be achieved if market participants can make decisions based on perfect information. Such perfect information must be quantitatively and qualitatively sufficient, readily available, efficiently structured and reliable.

In real life, however, a situation of perfect information is unattainable. To start with, it would take considerable amount of time to achieve a situation of perfect information. Furthermore, producers will often know much more about their products than their consumers and may not be inclined to tell everything they know to their customers. The result is a situation of asymmetric information,¹²⁵ which may result in sub-optimal economic decision-making and ultimately in market failure.

Search cost theory focuses on the fact that *reliable* trademarks are a significant aid in improving the information situation of consumers. Without reliable trademarks, consumers would be misguided and would have to take considerable risks in searching for the goods they want to purchase, these costs are referred to as 'search-costs'. Producers, on the other hand, would not be able to inform consumers in a reliable manner

¹²³ Paraeto 1906.

¹²⁴ The origin of the term 'search costs' is linked to *George Stigler's* paper 'The Economics of information'. Stigler 1961. In this paper, *Stigler* argued that advertising plays a key role in reducing consumer's costs (e.g. time and risk) in searching for the products they wanted. The search cost rationale has been equally applied to trademark protection mainly by members of the Chicago school of economics. See e.g. Economides 1988; Carter 1990; Landes & Posner 2003; Lemley 1999; Lemley & Dogan 2004; Litman 1999; Lunney 1999; Dinwoodie 2006.

¹²⁵ Originally, the term 'information asymmetry' was used by *Akerlof* in his 1970 paper 'The Market for Lemons' Akerlof 1970, lemons being used cars of bad quality. On the market for used cars, consumers have little possibility of obtaining reliable information on the quality of the car they are about to purchase. They might thus run considerable risks in purchasing used cars. Because of this information asymmetry, prices will converge around a price that accords to the estimated quality of the average used car. This means that the price for a particularly bad car, i.e. a lemon, will be too high, whereas the price of a well maintained and reliable used car will be too low. However, if prices are so unrelated to quality and effort, they will stop working as signals to guide supply and demand. They will for instance cease to provide incentives for selling good quality cars. Therefore, asymmetric information may lead to market failure. Trademarks will not be able to remedy this particularly serious problem of lacking product information about product quality. This is can only be achieved if a seller is made liable for the quality of his or her products and services.

of the qualities of their products. Search cost theory does thus provide a rationale for the protection of the source identification and the product distinction functions.

Trademarks lower the search costs of consumers because they provide them with ready available, extremely efficient, and reliable information. First, trademarks provide the consumer with a reliable indicator of the source of products and services. This allows consumers to differentiate products and services of one party from those of other parties (the product distinction function). In addition, trademarks allow consumers to attach experience characteristics to goods, i.e. experiences that are linked to prior consumption of the same goods.¹²⁶ With the help of the Coca-Cola trademark consumers can easily use their prior experience with the taste of the beverage in their decision to buy a bottle. Furthermore, trademarks allow consumers to link trademarked products and services to information received via e.g. advertising.

The information benefit of trademarks, which enables the search cost reduction, is, however, *non-excludable*, meaning that third party traders can easily free-ride on it by marking their own goods and services with the trademarks of others. The incentive to do so may be strong because using another trader's trademark is always cheaper than taking the effort of actually producing goods that are of similar qualities and then successfully marketing them.

If other traders use signs for their own goods or services that are identical or similar to the trademarks of competitors, consumers may get confused leading to the destruction of the search cost reduction of trademarks. Hence, trademark rights are needed to prohibit a likelihood of consumer confusion and to secure the information benefits.

Seen from the perspective of right holders, trademark protection also produces an efficiency enhancing effect, which is related to dynamic efficiency rationale.¹²⁷ This rationale departs from the idea that producers should be able to recoup their costs, because if they were unable to do so, there would be no incentive for them to invest in the quality of goods and services.¹²⁸

For example, trader A, who produces a high quality instant coffee under the trademark X can charge a higher price than trader B who produces lower quality instant coffee

¹²⁶ E.g. Nelson 1970; Economides 1988, p. 528.

¹²⁷ This rationale is part of the *public goods rationale*, which is the most commonly used economic rationale in support of intellectual property rights. It is a theory of production of intellectual goods linked to the public good characteristics, i.e. non-excludability and non-rivalry, of intellectual products. *Non-rivalry* means that the consumption by one consumer of the good does not affect the consideration of the same good by another. If one person reads a text, millions of others can still read the same text. Confusing use of trademarks or use that affects the distinctiveness or repute is rivalrous however. Hence, trademarks are at best qualified as impure public goods.

Non-excludability means that people cannot physically be excluded from using the good. A piece of land can be fenced off and a house can be locked; a work of authorship can however in most cases not be equally secured and trademarks are equally non-excludable. Consequently, public goods theory has been applied to trademark rights. See further Barnes 2006; Economides 1988; Landes & Posner 2003, p. 12; Teijl & Holzhauser 1991, p. 29.

¹²⁸ The United States Restatement 3rd of Unfair Competition states, "[i]n the absence of effective trademark protection, individual sellers gain little from improvements in product quality or service since they cannot easily recapture the benefits of a favorable consumer response. The protection of trademarks thus encourages investment in quality and service by securing to the trademark owner the benefits of a favorable reputation. Nonprofit enterprises such as charitable, educational, governmental, fraternal, and religious organizations have analogous interests in protecting their good will, and the designations adopted by such enterprises to identify their goods or services are similarly eligible for protection as trademarks."

under the brand Y. If Trader B were allowed to use trademark X, consumers could no longer differentiate between the products. Trader A would consequently have little incentive to produce high quality coffee. If, as a result of such free-riding, producers are unable to get the proper remuneration for their trademarked goods, they may not take the effort to produce goods of high quality, or differentiated goods for that matter, in the first place. Rather, they may be satisfied with producing goods of average quality and average properties. In this situation, trademark rights that secure the link between traders and their goods or services can provide an economic incentive to right holders to produce diverse and high quality goods, i.e. these rights secure dynamic efficiency.¹²⁹

As this dynamic efficiency rationale is also used in relation to other intellectual property rights, such as copyrights and patent rights, I deem it necessary to stress that in relation to trademark rights the incentives provided are not incentives to *produce* trademarks, but rather incentives that *stimulate aspects of the trade in the underlying goods or services*.¹³⁰ Put differently, trademark rights are granted not in order to produce new words, but in order to secure orderly and efficient economic competition, by offering right holders a means to identify their products or services.¹³¹ The rationale is limited to the protection of the source identification and quality and guarantee functions and dynamic efficiency is secured if the protection takes the form of a prohibition of confusing third party use.

In sum, both search cost rationale and dynamic efficiency rationale clearly indicate that the source identification, product distinction and quality or guarantee functions should be protected. Trademark rights that forestall confusion can play an important role in securing the workings of these functions.

In the context of this research, the most important point of the economic rationales is that the efficiency benefits of trademark rights, i.e. the search cost reduction and the dynamic efficiency, must be set off against the costs that trademark rights impose on third parties and on society as a whole as welfare economics would endorse trademark rights only in so far as the benefits of granting them outweigh the costs. Such costs of trademark rights can be transaction costs, costs of policing, and costs related to exclusion.

First, transaction costs are the costs of economic exchanges, such as the sale of trademarked goods. Search costs are part of transaction costs of such economic transactions,¹³² meaning that trademark protection against confusion actually lowers the overall transaction costs. Hence, trademark rights have a positive effect on overall transaction costs.

Second, the costs of policing, i.e. the costs involved in enforcing the rights, can be decreased significantly by a well-kept and accessible trademark register. Such a register

¹²⁹ The assumption that exclusive rights will efficiently address the problem of underproduction and allocative efficiency provides the most common rationale for the protection of information goods. At the same time, this assumption can be disputed. As *Aldred* points out, this assumption is based on one theorem of game theory, which assumes that traders will use trademark rights in order to invest in long-term gains, i.e. keeping quality constant for a long time. However, game theory knows also other theorems explaining that traders could, for instance, lower quality in order to gain short-term benefits. Aldred 2008, p. 270.

¹³⁰ In this respect, the rationale differs from that of other intellectual property rights. The economic rationale for copyright and patent rights seeks to provide incentives for the protection of e.g. works of authorship and inventions *per se*.

¹³¹ Bröcher, Hoffmann & Sabel 2005, p. 59.

¹³² Mackaay *diss.* 1980, p. 56.

enables other parties to identify with ease the trademarks that are used by other parties and to refrain from using them. In addition, trademark rights ensure that costs of actual policing are borne by the right holders themselves, who can, in many cases, recoup their costs from infringers. This makes policing more efficient than if a costly central policing authority is involved.

The third, and most problematic costs are the costs of exclusion. The definition of the subject matter and scope of trademark rights is of crucial influence on these costs. If the subject matter definition of trademarks is too broad, third parties may be hampered in their ability to compete. This would be the case if trademarks were to be registered in relation to signs that are descriptive of product qualities or that are generic. Take for instance the word 'sweet' in relation to fruit. If that word were to be registered as a trademark for fruit, no other trader would be able to communicate to consumers that his fruit are sweet. This would decrease their ability to inform consumers, and it would thus decrease their ability to compete. Consequently, there is a need to keep signs distinctive and to keep descriptive as well as generic meanings of signs free for all to use.

Care must also be taken that certain beneficial uses of trademarks by their parties are not prohibited, such as the use of trademarks on replacement or spare parts, on the Internet or in comparative advertising that helps consumers to identify the purpose or destination of goods. Allowing trademark right holders to prohibit such uses may have negative effects for third party traders that are not outweighed by any search cost reduction or dynamic efficiency benefits.

Finally, one must also consider that, both, search cost rationale and dynamic efficiency rationale discussed here justify trademark rights only vis-à-vis other traders. These theories are not geared towards assessing the costs and benefits of other, social, uses of trademarks.

2.3.2.3 Protection of the Goodwill and Advertising Function

So far, we have seen that economic rationales clearly justify the grant of trademark rights that protect the source identification, product distinction and quality or guarantee functions. It is, however, less clear whether economic rationales may also justify trademark rights that protect the goodwill and advertising function of trademarks. As already hinted at above,¹³³ there is a difference in utility between, on the one hand, the source identification, product distinction, and quality or guarantee functions, and, on the other hand, the goodwill and advertising function. While the first three functions are clearly beneficial to consumers, meaning that they benefit society at large, the main utility of the advertising function seems to be confined to the right holder himself as he alone reaps the benefits of this function and the benefits to consumers do not feature in that function. Some authors even argue that the goodwill and advertising function, along with many forms of advertising in general, rather produce negative effects on economic efficiency and on society at large.¹³⁴

The protection of the goodwill and advertising function usually takes the form of the protection of the distinctive character and repute of a trademark against taking (unfair) advantage or against harm in the form of blurring or tarnishment. Seen from the

¹³³ See section 2.3.1.4.

¹³⁴ On negative economic effects see Brown 1948; Ramello & Silva 2006; Papandreou 1956; Schmalensee 1974; Schmalensee 1978. On negative social effects see e.g. Klein 2000; Werner & Weiss 2006.

perspective of the economic rationales, the question remains whether these forms of protection enhance overall economic efficiency and outweigh economic costs. Therefore, I will consider these forms of protection in light of search cost rationale, dynamic efficiency rationale and in light of possible negative effects.

a. Lowered Search Costs

Search cost theory justifies the grant of trademark rights against confusing use because of the benefits in search cost reduction to consumers. In order to justify the protection of the goodwill and advertising function it would have to be shown that the protection leads to *additional* search cost reduction and that, in the absence of protection, such additional effects would be lost.

The protection of the distinctive character or repute of trademarks in addition to their source identification function may serve to lower search costs if it created *network effects* meaning that the more people use a certain good, the more the utility of that good increases. Usually, network effects are found in a network, e.g. the telephone network (the more people use such a network, the higher its overall utility will be).

A similar argument could be applied to trademarks with regard to the goodwill entailed in a highly distinctive character or high reputation. The fact that a trademark is carrying a lot of goodwill may imply proof of the fact that the goods covered by it are of high quality. Consequently, consumers may be able to simply rely on the fact that a highly distinctive character and repute implies high quality, which mean a reduction of their search costs.¹³⁵

In my opinion, most of such network effects, if they indeed exist, are already secured by the protection of trademarks against confusion. In particular, this is the case when indirect confusion is prohibited, i.e. those cases in which a consumer is confused about the fact that a trader has *sponsored* or *endorsed* a product, leading him to infer that the right holder would bear responsibility for the process of production or for the trade. By forestalling such confusion, network effects would be sufficiently protected.¹³⁶

The justification of a protection against blurring can pose a problem. According to the theory of blurring, the distinctive character of a trademark may be harmed in the long run if its use on a non-similar products (and absent any confusion) would be permitted. The actual harm does not lie in the first use but in the fact that many subsequent traders may use e.g. the Rolls-Royce trademark on other goods and services like BBQs or matchboxes. Over time, this kind of use could eradicate the distinctive character of the trademark, and if that were the case search costs would be negatively affected.

There is however a caveat to this theory. The causal link between the first use, i.e. the use to be prohibited, and the eventual harm, i.e. the total loss of distinctiveness, is very remote, as it may take many of such uses for the harm to occur. This is why blurring is also referred to as 'death by a thousand cuts'. Some authors claim that the link between

¹³⁵ Lunnay makes this argument in relation to the social function of brands. She point out that the use of popular brands can result in acceptance in social groups. Lunnay 1999, p. 429

¹³⁶ The protection against indirect confusion may however go further than to capture such effects. Schackert for instance argues that this form of protection is unrelated to the protection of the information status of the consumer, but that it is essentially a form of protection against (pure) free-riding. Schackert 2001, p. 318.

the first use and the harm does not exist at all.¹³⁷ The existence of that causal link between use and negative effect is however an essential link in justifying a prohibition of blurring.

From an economic viewpoint it is not efficient to wait until the damage is done, as a total loss of distinctiveness is likely to be irreversible. It is however also inefficient to prohibit third party uses without being certain that they are harmful. Hence, in my opinion, it is only justified to prohibit those uses that will contribute to blurring with a high certainty, which implies a clear-cut definition of the harm to be forestalled and a high threshold of proof.

Finally, search cost theory may not provide a justification for an additional protection of trademarks against tarnishment. Another user who tarnishes a trademark, by creating negative associations in the minds of potential consumers, may only interfere with search costs, if those associations are patently untrue, confusing, or misleading and if they have a causal effect on later purchasing decisions. E.g. negative associations created by using trademarks on unrelated inferior goods may increase search costs as they may falsely influence consumer's information about the quality of the original trademarked goods. Such increased search costs may however already be forestalled to a substantial degree by the prohibition of indirect confusion, i.e. where consumers believe that a trademarked good or services belong to the economic sphere of responsibility of the right holder.

Conversely, truthful criticism or commentary that negatively effects the repute of a trademark may, have a positive impact on search costs as it may inform consumers about true facts that they could deem relevant to their purchasing decisions.

b. Dynamic Efficiency

The goodwill and advertising function is the result of investment in building up "commercial magnetism," and other traders may 'free-ride' on this commercial magnetism. One may consider this unfair, but from the viewpoint of dynamic efficiency only two questions are of importance. First, does the goodwill and advertising function contribute to overall efficiency? Second, would the absence of legal protection lead to the destruction of efficiency benefits?

As I explained above, dynamic efficiency rationale is concerned with the protection of the trade that underlies the trademark, i.e. incentives are granted to a right holder to induce him to invest in the quality of his goods or services.

In my opinion, it is questionable whether the grant of an *additional* incentive to capitalise on the investment in distinctive character and repute of trademarks, i.e. a protection against free-riding, blurring, and tarnishment, would enhance overall efficiency. In particular, it may be questioned whether the grant of incentives to capitalize on the advertising value is more efficient than allowing free utilisation of that value by others. *Scott et al.* question for instance whether it is efficient to use trademark rights to

¹³⁷ Tushnet 2008. In comparison, between 2003 and 2006 such an 'actual dilution' requirement existed under federal U.S. law, dilution in that case referring to blurring. In 2003, the U.S. Supreme Court held that right holders were obliged to prove 'actual dilution' (U.S. Supreme Court 4 March 2003 *Moseley v. Victoria's Secret*). The 2006 Trademark Revision Act re-introduced the requirement of proof of a *likelihood* of dilution by. (Trademark Dilution Revision Act 2006, H.R.683) Between 2003 and 2006, almost no infringement claim of dilution was successfully established. Almost no right holder succeeded in meeting the burden of proof. McCarthy 2008, § 24:112.

enforce a monopoly on the production of merchandise of e.g. a sports team in cases when there is no confusion.¹³⁸ It may be more efficient if other entrepreneurs could freely exploit the advertising value of the trademarks in question, as that would lead to a greater diversity of goods and services, while not depriving the right holder of the necessary incentives to induce him to invest in the quality of the goods.

In this respect even, the existence of harm caused by free-riding, absent confusion, has been doubted. *Landes* and *Posner* for instance argue that free-riding may, in many cases, not cause any economic harm to right holders.¹³⁹ If ‘pure dilution’, as they call it, is seen as taking unfair advantage of a certain value than the question must be posed, whether gains that are supposedly taken advantage of could have been made by a right holder himself in the first place. *Landes* and *Posner* argue that e.g. a peanut vendor calling his nuts Rolls Royce would do so because he wants to confer upon his nuts a sort of prestige. This would give him an advantage but, as *Landes* and *Posner* argue, it would not deprive Rolls-Royce of any value. The crucial point is that the peanut vendor might just as well use the prestige of any other famous trademark. In fact, Rolls Royce would be unable to gain any licensing revenues of its name as the competition between the prestigious Rolls-Royce trademark and other prestigious trademarks would be so vast that competition would drive license fees almost to zero. Since Rolls Royce could thus not achieve any commercial gain by trying to license the prestige of its trademark to vendors of totally unrelated products or services, one may consider that no *unfair* advantage has been taken.

In relation to the prohibition of blurring the considerations of the previous section apply *mutatis mutandis*. Total loss of distinctiveness means loss of the dynamic efficiency effect of trademarks, hence a prohibition of blurring may be justified, but only if the harm is properly defined and when only those uses are prohibited that will contribute to blurring with a high certainty.

Tarnishment, e.g. by using trademarks on inferior goods, may well be harmful to dynamic efficiency. However, also in this respect I think that most of the efficiency decreasing effects of such tarnishment will already be forestalled by a prohibition of indirect confusion. In sum, dynamic efficiency rationale seems to provide little justification for a separate protection of the goodwill and advertising function.

c. *Trademarks as Psychological Commodities*

The goodwill and advertising function of trademarks may also be seen as a consumable good in itself as consumers may sometimes select trademarked goods primarily because they entail a certain commercial magnetism, style, or prestige. According to some authors, this magnetism is built up by perception or persuasive advertising. According to a definition given by Economides,

“[i]n perception advertising a desired mental image is added to the physical commodity. The consumer buys the advertised mental image together with the physical commodity, and in his mind the commodity bought contains both. The perceived features are consumed like all other features of the commodity.”¹⁴⁰

¹³⁸ Scott *et al.* 2008, p. 297.

¹³⁹ Landes & Posner 2003, p. 208.

¹⁴⁰ Economides 1988, p. 533.

In behavioural science, models have been developed that explain this psychological commodity value of trademarks. The image-congruence hypothesis, for instance, states that the image of trademarks may significantly influence purchasing decisions because persons strive to achieve congruence between their self-image and image of the self as viewed by others.¹⁴¹ Consumers will therefore often buy trademarked goods that fit a desired self-image, like youth, or sex appeal. Trademarked goods are often purchased for reasons of self-realisation through the internalisation or consumption of the portrayed values and images.¹⁴²

This may be evidence of the fact that some trademarks have themselves become a type of commodities that are somewhat detached from the underlying goods and services. As such, trademarks fulfil needs that are unrelated to the needs that are satisfied by underlying goods or services, as they consist of a psychological and possibly sociological nature (such as feel-good, status indication, or indication of membership in a group). In this sense, the goodwill and advertising function may constitute an additional commodity value.

If the advertising power of trademarks is indeed seen as separate commodity value, then the question arises whether such value should be protected by trademark law. Dynamic efficiency rationale seems to indicate that a ‘producer’ of this emotional commodity should be adequately compensated; however, I think that this argument does not fit the pattern of trademark law, for at least two reasons.

First, the dynamic efficiency argument, even when it is used in relation to the goodwill and advertising function of trademarks, always presupposes that incentives are provided to stimulate the investment in the quality of goods or services. The argument that trademark law would provide such incentives in order to stimulate the production of trademarks as psychological commodities is alien to the legal debate about trademarks. Neither existing trademark law nor literature considers that trademark law is supposed to provide incentives to produce trademarks as psychological commodities.

Second, while copyright law and patent law do indeed provide incentives to produce works of authorship or to stimulate invention, they contain specific threshold requirements with regard to the ‘quality’ or ‘novelty’ of the commodities. In contrast, trademark law does not know any such criterion that could limit appropriately the scope of a right to protect the psychological commodity value.¹⁴³ Therefore, in my opinion, trademark rights to protect the goodwill and advertising function cannot be justified with the argument that some trademarks have become psychological commodities.¹⁴⁴

d. ‘Perception Advertising’ and Negative Effects on Rationality

Economic rationales require that consumers base their purchasing behaviour on *purely rational decisions*. However, perception advertising, which may be used to build up the goodwill and advertising function, may stimulate *irrational consumer behaviour*.¹⁴⁵ By

¹⁴¹ Rosenberg 1976; Kressmann 2006, p. 955; critical e.g. Heath & Scott 1997.

¹⁴² Bröcher, Hoffmann & Sabel 2005, p. 24; Hellmann 2003. *Coombe* provides an account of how these values influence consumer behaviour and culture on a larger scale. *Coombe* 1998.

¹⁴³ Lunnay 1999, p. 457, “[E]ven if there were a deserving class of goods that property-based trademark could distinguish and protect, property-based trademark would almost certainly substantially over-protect this class of goods.”

¹⁴⁴ See also Bone 2006, p. 619.

¹⁴⁵ Brown 1948; Papandreou 1956; Ramello & Silva 2006 also described in Economides 1988, p. 532.

playing on consumers' desires and psychological needs, it may distract consumers from focussing on the real qualities of goods and services, meaning that it may create *inertia* and *adverse selection* in consumers.¹⁴⁶

As a result of such inertia, consumers may be willing to pay a premium for brand medicine even though generic substitutes are available. For instance, many consumers prefer Bayer Aspirin even though almost identical and much cheaper aspirin sold under other trademarks is available. Another example may be consumer preference for certain brands of bottled mineral water over tap water in Italy, even in regions, where local tap water exceeds the quality of the bottled water.¹⁴⁷

It has been argued in particular by scholars in the United States that as a consequence of inertia and adverse selection, trademarks may become too powerful and that they would grant a right holder a virtual monopoly in a market.¹⁴⁸ This 'monopoly power' would encourage welfare decreasing effects such as rent-seeking behaviour, social waste, and barriers to market entry.

Rent seeking is a behaviour whereby an undertaking seeks to gain rent, i.e. pure profit, by extracting profit from others that is not compensated by any value, e.g. an undertaking using its advertising investments in trademarks to gain higher prices without having to invest in the improvement of the quality of the underlying product. Consequently, consumers would pay higher than optimal prices for these goods.¹⁴⁹

On a macro level, significant investment in the creation of advertising power instead of investment in innovation or product quality can be seen as a misallocation of resources. This misallocation caused by trademark protection has also been referred to as *social waste*.¹⁵⁰

Finally, inertia and the resulting monopoly power may create *barriers to market entry* for potential competitors. If consumers rather stick to the brand they know than switch to the products of new market entrants, whose products are identical or better in quality and are offered for a lower price, the advertising power of a trademark may have created barriers to market entry.¹⁵¹

¹⁴⁶ Already in 1948, *Ralph Brown* criticised this phenomenon: "Among the many illusions which advertising can fashion are those of lavishness, refinement, security, and romance. Suppose the monetary cost of compounding a perfume is trivial; of what moment is this if the ads promise, and the buyer believes, that romance, even seduction, will follow its use? The economist, whose dour lexicon defines as irrational any market behavior not dictated by a logical pecuniary calculus, may think it irrational to buy illusions; but there is a degree of that kind of irrationality even in economic man; and consuming man is full of it." Brown 1948, p. 1181.

¹⁴⁷ Ramello & Silva 2006, p. 958, "In Italy, the quality of tap water is good, in fact often better than that of bottled mineral water. And yet, the consumption of mineral water, whose price is enormously higher than that of tap water, prevails, with the market dominated by a few brands with a strong presence on the advertizing markets."

¹⁴⁸ Papandreou 1956; Lunney 1999; disputing this argument Schmalensee 1974; Schmalensee 1978; Economides 1988.

¹⁴⁹ *Landes* and *Posner* state, "Economic rent is a return over and above the cost of generating the return; it is pure profit, and so worth incurring costs to obtain, even if the costs exceed the social benefit from the undertaking, as they will often do." Landes & Posner 2003, p. 17.

¹⁵⁰ Brown 1948, p. 1169.

¹⁵¹ This argument was raised by *Papandreou* in 1956 and is connected to *Chamberlin's* theory of monopolistic competition. *Papandreou*, in line with *Barnes* and the other critics of the negative consequences of perception advertising and connected trademark protection, argued that persuasive use of trademarks alters consumers' tastes and influences their choices. It could therefore not only produce social waste, but it could violate antitrust rules, because it inhibits entry and access of new competitors Papandreou 1956. *Chamberlin* argued that even in a monopolistic market competition could be functioning well, if (a) there are many

In rebuttal to the charges of monopoly power, it may be contended that no decision-making process is 100% rational. Even if consumers' decisions are influenced by emotions and desires, one could claim that consumers make their decisions as sovereign and autonomous individuals, since they choose to purchase the desired mental image. Their decisions should thus not be called irrational because they are based on free choice and, as such, the free will of consumers should be respected.¹⁵²

In my opinion, this argument of free choice misses an important point, which has already been made by Ralph Brown in 1948. The kind of rational decision-making that underlies the economic rationale of trademark rights, does at least presuppose *adequate knowledge of alternatives*.¹⁵³ If trademarks really ameliorate the information asymmetry between producers and consumers, they must provide consumers with a means to make informed choices between alternative products. A goodwill and advertising function, which stimulates inert behaviour towards alternatives, may leave room for free choice (i.e. it does not totally constrain the choices of consumers),¹⁵⁴ it may, however, obstruct rational decision making, which can only be based on adequate knowledge of alternatives.¹⁵⁵

Perception advertising, along with the stimulation of the creation of advertising power of trademarks, has also been criticised from a social and cultural perspective. *Galbraith* has claimed that perception advertising produces an overly materialistic society.¹⁵⁶ The advertising power contained in trademarks and the protection granted under trademark law may also interfere with cultural dialogue and cultural development,¹⁵⁷ or with

producers and many consumers in a given market; (b) consumers have clearly defined preferences and sellers attempt to differentiate their products from those of their competitors; the goods and services are heterogeneous, usually (though not always) intrinsically so; (c) there are few barriers to entry and exit; and (d) producers have a degree of control over price. Chamberlin 1933. *Schmalensee* pointed out that advertising and persuasive trademark use may indeed lead to brand loyalty and may cause inertia in buyers, but that this would not lead to monopoly power and barriers to entry. Barriers to entry would rather be the result of alternate causes such as inefficient capital markets. Schmalensee 1974, Schmalensee 1978.

See also the *Rea-Lemon* litigation before the United States Federal Trade Commission (FTC), In re Borde, 406 Patent, Trademark & Copyright J. (BNA) D1 (30 November 1978). McClure 1996, p. 19; and further Economides 1988; Wiggins & Raboy 1996; Lunney 1999.

¹⁵² Lemley 1999, p. 1692, "My preference for Diet Coke over Diet Pepsi or any other cola drink may be an irrational one, induced by childhood memories of teaching the world to sing or some similar promotional effort. But in a free market economy, perhaps the choice should be mine to make, for good or ill." See also Economides 1988, p. 535.

¹⁵³ Brown 1948, p. 1182.

¹⁵⁴ Economides 1988, p. 532 to 535.

¹⁵⁵ Brown 1948, p. 1181 "The taint of irrationality may be dispelled by asserting flatly that the utility of a good, that is, its capacity to satisfy wants, is measured exactly by what people will pay for it. If, as is undeniably the case, consumers will pay more for an advertised brand than for its unheralded duplicate, then consumers must get more satisfaction out of the advertised brand. The nature of the satisfaction is of concern only to the moralist. Though this argument can easily be pushed to absurdity--suppose it was to the interest of the advertisers to consume half the national product in persuasion?--it seems plausible if it is based on the dogma of consumer autonomy. Then anyone who questions the untrammelled use of influence by the seller and its uncoerced acceptance by the buyer is at best a Puritan, at worst a Fascist. The debate seems to end in a defense of freedom, for the advertiser as well as for the consumer."

¹⁵⁶ Galbraith 1958.

¹⁵⁷ Coombe 1991; Coombe 1998; Ramsay 1996, p. 53; Criticism also revolves around the allegation that the advertising carried by the advertising function of trademarks may interfere with cultural production. In the wake of extracting advertising revenues out of ever-new markets, cultural production may have been usurped by production for marketing purposes. Such cultural marketing may marginalise the traditional forms of cultural production. Dreyfuss 1996, p. 145, "Similarly, there are now movies created principally

democratic governance,¹⁵⁸ by allowing major companies to become so powerful, that they can behave antisocially while still maintaining a positive image vis-à-vis consumers.

In sum, which I am aware that the economic and non-economic criticism should be taken with a grain of salt, I think that the provision of incentives to trademark right holders to invest in perception advertising will harm economic efficiency. Consequently, trademark rights must not be structured in a manner to allow a right holder to provide incentives to invest in advertising rather than in innovation and they must not allow a right holder to prohibit the spread of information about alternative products.

2.3.2.4 *Interim Conclusion*

In this sub-section, I examined economic rationales for the protection of trademark rights. I distinguished between two abstract types of rights, i.e. trademark rights that protect against confusion, and trademark rights that protect against free-riding, blurring, and tarnishment. The former rights protect the source identification, product distinction, and quality or guarantee function. The latter rights protect the goodwill or advertising function.

First, the analysis showed that search cost rationale delivers a clear justification for the protection of the product distinction function and the quality function. Dynamic efficiency rationale justified the protection of the source identification function. By inducing trademark right holders to provide high quality goods or services, it would be overall beneficial to society.

A more ambiguous picture emerged when economic arguments for the protection of the type of right that protects the goodwill and advertising function. I concluded that, while a prohibition of blurring may in some cases be efficiency enhancing, most of the potential economic benefits of in search-cost reduction (e.g. network effects) are already secured by the prohibition of confusing use. Furthermore, I considered the argument that dynamic efficiency rationale may imply that a potential psychological commodity value of trademarks that would be contained in the advertising function should be protected. However, I concluded that this argument is unconvincing, as unlike copyright and patent law, trademark law is not designed to stimulate the production of commodities.

Moreover, I examined criticism of the economic and social impact of the protection of the advertising function. This criticism is linked to the assertion that the advertising function of trademarks allows traders to capitalise on perception advertising, which may decrease economic efficiency. I concluded that trademark protection must not be crafted in a manner that *encourages* perception advertising and that trademark rights must not allow a right holder to prohibit the spread of information about alternative products.

Overall, I think that, if trademark protection is granted in manner that is not justified by economic rationales, it will be most important to craft exceptions and limitations that adequately minimise problems with regard to economic efficiency.¹⁵⁹

for their merchandising tie-ins. Studios have, for example, become keenly interested in comic strips because their characters -- Batman, Casper, Dick Tracy -- have 'marketing prowess' in the form of licensing opportunities. As a result, the avenue of communication between producer and consumer is now so clogged with merchandising these images, the suspicion is that films with genuine artistic merit will not be able to attract public attention." see above section 1.2.3.

¹⁵⁸ Klein 2000; Werner & Weiss 2006; see above section 1.2.4.

¹⁵⁹ Bröcher, Hoffmann & Sabel 2005, p. 60, „Der mit der Marke maßgeblich bewirkte Schutz der Investitionen muss dazu führen, dass bei der Anwendung des Markenrechts stets die Wettbewerbsverträglichkeit des

2.3.3 ETHICAL AND FAIRNESS BASED RATIONALES

The normative character of fairness-based rationales differs from that provided by economic theories. Under economic theories, the right holder is provided with a right as an *incentive* to forestall market failures, while the aim is to further or maximise the positive effects to society at large. In contrast, ethical and fairness based rationales focus on the *entitlement* of right holders, aiming at granting rights to those right holders that *deserve* protection, against the backdrop of a society, in which individuals are bound by a social contract to respect each others rights and freedoms.

I will discuss two types of ethical rationales for trademark rights, i.e. unfair competition related rationales and Lockean labour rationale. The former rationales would infer a right from principles underlying unfair competition law, while the latter rationales infer an entitlement from the fact that a person has invested labour in the creation of a good. I will assess if these theories provide a rationale for the protection of the various functions of trademarks. Where it is appropriate I will address differences and commonalities between the ethical rationales and the economic rationales.

I will not consider all ethical or fairness-based arguments. For instance, at least one author has sought a rationale of trademark rights in an extended argument of freedom of expression, i.e. in a *right not to be associated* with unwanted associations.¹⁶⁰ This rationale is linked to jurisprudence of the United States Supreme Court, which found that the First Amendment of the United States Constitution covers a right not to be forced to speak.¹⁶¹ In my opinion, it is conceptually wrong to deduce a trademark right from freedom of expression. Freedom of expression provides the right holder with a *freedom* and such a freedom can never be extended to a right to prohibit third parties (!) to speak.

Moreover, I want to point out that the right to property contained in Article 1 of the 1st Additional Protocol to the ECHR as well as in Article 14 of the German Grundgesetz, do not provide a rationale that would justify the protection of trademark rights. In some cases, Article 1 1st AP ECHR and Article 14 GG are used in weighing trademark rights against freedom of expression. However, these rights solely provide protection to *already existing* property rights and entitlements, protecting them primarily against arbitrary deprivation.

2.3.3.1 Unfair Competition and the Underlying Principles of Truth and Unjust Enrichment

More than other types of intellectual property law, trademark law has developed in close relationship with unfair competition law. While both protect trademarks against certain behaviour of third parties, they differ in the type of protection. Unfair competition law operates with objective norms that seek to protect the interests of all parties concerned, whereas trademark law grants subjective rights that protect the interests of the right holders. Nonetheless, the underlying rationales for protection seem closely related.

Schutzrechts als Leitmotiv und Grenze herangezogen wird. Das Markenrecht ist marktorientiert auszuelgen.”

¹⁶⁰ Spence 2008.

¹⁶¹ E.g. U.S. Supreme Court 24 February 1986 *Pacific Gas & Electric*; U.S. Supreme Court 19 June 1995 *Hurley v. Irish-American Gay, Lesbian & Bisexual Group of Boston*; U.S. Supreme Court 28 June 2008 *Boy Scouts of America*.

In European trademark law this is evidenced by the fact that certain provisions the TMDir and TMReg that speak of taking unfair advantage or of honest practices in trade, which is interpreted as a duty to act fairly,¹⁶² demonstrating thus that trademark law and unfair competition law stem from the same family. In addition, the right to prohibit others to use trademarks in a confusing manner finds a pendant in a general rule of unfair competition against confusing use. Therefore, general principles underlying unfair competition may provide rationales for the protection of trademark rights.

The overreaching premise upon which unfair competition law is based is that an economy, in which the individual entrepreneurs enjoy freedom of competition, is most beneficial to society.¹⁶³ Unfair competition law is needed because parties in competition with each other may engage in behaviour that affects each other negatively. Freedom of competition requires that not all negative effects of competitive behaviour must be prohibited. For instance, gains in market share of a market entrant who sells high quality products leading to losses in market share of a producer producing low quality goods is a normal and even desired part of free competition. Harmful behaviour should thus only be prohibited above a certain threshold of unfairness. Unfair competition norms thus ensure that competition, while being free, remains fair.¹⁶⁴

Two underlying normative principles of unfair competition law may provide a rationale for the protection of the source identification, product distinction functions of trademarks: (a) the principle of truthfulness and (b) the principle that unjust enrichment must be prohibited.

a. Truthfulness

The principle of truthfulness may provide a rationale for the protection of the source identification and product distinction functions through the protection against confusion.¹⁶⁵ If trademark rights were to protect truthfulness, one should demand that they must forestall deception about the origins of products or services. Such deception may arise from the fact that one trader uses another trader's trademark in a confusing manner and that he thereby 'deceives' the public about the real origin of a product. Such

¹⁶² See below sections 2.4.4 and 5.5.2.

¹⁶³ E.g. Harte-Bavendamm & Henning-Bodewig 2004, p. 362; Bröcher, Hoffmann & Sabel 2005 p. 53; Kaufmann 1994, p. 109 "Nabootsing, hoe 'slaafs' ook, is economisch gezien een volledig honorabele handeling."

Freedom of competition is the guiding principle according to both, utilitarian reasoning and a rationale that focuses on the self-determination of humans. In the latter sense, freedom of competition is a sub-form of a general freedom of action, which is the most fundamental liberal concept. For instance, the link between freedom of action and freedom of competition is quite clearly incorporated in the German Grundgesetz. Freedom of competition is subsumed under the constitutionally protected freedom of action of Article 2.1 GG. In addition, it is protected by the provision on "Berufsfreiheit" or freedom of business of Article 12.1 GG. The German State must, for instance, guarantee individual undertakings equal chances in competition and it must protect them against arbitrary changes of influences of competition. A company may however not invoke constitutional rights to claim the protection of a certain preferential position on a market. Harte-Bavendamm & Henning-Bodewig 2004, p. 354 and 355.

¹⁶⁴ Verkade 1986, p. 1.

¹⁶⁵ This principle has been mentioned by Aalberse. In his opinion, truthfulness is an important principle in unfair competition law. The roots of this principle lie in the fact that humans are social beings and that as such, they are obliged to speak the truth. Aalberse 1898. Pfeffer 1938, p. 13, links this principle to utilitarian reasoning. See also Verkade 1986, p. 59 and Bröcher, Hoffmann & Sabel 2005, p. 53.

a right would then protect the public's entitlement to be told the truth and not to be deceived, which is in line with the product distinction and quality or guarantee functions. In addition, such a right would protect a trademark right holder's entitlement that the identity of his goods is not misrepresented,¹⁶⁶ thereby protecting the source identification function.

From the perspective of consumers, one problem is that a justification under a rationale for trademark rights based on the principle of truthfulness requires that trademark rights focus on forestalling untrue third party use. This is the case when they forestall misleading use, but not necessarily when they forestall confusing use, the difference being that in the case of a prohibition of misleading conduct, the law assesses whether the purchasing decisions of consumers are affected in elements that are deemed essential as misleading use confuses consumers about an element of their purchasing decision 'to a level that they may feel deceived once they realise the confusion'.¹⁶⁷ Protection against a mere likelihood of confusion, as granted by trademark rights, is not concerned with the question whether the effect of confusion has an essential influence on consumer's purchasing decisions.¹⁶⁸ Consequently trademark rights go further than what could be justified by a rationale based on the principle of truthfulness.

From the perspective of producers, the principle of truthfulness may justify the protection of the source identification function against misrepresentation. This would mean that trademark rights are granted in order to allow right holders to prohibit third parties to behave untruthful by creating confusion about the origin of his goods. In this context, the argument raised above can apply as well, meaning that the prohibition of confusion reaches further than the prohibition of providing 'untrue' information.

A further consideration is that the protection against confusion in trademark law does not consider the knowledge or state of mind of the third party user. One could argue that, misrepresenting the signs of a right holder may only be unfair or unethical if the untrue act occurred consciously. In contrast, trademarks are protected against confusion regardless of awareness or intent to confuse of the third party. The protection will be granted even in cases, in which the third party user had no knowledge of the other sign at all.

In my opinion, a prohibition of misrepresentation, if it is deduced from a higher norm of truthfulness, would have to be connected to criteria such as awareness, knowledge, or intent of the third party. The act of representation implies a form of consciousness just as the act of misrepresentation would imply consciousness of the identity of the other.¹⁶⁹

¹⁶⁶ E.g. Hughes 1988, p. 354, stating that in the United States, "[t]rademarks are frequently justified, in the words of one commentator, by the 'consumer's right to be told the truth.' [...] A real consumer's right to the facts would be protected by truth-in-advertising or misrepresentation laws, not by trademark."

¹⁶⁷ Verkade 1981, p. 402, did not make this argument in relation to a norm of truthfulness. He rather pointed out that confusion protection could not be directly related to the protection of consumers' interests.

¹⁶⁸ According to *Verkade*, this means that trademark rights are not directly aimed at protecting consumer's interests. *Ibid.*, p. 402. IN relation to the role of consumers and consumer interests in trademark law see Kabel 2005b. For an argument of a restructured trademark right, that entails a higher degree of consumer protection see Kamperman Sanders 1993, p. 406.

¹⁶⁹ Note however that the common law tort of passing off considers misrepresentation to entail unintentional misrepresentation leading to diversion of goodwill. In my opinion, such a form of misrepresentation cannot be connected to a higher form of truthfulness. See Bently & Sherman 2004, p. 707.

In sum, it seems that the protection against confusion goes further than what would be justified by a higher norm of truthfulness. This protection does not seek to safeguard an ethical standard of ‘truth’ in the market place. It rather enforces an economic standard of a certain level of market transparency as described by search cost rationale. Therefore, I think that search cost theory is the more appropriate rationale to justify trademark rights against confusion, because it is specifically concerned with forestalling the market failure of asymmetric information.¹⁷⁰

b. Unjust Enrichment as a Principle

The *principle* of unjust enrichment, i.e. that a person should not enrich himself at the expense of another, is a general principle underlying many provisions of civil law.¹⁷¹ In many civil codes, unjust enrichment is an *action* of last resort (!), which can only be invoked if no contractual or statutory provision is applicable.¹⁷² It applies if one party is enriched, another party is impoverished, and a causal link can be laid between enrichment and impoverishment.

In a competitive situation, the underlying principle could mean that everybody should succeed based on his own efforts and not by exploiting the efforts of others. In Dutch intellectual property discourse, *De Savornin Lohman* linked this principle to the grant of patent rights;¹⁷³ *Bodenhausen* argued that the principle plays an important role in identifying unfairness in slavish imitation.¹⁷⁴ *Van Engelen* argued that a general right to the protection of the exploitation of concrete immaterial efforts, including trademarks, could be based on this principle of unjust enrichment.¹⁷⁵ German unfair competition law knows e.g. the "ergänzende Leistungsschutz," which prohibits the exploitation of the efforts of others, but only in special circumstances outside of those specified by intellectual property laws.¹⁷⁶

If the principle of unjust enrichment is used to justify the protection of the source identification function, the object of protection would not be the trademark itself, but rather the effort that has been invested in the production and marketing of the underlying goods or services.¹⁷⁷ The trademark right is the means by which it can be ensured that the right holder receives the remuneration that he ‘deserves’. In this sense, the protection would differ from dynamic efficiency rationale, pursuant to which it is in society’s interest to provide a right holder with incentives.

¹⁷⁰ *Pfeffer* for instance stated that the principle of truthfulness should not be seen as the result of a social duty. He rather connected it to utilitarian, i.e. welfare maximising, reasoning. *Pfeffer* 1938, p. 13.

¹⁷¹ *Engelen, van* 1994, p. 173. The origins of this norm can be linked to statements by Pomponius on Roman law as well ‘restitutio’ as a part of medieval law. *Kamperman Sanders* 1997, p. 121. According to *Kamperman Sanders*, another possible source, the corrective justice principle established by Aristotle, cannot serve as a basis for unjust enrichment, because it does not define the wrong (at p. 123). He sums up the moral argument underlying unjust enrichment and ‘restitutio’ in the following terms:

“To enrich oneself at the expense of another is considered to be sinful. The recipient can redeem himself by restoring the natural order to what it was before by giving back what he has gained and thus rectifying his wrongdoing, resulting in absolution” (at p. 124).

¹⁷² Art. 6:212 Burgerlijk Wetboek; *Meijer (diss.)* 2007; Sections 812 to 822 Bürgerliches Gesetzbuch.

¹⁷³ *De Savornin Lohman* 1862.

¹⁷⁴ *Bodenhausen* 1937, p. 25; see also *Engelen, van* 1994, p. 173; *Verkade* 1986, p. 56.

¹⁷⁵ *Engelen, van* 1994, p. 171.

¹⁷⁶ § 4.9 Gesetz gegen den unlauteren Wettbewerb; *Harte-Bavendamm & Henning-Bodewig* 2004, § 14, nr. 9.

¹⁷⁷ For instance, the German Warenzeichengesetz was based on the notion that trademark and the protected achievement were separate from each other. *Thomasberger* 1993, p. 175.

However, in my view, there is a fundamental problem with using the principle of unjust enrichment as a rationale for trademark rights. As I have explained above,¹⁷⁸ what one would require as a minimum quality of a rationale for trademark rights is that it provides a specific reason, which justifies the right. From that reason or rationale, one should be able to deduce some indications as to the shape of the right, its scope, and its limitations. The principle of *unjust enrichment* does not in any way address these points as it fails to define what is unjust and it fails to explain normative nature of the wrong.¹⁷⁹

As we have seen above, the guiding principle of unfair competition law is that of freedom of competition. Competitive activity does not take place in isolation. Rather, entrepreneurs are, in principle, free to exploit and build upon the efforts of others. Competition is thus only unfair above a certain level of unfairness. Likewise, there is no general rule in society that all advantage that people take from each other is wrong and should be compensated. Instead, markets and societies as a whole are built upon mutual dependence. As Gordon expresses it:

“If even intentional interdependence were to trigger liability automatically, it is little exaggeration to suggest that we would all spend our days in court ...”¹⁸⁰

Consequently, the principle of unjust enrichment cannot be taken to mean that every act of enrichment based on the efforts of another would automatically be unjust, because the principles of freedom of information and free competition must retain priority over the principle of unjust enrichment.¹⁸¹

In my opinion, also a greater focus on freedom of competition does not render the principle of unjust enrichment a suitable rationale for trademark rights. It does not compensate for the lack of indications as to e.g. the question whether trademark rights should prohibit mere confusion or whether they should only prohibit misleading use.¹⁸²

In order to provide a convincing rationale, unjust enrichment is thus in need of additional criteria that clarify which behaviour must be deemed unfair.¹⁸³ *Van Engelen*, for instance, locates unfairness in the *exploitation* by third parties of *concrete immaterial objects*, stating that confusing use of trademarks is unjust because it enables the third party user to exploit the concrete immaterial efforts that another trader made in order to create a market for his products. In his view, the unfairness lies in the fact that the third party user be able to offer his goods cheaper as he can exploit the marketing efforts of the trademark right holder without having to invest in marketing. The lack of exclusive rights could shift the competitive balance so much to the disadvantage of the right holder that exclusivity in the exploitation of the trademark would be warranted.¹⁸⁴

¹⁷⁸ See p. 38.

¹⁷⁹ In similar vein Schackert 2001, p. 349; Pfeffer 1938, p. 289. Engelen, van 1994, p. 173, notes that a principle such as unjust enrichment cannot be used to deduce from it all details of the scope of a right. It merely provides general instructions or guidelines on the nature of a right. As I stated above, a rationale for the protection of an exclusive right should deliver more than the most basic guidelines, and, in addition, I think that the principle of unjust enrichment does not even provide useful guidelines.

¹⁸⁰ Gordon 1992, p. 168.

¹⁸¹ Engelen, van 1994, p. 173 and 174. See also Thomasberger 1993, p. 177; Bröcher, Hoffmann & Sabel 2005, p. 52.

¹⁸² In that sense confusing use cannot be termed ‘unjust’ *per se*; it rather is a technical legal criterion that defines a certain threshold, above which prohibition is warranted Verkade 1981, p. 408; Engelen, van 1994, p. 176.

¹⁸³ See e.g. Kamperman Sanders 1997, p. 152.

¹⁸⁴ Engelen, van 1994, p. 176 and 177.

As I understand it, this argument is very similar to that underlying the dynamic efficiency rationale as it contains the requirement for adequate compensation and the aim of forestalling a competitive misbalance. However, there is a difference between these two theories. Economic theory confines itself to stating that it is in the public interest to grant rights as incentives to traders so that they can recoup their costs and that such incentives must go no further than necessary to remove the underlying market failure. In contrast, a principle of unjust enrichment would imply that the right holder is ethically entitled to be protected.

In this respect, it is important to stress the crucial difference between ethical and utilitarian rationales. As *Waldron* points out, there lies a danger of a logical fallacy (affirming the consequent) in deducing an ethical entitlement from economic reasoning. In referring to copyright, he describes the fallacy in the following manner,

“[f]rom the innocuous premise: (1) If someone is morally deserving, then it is appropriate to reward him; we fallaciously infer: (2) If it is appropriate to reward someone, then that person must be morally deserving. And from (2) together with: (3) It is appropriate to reward authors; we can infer: (4) Authors are morally deserving. Now someone may object that the move from (1) to (2) is not fallacious inasmuch as the very term "reward" connotes the idea of moral desert. But just try substituting for "reward" one of the earlier terms in the series--"benefit" or "incentive"--and the fallacy is once again transparent.”¹⁸⁵

Waldron thus stresses that economic rationales justify the grant of rights as *incentives* because society fares well by granting these rights; they do not pronounce on the individual entitlement of the right holder.¹⁸⁶ The crucial point is that the conversion of a right justified by an economic rationale into an ethical entitlement bears the risk of overemphasising the rights and underemphasising limitations that must be respected according to economic theory.

In sum, I think that unjust enrichment, as an ethical principle, cannot deliver a rationale for an exclusive right. It does not provide normative criteria that explain the basis of the right nor does it provide any indication as to the appropriate scope.¹⁸⁷ In searching to identify the normative character of unjust enrichment, some authors seem to

¹⁸⁵ Waldron 1993, p. 852. *Waldron* gives the example of the politician who is elected into the parliament of the capital. Society would want him to return to his electoral circuit regularly to keep in touch with his electorate. Knowing that the politician will not do this unless he is paid a first-class plane ticket, such a plane ticket is provided to him. Society has an interest in providing this ticket, but it would be absurd to argue that the politician deserved it.

¹⁸⁶ An illustration of such a mix of ethical and economic rationales is the description of the rationale for trademark rights by, Advocate General Jacobs in the HAG II case, “Like patents, trade marks find their justification in a harmonious dovetailing between public and private interests. Whereas patents reward the creativity of the inventor and thus stimulate scientific progress, trade marks reward the manufacturer who consistently produces high-quality goods and they thus stimulate economic progress. Without trade mark protection there would be little incentive for manufacturers to develop new products or to maintain the quality of existing ones.” AG Jacobs 13 March 1990 *Hag II*, para. 18

¹⁸⁷ This is not to say that unjust enrichment has no place in the law. Lawyers of all times have felt that enrichment is unjust in certain circumstances. Besides the obvious need for restitution in the case of a breach of contract or a breach of an existing legal norm, a residual category of enrichment cases may be rightly considered unfair if the enrichment is e.g. generally accepted principles of morals.

borrow criteria from utilitarian and economic reasoning.¹⁸⁸ I argued that these criteria should not be moulded into ethical entitlements, but should rather be kept within their appropriate economic setting.

2.3.3.2 *An Extended Version of Lockean Labour Rationale*

One of the most prominent ethical or fairness-based justifications for private property rights is the labour theory articulated by *John Locke*. His theory geared towards property rights in physical objects, which reduces its suitability as a rationale for trademark rights, but I will argue that it may still be applied to the protection of trademarks when used in a slightly extended form.¹⁸⁹ One of the convincing features of Locke's theory is that it is grounded in a larger framework of justice, which means that the theory not only explains the basis for a property right, but it also clearly specifies limits of ownership. As such, it shows that the entitlement of the property owner is limited by the entitlement of others to keep their freedom of action. In my opinion, this clear and inherent link between entitlement and limitation makes Locke's theory preferable to a rationale based purely on the principle of unjust enrichment.

In *Locke's* theory, every human in a state of nature owns himself and is owner over his capacity of labour. Everyone who mixes his labour with an object from the commons,¹⁹⁰ deserves the fruits of that labour as his labour makes these goods from the commons enjoyable for human beings and therefore creates a surplus value. Consequently, the labourer deserves ownership over the fruits of his labour. A key condition is thus that the labour that gives rise to the property right must create a surplus. It must thus not be destructive, aimless, or negligible.¹⁹¹

One argument against applying Lockean labour theory to trademark rights is that the efforts that are protected by trademark rights (i.e. the efforts put in the underlying trade) regularly do not consist just of personal labour, but they also entail plain investment.¹⁹² This raises the question whether the bond between man, his labour and the object, which is a key element in the theory, is not broken to an extent that the theory would be inapplicable.¹⁹³

¹⁸⁸ According to *Pfeffer*, enrichment is unjustified when it enables the user to compete if he otherwise could not compete in an economically responsible manner. *Pfeffer* 1938, p. 291. *Kamperman Sanders* argues that, "the need for coherence in the legal system requires that these rules of economic efficiency be translated in common ethical norms of business conduct." *Kamperman Sanders* 1998, p. 233.

¹⁸⁹ For instance, *Schackert* applies Locke's theory to trademark rights. *Schackert* 2001, p. 333. This opinion may not be widely shared. *Verkade* for instance rejects the application of labour theory to patent rights, which are much more clearly the produce of labour than trademark rights. He sees patent right purely as an instrument to stimulate innovation, thus as founded upon purely utilitarian and economic considerations. *Verkade* 1987, p. 273.

¹⁹⁰ The term "Commons" was originally designating common land.

¹⁹¹ *Gordon* 1993, p. 1547. In *Gordon's* interpretation, labour should entail some purposeful effort or some "infusion of personality".

¹⁹² In addition to the point raised here, it is worthwhile to note that Locke's theory has been invoked in copyright discourse in order to justify the automatic grant of rights without the need to fulfil certain formalities (e.g. Imperial Court of Paris, 8 December 1853.). Trademark rights are of course registered rights, which means that they are not granted automatically but by a dedicated authority.

¹⁹³ E.g. *Scott et al.* 2008. I think that personality theories of property rights, as the one articulated by Hegel (Hegel 1821, § 41; see above FN 165), are inapplicable for exactly this reason. These theories may justify the protection of certain types of works of authorship, which represent an extension of the personality of the

Locke justifies the grant of property rights through a string of logical deductions. Man owns himself thus he owns his capacity of labour. By extension, he is entitled to ownership over objects of the commons, which he has mixed with his labour. The theory does not address the question whether mere investment would be sufficient to create an entitlement as it is concerned with manual labour.

Despite this problem, I think that an extended form of Lockean labour theory can still provide a rationale for trademark rights. The decisive point is that the rationale specifies a reason for protection (labour or investment) and it specifies the limits of protection.

That being said, Lockean labour rationale will not provide a justification for the protection against confusion as it is not linked to the existence of labour or investment at all. The only condition for this protection is that trademarks are distinctive and that they are registered. The rationale may, however, be used to justify the protection of the goodwill and advertising function.

a. Protection of the Advertising Function

A lot of work and investment may be put into making a trademark a valuable symbol that represents to the consumer positive associations or feel-good. Trademarks, as advertising agents, play a very important role for many businesses, which can use the image, personality, or psychological power of trademarks in order to differentiate their products from those of others. Trademark rights that protect the goodwill and advertising function may be seen as a reward for this labour and investment.

In this context, *Frank Schechter* articulated the most prominent argument in favour of protecting the goodwill and advertising function of trademarks.¹⁹⁴ He argued that the uniqueness of certain trademarks must be protected against *dilution* because:

“(i) ... the value of the modern trademark lies in its selling power; (2) ... this selling power depends for its psychological hold upon the public, not merely upon the merit of the goods upon which it is used, but equally upon its own uniqueness and singularity; (3) ... such uniqueness or singularity is vitiated or impaired by its use upon either related or non-related goods; and (4) ... the degree of its protection depends in turn upon the extent to which, through the efforts or ingenuity of its owner, it is actually unique and different from other marks.”¹⁹⁵

Schechter thus advocated an ethical based right to protect the uniqueness of trademarks against deterioration. In his view, right holders are the ones who have created that uniqueness and because they invested their time and money, they deserve protection against

author. An author, who has put all his creativity and thus a part of his personality into e.g. a novel, may deserve a right that protects his personality interest. However, personality theories do not provide a rationale for trademark rights, since they protect value has been created through non-creative labour and ‘mere’ investment.

¹⁹⁴ Schechter’s article has been quoted frequently in trademark literature. In the context of European trademark jurisprudence, Advocate General Jacobs referred to this theory in his *Adidas v. Fitnessworld* opinion. AG Jacobs 10 July 2003 *Adidas v. Fitnessworld*, para. 37. Equally, AG Sharpston 26 June 2008 *Intel*, para. 10.

¹⁹⁵ Schechter 1927, p. 831.

“the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods.”¹⁹⁶

Schechter’s argument has been invoked by many proponents of the protection of trademarks against dilution, but I think that his argument has sometimes been misunderstood as meaning that a trademark’s advertising value should automatically equal protection. That, of course, would be a fallacious reasoning, as an empirical *is* does not automatically become a normative *ought*. Schechter made clear, however, that the advertising value to be protected needs to be the consequence of the labour or efforts of the right holder. For instance, he argued that laudatory signs or signs that already carry positive connotations would not qualify for protection. The advertising power of signs like ‘Lion’ or ‘Gold Medal’ cannot be attributed to a right holder alone. Rather, it is inherent in the word itself. Schechter, therefore, argued to deny protection to such trademarks. In sum, I believe that Schechter’s theory and the extended version of Lockean labour theory that I have proposed to be applied to trademarks are compatible with each other.

Seen from the perspective of these theories, trademark rights that protect the goodwill and advertising function can be justified if they apply only to famous trademarks or to trademarks that ‘have a reputation’. The right holder may be entitled to protection of the goodwill and advertising function of these trademarks to the extent that his labour and investment created that function.

Some meanings must however fall outside that entitlement, because they are not attributable to the right holder. I want to mention three types of such meanings.

First, descriptive and generic meanings of such signs would have to fall outside of the entitlement, because these are meanings that have been ‘created’ by the public and not the prospective right holder.

Second, as Schechter argued the fame of a trademark that utilises existing power of attraction of a sign like ‘Gold Medal’ or ‘Lion’ or the name of famous persons may be not clearly attributable to the potential right holder. I think the same must hold true for the already existing meanings of signs of high social, cultural, or political value, such as the names of historic persons.

Third, as I have argued in section 1.2.5, certain trademarks have become identifiers of group identity. It does seem to me however that the fact that a trademark is used as an identifier of group identity cannot be attributed to the right holder. Instead, I think that the group, who has ‘created’ the group identification meaning of the trademark, may be holder of the entitlement. Therefore, that ‘surplus value’ – if it can be referred to as value – should fall to the group.

b. Limitations

In Locke’s labour theory, the entitlement of the labourer is limited by a number of important conditions, which are even more important if Locke’s theory would be expanded in the manner that I have argued above.

The most important condition in regard of trademark rights is the condition that “enough and as good” must be left in the commons for others to use. This condition is

¹⁹⁶ *Ibid.*, p. 825.

referred to as the ‘*Lockean proviso*’.¹⁹⁷ The proviso is of an egalitarian nature because it seeks to secure an equal opportunity for all to acquire property.¹⁹⁸

In the case of trademark rights, others are at least two different types of users. First, these are other traders, who want to use the signs in trade in relation to their own goods or services. Trademark rights protecting the distinctive character and repute of trademarks against free-riding may impair the freedom of third parties, as they may prohibit them from ‘breaking through’ this distinctive character in order to promote their own goods or services. The distinctive character of a trademark may stand in the way of competition and a strong protection of the distinctive character may not leave enough and as goods room to communicate for third parties. A prohibition of harm to the distinctive character or repute may however be justified if the harm is defined properly and if prohibitions extend only to harm above a certain level. Such a prohibition is unlikely to take enough and as good from third parties.

Second, also persons who want to use trademarks publicly but not in any competitive or trade related manner, such as parodists, persons voicing criticism, or persons using trademarks in news and commentary must be left with enough and as good.¹⁹⁹ In relation to this group, the provision means that trademark rights should not prohibit uses that, seen from the perspective of that group, would deprive them from opportunities to communicate. Lockean labour rationale does not specify on the question what is enough and as good for such parties, as it deals with tangible property and not with communication. In my opinion, for an answer to the question of what is enough and as good one would have to turn to theories in the field of communications, such as the theories underlying freedom of expression.

¹⁹⁷ Locke 1689, paras. 27, 28 and 45.

¹⁹⁸ *Nozick*’s developed further on the Lockean proviso. In his interpretation, the proviso is only satisfied, if the situation of others is not worsened through the appropriation. He assumes that appropriation of property does necessarily produce inequalities, but he states that the situation of those already worse off, must not be worsened. In fact, *Nozick*’s version of the proviso is very similar to the economic principle of *Pareto* optimality mentioned above in section 2.3.2.1. That principle stated that intervention in free markets is only justified if it makes at least one person better off and no-one worse off. Nozick 1974, p. 175. As Claeys explains, the understanding during the Nineteenth Century in the United States was that (natural) property rights were limited in a comparable manner. Property rights were understood to, “secure to every owner an ‘equal share of freedom of action’ over her own property. On this understanding, every owner is entitled to some zone of non-interference in which to use her possessions industriously, productively, and consistent with the health, safety, property, and moral needs of her neighbors.” Claeys 2003, p. 1556. See also McKenna 2007, p. 1875.

¹⁹⁹ An interesting parallel to this exception can be found in the Article 14 of the German Grundgesetz. Article 14.1 GG states “Property and the right of inheritance shall be guaranteed. Their content and limits shall be defined by the laws.” This right to property is generally accepted to rest at least in part on an ethical justification. Article 14.2 GG however makes this protection subject to the following condition, “Property entails obligations. Its use shall also serve the public good.” This is referred to as the “*Sozialbindung*” of the right to property. It is the recognition of the fact that property rights may lead to inequality and that they can therefore be constrained in the public interest. See Brünneck 1984; Bröcher, Hoffmann & Sabel 2005, p. 48. In contrast, the *right to property* contained in Article 1 of the First Additional Protocol to the ECHR and Article 17 of the Charter of Fundamental Rights of the European Union do not grant an entitlement to property, i.e. they do not state that property should be granted. They rather protect the holders of an *already existing* entitlement against various sorts of arbitrary interferences. Vandelanotte & Haeck 2005, deel 2, vol 2, p. 304

2.3.3.3 *Interim Conclusion*

In sum, it emerges that the protection of trademark rights can only be justified to a small extent by ethical rationales. The principle of truth cannot provide a rationale, because it does not fit the structure of trademark rights; a principle of unjust enrichment lacks the normative criteria required by a rationale for property rights.

Lockean labour theory may be applied to trademark rights, be it in an extended form. It cannot be applied to the protection of the source identification function, i.e. the prohibition of confusion, because such a right is granted solely because a trademark is able to distinguish goods and services and is thus unrelated to labour or investment. An extended form of Lockean labour rationale may, however, justify the protection of the distinctive character and repute of trademarks if protection is made contingent upon the work or effort of the right holder. This is the case if only famous or well-known trademarks were protected. Rights covering previously existing meanings, i.e. meanings which cannot be attributed to the right holder (e.g. laudatory or culturally important meanings), could however not be justified. In this context, I concluded that Frank Schechter's theory of the protection of the distinctive character of trademarks is compatible with an extended version of Lockean labour rationale.

In my opinion, the most important element in Locke's theory is its specification of the limits of the entitlement. The right granted must leave enough and as good for others to use in the commons. This criterion secures both the needs of competitors as well as those of third parties that use trademarks outside of trade.

This means that trademark rights protecting the distinctive character and repute of trademarks against free-riding may not be justifiable if they overly impair the freedom of third parties, as they may prohibit them from 'breaking through' this distinctive character in order to promote their own goods and services.

A prohibition of harm to the distinctive character or repute may be justifiable if the harm is proven and defined properly and if prohibitions are enforceable only above a certain level of harm.

Finally, Lockean labour rationale does not specify on the question what is enough and as good for third parties that want to use trademarks in a non trade related manner such as in parody, criticism or comment, since it deals with right over tangible property and not with communication. I argued that, for an answer to the question of what is enough and as good, one would have to turn to theories in the field of communications, such as the theories underlying freedom of expression.

2.4 TRADEMARK RIGHTS IN LIGHT OF THE RATIONALES

In the previous section, I have discussed rationales for trademark rights and I have laid a link to differing trademark functions and differing types of protection. In this section, I will take a closer look at the definitions of trademark rights contained in the TMDir and the TMReg, by examining whether these rights can be justified by the rationales.

In section 2.4.1, I will address the grant and revocation of trademark rights, in section 2.4.2 identity protection and the protection against confusion, in section 2.4.3 the protection of distinctive character and repute, and in section 2.4.4 the limitations of trademark rights.

2.4.1 THE GRANT AND REVOCATION OF TRADEMARK RIGHTS

The definition of a trademark as “any sign capable [...] capable of distinguishing the goods or services of one undertaking from those of other undertakings”²⁰⁰ makes clear that the capacity to distinguish is the key requirement of a protectable trademark. This is in line with economic rationales, which require that the trademark must be able to distinguish products and identify their source. This definition of trademarks also shows that no creative effort or investment is required for obtaining a trademark right; registration of a distinctive trademark is sufficient. The protection of trademark rights is therefore unrelated to ethical or fairness based theories such as Lockean labour theory.

The economic benefits of the registration system provided for by the TMDir and TMReg are quite significant. Registers help to establish legal certainty, because they clarify who holds the right to a certain trademark. Thereby, they act as a signal to other traders that a certain trademark is occupied. In economic terms, trademark registers lower transaction costs and costs of policing. A trademark system without a register could produce significant costs for companies in choosing their trademarks, they might, without being aware of it, chose trademarks that are too close to other existing trademarks and they might therefore run the risk of confusing consumers and being sued for that. For reasons of efficiency, a register may thus be necessary.²⁰¹

However, there may be costs involved in the current registration system, as the registers are based on an attributive system allowing trademarks to be registered before a trademark has actually gained distinctive character for goods or services. This system enables traders to base their business model solely on the licensing of trademarks, e.g. merchandising businesses. Moreover, it allows entities, whose primary activity is not trade related, e.g. political parties, to obtain trademark rights.²⁰²

Registration of trademarks before actual use in trade may be economically inefficient, especially if certain uniquely important identifiers are ‘blocked’ by registration and consequently cannot be used by third parties.²⁰³

In my opinion, economic rationales would justify that trademark rights are granted only for trademarks that have proven their distinctive character because it is only then that social benefits do yet. Registration prior to that moment involves costs but no benefits. While the problem is mitigated by the fact that under both the TMDir and TMReg trademark rights are lost by non-use over a period of five consecutive years,²⁰⁴ I think that the justification for granting trademark rights under the attributive system is weak and that the lack of proper justification must be taken into account when trademark applications are assessed in light of the grounds for refusal.

2.4.1.1 Grounds for Refusal of Registration

Of the many grounds for refusal of registration, which limit the registration of trademarks and substantially aid in reducing the costs of exclusion for third parties, I will

²⁰⁰ Art. 2 TMDir and Art. 4 TMReg.

²⁰¹ Landes and Posner argue that a system without register could also be economically efficient. Landes & Posner 2003, p. 179.

²⁰² E.g. Benelux trademark registration no. 0801798 (logo of the socialist workers’ party PvDA); Benelux trademark registration no. 0575391 (logo of the liberals VVD).

²⁰³ Landes & Posner 2003, p. 186.

²⁰⁴ Art. 10 TMDir and Arts. 15 and 50 TMReg.

discuss the grounds for refusal of non-distinctive character, descriptiveness and customariness, as they are the most relevant grounds for the later balancing with freedom of expression.

First, Articles 3.1.b TMDir and 7.1.b TMReg prohibit the registration of signs that are devoid of any distinctive character. They are in line with the economic rationales as only distinctive trademarks can help lower search costs or serve as an incentive to promote investment in the quality of goods covered by a trademark. The distinctive character of trademarks is assessed in the abstract, i.e. solely in relation to the goods mentioned on the application and before a sign is used in trade. I think that, it is, therefore, crucial that only clearly distinctive signs are registered. In this respect, it is problematic that the ECJ deems it sufficient that signs with only a *minimal* distinctiveness can be registered.²⁰⁵ This leniency in the assessment of distinctiveness in favour of prospective right holders may not take sufficient account of the fact that trademark rights are only justified if trademarks are indeed distinctive, i.e. if they produce social benefits.

Second, the ground for refusal of descriptiveness is of key importance because the registration of descriptive signs could deprive other traders of essential means to describe and advertise their products and services. A sign that describes product characteristics provides information about a product to consumers, it lowers search-costs. According to economic theories, descriptive signs should thus remain free for all to use. This concern is reflected in the public interest underlying Article 3.1.c TMDir and Article 7.1.c TMReg, which requires

“that the signs and indications descriptive of the categories of goods or services for which registration is sought may be freely used by all.”²⁰⁶

Economic efficiency is probably best served if the ground for refusal of descriptiveness is interpreted broadly.²⁰⁷ In my opinion, next to signs that directly describe goods or services, signs that are *indirectly descriptive* should be kept available. By this, I mean not just those signs that describe directly ‘characteristics of the goods or services’ themselves but also those that describe circumstances surrounding the goods and services, such as the consumers of goods or that may be understood as exclamations of the users, e.g. the sign ‘New Born Baby’ for baby dolls,²⁰⁸ ‘Kinder’ (trans. ‘children’) for chocolate or ‘Lief!’ (transl. ‘Sweet!’) for baby clothing.²⁰⁹ Such signs play an important role in communication about the attributes of products and services. Therefore, it may not be economically efficient to grant trademark rights in these signs.

Signs that merely evoke a meaning, like ‘Roach Motel’ for insect traps²¹⁰ or ‘Genie’ for incense²¹¹, pose fewer problems since third are less dependent on using signs with

²⁰⁵ ECJ 24 November 2004 *Henkel*, para. 42; T. Cohen Jehoram, Van Nispen & Huydecooper 2008, p. 175; see below section 4.2.4.

²⁰⁶ ECJ 4 May 1999 *Windsurfing Chiemsee*, para. 25; ECJ 8 April 2003 *Linde.*, para. 73. In the context of Art. 7.1.c TMReg, see ECJ 23 October 2003 (‘Doublemint’), para. 31

²⁰⁷ Descriptiveness under Arts. 3.1.c TMDir and 7.1.c TMReg is however interpreted restrictively. E.g. CFI 12 June 2007 (‘LOKTHREAD’), para. 29, “Consequently, for a sign to fall within the scope of the prohibition in that provision, it must suggest a sufficiently direct and concrete link to the goods or services in question to enable the public concerned immediately, and without further thought, to perceive a description of the goods and services in question or of one of their characteristics.” See below section 4.2.2.1.

²⁰⁸ AG Jacobs 19 February 2004 *Zapf Creations* (‘NEW BORN BABY’).

²⁰⁹ BenCJ 19 January 1981 (‘Kinder’); Hof Den Haag 30 September 2008 (‘Lief!’).

²¹⁰ United States Court of Appeals, Second Circuit 13 December 1978 *American Home* (‘Roach Motel’).

²¹¹ United States Court of Appeals, Sixth Circuit 18 November 1982 *Hindu Incense* (‘Genie’).

such newly invented meanings. However, since there is a fine line between evocative signs and indirectly descriptive signs, I think that in case of doubt a registering authority should decide not to register a trademark. Only once such a sign has proven its distinctiveness should it be registered.

In respect of the ground for refusal of customariness, identical arguments apply, as in respect of the ground for refusal of descriptiveness.

The three grounds for refusal mentioned above may be set aside if an applicant can prove that a sign has acquired distinctive character. From the perspective of economic rationales, it may be beneficial to register signs once they become distinctive. Care must be taken, however, in determining the distinctiveness and in ensuring that uniquely descriptive signs, like geographical names or customary signs, are not registrable too easily. In line with this consideration, the ECJ requires a high degree of distinctiveness if

“a geographical name is very well known[.] [I]t can acquire distinctive character under Article 3(3) of the Directive only if there has been long-standing and intensive use of the mark by the undertaking applying for registration.”²¹²

Furthermore, it is of importance that once an originally descriptive sign is registered, the right granted is limited to the newly developed distinctive meaning. A sign with acquired distinctiveness will normally keep its originally descriptive meaning. The sign “Have a break...”²¹³ may have become distinctive for chocolate bars, but it still remains part of a sentence that is perfectly descriptive in normal language. In my opinion, it is crucial that, with the exception of other chocolate producers, third parties remain able to use such originally descriptive meaning without threat of legal action.

2.4.1.2 Revocation of Registration

According to the ECJ, the rationale for the loss of rights by revocation in a case that a trademark has become a common name in trade is that trademarks need to be able to perform their essential source identifying function. Signs that have become the common name in trade or generic are deemed to lose

“the capacity to perform the essential function of a trade mark, and in particular that of identifying the origin of the goods or services, thus enabling the consumer who acquired them to repeat the experience, if it proves to be positive, or to avoid it, if it proves to be negative, on the occasion of a subsequent acquisition.”²¹⁴

Trademark registrations are thus revoked in the interests of consumers. Likewise, the interest of competitors to use generic signs is apparent.

The focus of trademark law on the interests of market participants ensures that economic costs are lowered. In order to lower search costs, generic signs must be freely usable by all to indicate generic types of products or services. However, the narrow focus of European trademark law on the role that trademarks play in market communication may not take sufficient account of the fact that trademarks that have been intensely used may also become important for users outside of the market. Trademarks may come to stand for a particular idea or a phenomenon in society, such as the Coca-Cola and the

²¹² ECJ 4 May 1999 *Windsurfing Chiemsee*, para. 50.

²¹³ ECJ 7 July 2005 *Nestlé v. Mars* (‘Have a Break’).

²¹⁴ CFI 5 March 2003 *Alcon* (‘BSS’), para. 48.

McDonald's trademarks that to some signify "American imperialism" or cultural imperialism. It is of course the question whether the scope of trademark rights will extend to such uses of third parties. Under European law, such use may fall under Article 5.2 TMDir, protecting the distinctive character and repute of trademarks. In terms of the limitation contained in Locke's labour theory, the use of a trademark to refer to such phenomenon should be allowed as in many cases only the exact or trademark is enough and as good and other terms may not appropriately describe the phenomenon.²¹⁵

In my opinion, as long as that sign, e.g. Coca-Cola, remains distinctive it helps consumers to identify a product. Therefore, a revocation of the right may not be efficient. Still, the new meaning of the sign should be accessible for those who want to use it. This problem of keeping new meanings that have developed outside of market communication available must then be solved with an appropriate exception rather than with revocation.

One problem regarding Article 12.2 TMDir and 51.1.b TMReg remains. The wording "in consequence of acts or inactivity of the proprietor" forces right holders to take action against other traders, and also against those users who use want to refer to a new generic meaning of a sign in e.g. a publication. A person using the word 'googling' for Internet searches e.g. in a comment on a partly commercial web-log may well contribute to this trademark becoming generic. It may however not be fair or economically efficient that trademark law induces right holders to take action against such use.

2.4.2 IDENTITY PROTECTION AND PROTECTION AGAINST CONFUSING USE

Above, I indicated that the abstract right to protect confusing use of trademarks may be justified by economic rationales. Articles 5.1.a and b TMDir do, however, not entirely fit this type of right as the protection they grant may reach too far. On the one hand, Article 5.1.a TMDir prohibits third party use of identical signs in relation to identical goods or services. On the other hand, Article 5.1.b TMDir prohibits types of confusion, whereby consumers are arguable not confused.

2.4.2.1 Identity Protection

Article 5.1.a TMDir protects trademarks against use of identical signs on identical goods or services without proof of confusion or any other form of harm. Confusion may often be a given as the prohibition concerns mainly cases of trademark 'piracy', meaning that Article 5.1.a TMDir is to a large extent justified by economic rationales. However, in some respects the prohibition of Article 5.1.a TMDir may extend beyond cases of consumer confusion as the ECJ interprets the criterion of 'use in relation to goods and services' contained in Article 5.1.a TMDir broadly.

Normally, this criterion is interpreted in light of the essential function, meaning that protection is limited to cases of direct and indirect confusion. For instance, national courts may, when consumers do not recognise a trademark as an indication of origin, but rather as an ornamental feature (e.g. the automobile trademark on an exact toy replica)²¹⁶ as a matter of fact, establish that the relevant public does not perceive the sign as an indication that those products come from the car manufacturer or an undertaking

²¹⁵ Hughes 1988, p. 321, "With ideas that become extraordinary, society's increasing dependency on them creates a pressure to remove them from private control."

²¹⁶ ECJ 25 January 2007 *Adam Opel*.

economically linked to it.²¹⁷ In my opinion, this is in line with search cost and dynamic efficiency rationale.

However, the extension of protection in a manner to entail a prohibition of post-sale confusion, which was implicitly accepted in the ECJ's *Arsenal v. Reed* decision,²¹⁸ is probably not justifiable by economic rationales. The critical question is whether 'post sale confusion' will indeed influence the later purchasing decisions of that audience in a manner to increase search costs or to decrease dynamic efficiency. If not, then post-sale confusion would be an instrument to secure a more absolute authority of the right holder over the trademark.²¹⁹ By forestalling negative associations and securing many of the possible licensing costs, the prohibition of post-sale confusion would be an instrument to safeguard the goodwill and advertising function and investment in a manner that may reach further than search cost reduction and the provision of the necessary incentives. Consequently, a right of that scope would not be justifiable by economic rationales.

In addition, the ECJ has indicated that it will protection under Article 5.1.a TMDir also the other functions of trademarks, such as communication, investment or advertising.²²⁰ This scope of protection can probably not justified by any rationale as Article 5.1.a TMDir contains no threshold requirement of labour or investment that would be required under the extended version of Lockean labour rationale. Moreover, Article 5.1.a TMDir does not contain any definition of harm or any requirement of proof thereof, which may mean that the scope of protection as proposed by the ECJ may overly impair third parties.

2.4.2.2 Protection against Confusion

Article 5.1.b TMDir entails a prohibition of direct and indirect confusion, i.e. confusion as to an economic affiliation, as well as post-sale confusion.

The reference to a likelihood of association in Article 5.1.b TMDir is no substitute for a likelihood of confusion, but merely supplements the likelihood of confusion analysis.²²¹ This is in line with economic rationales as it is highly questionable whether a mere likelihood of association would affect consumers' search costs.²²² It certainly would

²¹⁷ ECJ 25 January 2007 *Adam Opel*, para. 24.

²¹⁸ ECJ 12 November 2002 *Arsenal Football Club*.

²¹⁹ *Lunney* points out, that in post-sale confusion is in most cases invoked for prestige goods and that in a post-sale scenario, "[p]rice and other differences between the prestige good and the imitation almost invariably ensure that actual purchasers are not confused by the imitation's similar appearance." *Lunney* 1999, p. 405.

²²⁰ ECJ 18 June 2009 *l'Oréal et al. v. Bellure et. Al.*, para. 63; see also section 2.3.1.5.

²²¹ ECJ 11 November 1997 *Sabel v. Puma*.

²²² Benelux law before the implementation of the TMDir deemed it sufficient that a likelihood of association existed. Benelux courts after the implementation of the TMDir continued to rely on this criterion. However, the ECJ clarified in its *Sabel v. Puma* and *Adidas v. Marca Mode I* decisions that a likelihood of association is no separate prohibition under Article 5.1.b TMDir. ECJ 11 November 1997 *Puma v. Sabel*, "The criterion of 'likelihood of confusion which includes the likelihood of association with the earlier mark' contained in Article 4(1)(b) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks is to be interpreted as meaning that the mere association which the public might make between two trade marks as a result of their analogous semantic content is not in itself a sufficient ground for concluding that there is a likelihood of confusion within the meaning of that provision." ECJ 22 June 2000 *Adidas v. Marca I*, "Article 5(1)(b) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks cannot be interpreted as meaning ... [that] the exclusive right enjoyed by the proprietor entitles him to prevent the use of the sign by that third party if the distinctive character of the mark is such that the possibility of such association giving rise to confusion cannot be ruled out."

In this context, it is interesting that under US jurisprudence "calling to mind," i.e. association, is considered no element in the confusion assessment. It is rather considered an essential factor in distinguishing between

extend the right significantly and would thus increase the costs of exclusion. In fact, association is as much a mental process in distinction as it is in confusion. The criterion of a likelihood of association is thus of no use in determining relevant harm to the distinction or source identification functions.

In the case of indirect confusion, it is hard to determine if third party use is increasing search costs or if merely the commercial aura of a trademark is affected. According to the ECJ, the rationale for the protection against indirect confusion lies in the definition of the essential function of trademarks on the internal market of the European Union. In order to fulfil this function a trademark “must offer a guarantee that all the goods or services bearing it have originated under the control of a single undertaking which is responsible for their quality.”²²³ Indirect confusion therefore extends the confusion analysis to a likelihood of confusion about the sphere of perceived responsibility for the production of a product.

In my opinion, the prohibition of indirect confusion may be justifiable by the search cost rationale, if it applies to cases of confusion about product qualities.²²⁴ For example, if a trader in replacement razor heads of inferior quality uses the Gillette logo on the packaging of the razor heads to indicate the destination of the goods, consumers may be confused about an economic affiliation of Gillette and the producer of the replacements. Consequently, they may wrongly believe that the product qualities of the original razor heads and the replacement heads are identical or similar.

However, such a prohibition may also be inefficient because it forces producers to obtain licences for goods that are similar and use similar or identical trademarks as soon as consumers may think that an economic link, authorisation, or endorsement exists, which is the more likely if an undertaking already possesses great economic power. Such an implicit preference for undertakings with economic power may impede competition as it may hinder smaller competitors or newcomers. Therefore, I think that such an extension of the notion of confusion must be counterbalanced by interpreting the existing limitations in such a manner that use of a trademark e.g. as a referential indication on replacement parts or in comparative advertising will not be impaired.

2.4.2.3 *Level of Proof for the Protection against Confusion*

Viewed from the perspective of the economic rationales, it is important that both in the case of indirect confusion and post-sale confusion the facts of a case are determined with sufficient accuracy and that sufficient proof is required, as it must be ascertained that a prohibited use indeed is harmful. According to the ECJ, a likelihood of confusion must be positively assessed and requires proof.²²⁵ This does however not mean that the ECJ would

two goods. United States Court of Appeals, Second Circuit 16 August 1973 *In re Ferrero*, “The very fact of calling to mind may indicate that the mind is distinguishing, rather than being confused by, the two marks. ... Seeing a yellow traffic light immediately “calls to mind” the green that has gone and the red that is to come, or vice versa; that does not mean that confusion is being caused. As we are conditioned, it means exactly the opposite.” United States Court of Appeals, Second Circuit 21 January 1982 *Jacobs v. International Multifoods Corp.*, “Additionally, the fact that a mark may bring to mind another term, and not another mark, is further support for the conclusion that no confusion is likely.”

²²³ ECJ 29 September 1998 *Canon*, para. 28 citing ECJ 17 October 1990 *HAG II*, paras. 13 and 14. The origin of the “essential function doctrine” is found in ECJ 23 May 1978 *Hoffmann-La Roche*, para. 7.

²²⁴ Compare Schackert 2001, p. 331.

²²⁵ ECJ 22 June 2000 *Adidas v. Marca I*, para. 31. Confusion must be assessed globally (ECJ 11 November 1997 *Puma v. Sabel*, para. 22), but three elements must be weighed in particular: first the similarity between

encourage national courts to carry out extensive factual enquiries. On the contrary, the ECJ encourages national courts to rely on legal fictions, which decrease judicial costs, but may, in my opinion, negatively affect the accuracy of the analysis.²²⁶

In particular the fiction that the more distinctive a mark is, the more readily a likelihood of confusion will be present, may not be in line with economic reality.²²⁷ It will depend on the type of goods and the type of trademark concerned. In the case of colour schemes on daily grocery products, e.g. the colour schemes of a peanut butter jar, a highly distinctive scheme that is replicated in a very similar manner may be highly confusing to the grocery shopping public. The grocery shopping public may be chronically in a hurry and will thus be less attentive to differences. Trademarks on expensive luxury items may however not be as easily confused with similar trademarks.

This difference in the level of attention of the public is, however, already taken account of in the assessment of the relevant public who consists of ‘average consumers’.²²⁸ According to the ECJ, national courts must take into account that the level of attention of the average consumer of the consuming public varies according to the product or service concerned,²²⁹ which, in my opinion, adequately takes account of particular purchasing situations. In contrast, the general rule that assumes a higher likelihood of confusion for more distinctive marks does not seem to be based on any economic necessity. It seems that this fiction may move the likelihood of confusion analysis towards the sphere of protection of the advertising function, which is not justifiable by economic rationales.

2.4.3 PROTECTION OF DISTINCTIVE CHARACTER AND REPUTE

The main protection of the goodwill and advertising function under the TMDir and TMReg comes from the right to prohibit use that interferes with the distinctive character and repute of trademark. This protection covers the network of positive associations attached to trademarks.

Under Article 5.2 TMDir ‘trademarks with a reputation’ are protected outside of competition against the use of trademarks and similar signs on similar and dissimilar goods and services. Right holders may prohibit others from (i) taking unfair advantage of the distinctive character or repute of their trademarks (or free-riding); (ii) from causing detriment to the distinctive character of the trademark (or blurring); and (iii) from causing detriment to the repute of the trademark (or tarnishment).

The fact that only ‘trademarks with a reputation’ are protected by this provision may indicate that this article provides protection that can be justified by Lockean labour rationale. However, this depends on the definition of the criterion of ‘reputation’, which I thus will examine in more detail.

The protection against free-riding, blurring, and tarnishment is potentially far-reaching. If the definition of the prohibition is not precise, it may not leave enough and as good for others and it may conflict with the freedom of action and freedom of

trademark and the infringing sign, second the similarity of the products, and third the distinctiveness of the trademark. (ECJ 22 June 1999 *Lloyd Schuhfabrik Meyer*, para. 19.)

²²⁶ In relation to these legal fictions see Kabel 2005b.

²²⁷ ECJ 22 June 1999 *Lloyd Schuhfabrik Meyer*, para. 23; ECJ 29 September 1998 *Canon*, para. 19.

²²⁸ ECJ 16 July 1998 *Gut Springenheide*; ECJ 22 June 1999 *Lloyd Schuhfabrik Meyer*, para. 25-26.

²²⁹ ECJ 22 June 1999 *Lloyd Schuhfabrik Meyer*, para. 26. ECJ 12 February 2004 (‘Postkantoor’), para. 34; ECJ 8 April 2003 *Linde*, para 41; ECJ 6 May 2003 *Libertel*, paras. 46 and 75; ECJ 29 April 2004 *Henkel*, para. 35.

competition of others. Therefore, it is in light of the rationales necessary to clearly define the object of protection, i.e. distinctive character and repute, as well as the nature of harm that needs to be prevented.

2.4.3.1 *The definition of ‘Reputation’*

According to the ECJ, it is the ‘reputation’ or level of knowledge of the public of a trademark, which justifies the enlarged protection under Article 5.2 TMDir. In the words of AG Jacobs:

“It is only where there is a sufficient degree of knowledge of the mark that the public, when confronted by the sign, may possibly make a connection between the two and that the mark may consequently be damaged.”²³⁰

In order to qualify as a trademark with a reputation, the public’s level of knowledge of a trademark must be sufficiently high. In the *Chevy* case, the ECJ determined that “a trademark must be known by a significant part of the public concerned by the goods and services it covers.” That condition must be fulfilled in a significant part of a territory of one of the countries covered by the trademark right.²³¹

This may indicate that reputation is a sort of achievement for which the right holder is rewarded by the right granted under Article 5.2 TMDir. However, the threshold for reputation may sometimes be satisfied more easily than Lockean labour rationale would require. According to the ECJ, the degree of reputation to be met cannot be defined by a general percentage of knowledge by the public.²³² In determining this reputation, the ECJ relies almost exclusively on quantitative factors and not on qualitative factors. The quantitative factors are,

“in particular the market share held by the trade mark, the intensity, geographical extent and duration of its use, and the size of the investment made by the undertaking in promoting it.”²³³

The relevant public may also be limited to a specialised public.²³⁴ This means that also marks that simply are known in a niche market do qualify for protection, which raises the question whether protection is not granted too readily.²³⁵

In contrast to the jurisprudence of the ECJ, the Explanatory Memorandum to the German Markengesetz mentions that next to quantitative elements, courts may also consider qualitative elements in determining reputation.²³⁶ These qualitative criteria may consist of the personality of a trademark, its designs, or its distinctive character. These qualitative elements may be taken in consideration when a trademark enjoys only a low

²³⁰ ECJ 14 September 1999 *General Motors v. Yplon* (‘Chevy’), para. 23 rephrased by AG Jacobs 10 July 2003 *Adidas v. Fitnessworld*, para. 43.

²³¹ ECJ 14 September 1999 *General Motors v. Yplon* (‘Chevy’), para. 31.

²³² *Ibid.*, para. 25.

²³³ *Ibid.*, para. 27.

²³⁴ CFI 5 March 2003 *Alcon* (‘BSS’), see also Hoge Raad 28 January 2005 *NautaDutilh v. Lensen Advocaten I*. According to that case, the reputation of a logo of a law firm had to be assessed in regard not only of company lawyers, but also clients.

²³⁵ ECJ 14 September 1999 *General Motors v. Yplon* (‘Chevy’), para. 24.

²³⁶ Explanatory Memorandum to the Markengesetz. Fezer 2001, p. 828.

degree of quantitative reputation.²³⁷ German doctrine links the justification of the heightened protection to the presence of these qualitative criteria, arguing that enlarged protection is justified because it protects trademarks that present themselves on markets as ‘personalities’.²³⁸ Trademarks with a reputation have a heightened influence and a higher value. They represent a certain achievement of a company, which deserves to be protected.

In my opinion, definition of the ECJ and its reliance on quantitative criteria by the ECJ as well as the German definition of reputation do not capture with sufficient precision the labour of investment by the right holder and they do not exclude the protection of reputation that is gained through other factors (e.g. the fame of the sign itself).²³⁹ From the perspective of Lockean labour theory, this is problematic as it is one of the critical questions whether the creation of the value can be clearly attributed to the prospective right holder.

Trademarks are signs that are used in the public realm and, as such, they are subject not just influenced by the right holder, but also by others, which means that the value encapsulated in a trademark may not (entirely) be the result of the ‘work’ or efforts of the right holder. It may also be the result of other factors.²⁴⁰

In this respect, *Schackert* provides the example of the trademark ‘Monica Lewinsky’.²⁴¹ Mrs Lewinsky, an intern in the White House under U.S. President Bill Clinton, gained a ‘reputation’ because she fell in love with the president and had sexual relations with him. This led to a media row and impeachment proceedings against the president. Mrs Lewinsky became instantly ‘famous’. The public’s knowledge about her was not so much fuelled by herself as by Kenneth Starr the public prosecutor and the U.S. and foreign media, as a result of which the name Monica Lewinsky became famous without much effort of Mrs. Lewinsky herself. In Germany, at the time of the scandal a number of ‘Monica Lewinsky’ trademarks had been registered. If a court had accepted that the trademark ‘Monica Lewinsky’ had become a trademark with a reputation, it would have been quite impossible to determine whether that reputation was caused by the right holder or by other influences such as the already existing fame of the name. The same problem arises with regard to trademarks that are made up of the names of famous (deceased) individuals like Da Vinci, Rembrandt, or Van Gogh, as well as with laudatory signs

Since Article 5.2 TMDir does not clearly distinguish between reputation created by the right holders and reputation created by others (or through other factors), I think that the protection granted under Article 5.2 TMDir cannot be fully justified by Lockean labour rationale.

²³⁷ *Ibid.*, p. 828.

²³⁸ *Fezer* states that the protection would also serve the interests of consumers in the availability of trademarks as strong communicators. *Ibid.*, p. 827. In my opinion, this argument of consumer benefit can be questioned, since it is not clear whether consumers derive additional benefits from the protection of the distinctiveness or repute of trademarks. In addition, consumers play almost no role what so ever in the determination of infringement under Article 5.2 TMDir. See above section 2.3.2.3.

²³⁹ According to *Fezer*, a sufficiently high level of recognition should be present, otherwise the distinction between the protection under Article 5.1 TMDir would not sufficiently differ from that granted under Article 5.2 TMDir. *Ibid.*, p. 827.

²⁴⁰ Dreyfuss 1996, p. 140, “Once it is recognized that the power of symbols is not put there solely by their purveyors, there is less of a sense that purveyors somehow deserve all of the benefits that their images confer on society”; *Schackert* 2001, p. 338; *Scott et al.* 2008, p. 299; see also *Hughes* 1999.

²⁴¹ *Schackert* 2001, p. 340.

2.4.3.2 *Use In Relation to Goods and Services*

Article 5.2 TMDir applies both to goods and services that are similar and to those that are not similar, i.e. it is not limited to a competitive relationship.²⁴² It is not necessary that there is a likelihood of confusion about origin or about a commercial connection,²⁴³ but rather it is sufficient that the relevant public establishes a *link* between the trademark and the signs used by the third party.²⁴⁴ This link has been interpreted as

“a mental process above the threshold of consciousness, something more than a vague, ephemeral, indefinable feeling or subliminal influence.”²⁴⁵

According to AG Jacobs, the justification for this interpretation lies in the fact that the trademarks at stake do have a reputation:

“[I]t is only where there is a sufficient degree of knowledge of the mark that the public, when confronted by the sign, may possibly make a connection between the two and that the mark may consequently be damaged.”²⁴⁶

The extremely far-reaching interpretation of the criterion of ‘use in relation to goods and services’, as any use in relation to goods and services that creates a link or connection, seems to capture every use that engages the web of meanings connected to a trademark. It certainly applies to use on merchandise, referential use, most descriptive use, and comparative advertising. Furthermore, it is not limited to market communication, but may extend to many forms of social, cultural, or political use of trademarks, e.g. use in parody, satire, criticism, or art, provided that such is made in the course of trade and that it harms or takes unfair advantage of the distinctive character or reputation of a trademark.

In my opinion, a prohibition that extends to signs that create merely a ‘link’ or association, needs to entail appropriate definitions of harm, an adequate level of proof of harm and exceptions that ensure that the freedom of action of others is not impaired too drastically, i.e. that enough and as good is left to others.

2.4.3.3 *Taking Unfair Advantage*

As stated above, the prohibition of ‘taking advantage of the distinctive character or repute’ of a trademark with a reputation covers

“in particular, cases where, by reason of a transfer of the image of the mark or of the characteristics 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.”²⁴⁷

It is remarkable that the ECJ, in this definition, does not distinguish between taking advantage of the *distinctive character* and taking advantage of the *repute* of a

²⁴² ECJ 23 October 2003 *Adidas v. Fitnessworld*; ECJ 9 January 2003 *Davidoff*.

²⁴³ Section 2.2.3.3.; ECJ 22 June 2000 *Adidas v. Marca I*, para. 36; ECJ, 25 January 2007 *Adam Opel*.

²⁴⁴ ECJ 23 October 2003 *Adidas v. Fitnessworld*, para. 27.

²⁴⁵ AG Sharpston, 26 June 2008, *Intel*, para. 46.

²⁴⁶ AG Jacobs 10 July 2003 *Adidas v. Fitnessworld*, para. 49; taken from ECJ 14 September 1999 *General Motors v. Yplon* (‘Chevy’), para. 23, using the word ‘association’ in stead of ‘connection’.

²⁴⁷ ECJ 18 June 2009 *l’Oréal et al. v. Bellure et al.*, para. 41; Order CFI 12 December 2008 *Aktieselskabet v. OHIM and TDK*, para. 65; AG Jacobs 10 July 2003 *Adidas v. Fitnessworld*, para. 39.

trademark;²⁴⁸ it rather refers to both forms of taking advantage as free-riding or parasitism.

In my opinion, the very justification of the right to prohibit third parties to take advantage of a trademark rests upon the fact that the trademark right holder has built up a reputation and that third parties take unfair advantage of the *particular* distinctive character or repute of that trademark. If the particular type of advantage of the distinctive character or repute is not defined sufficient precision, there is a risk that the injustice or unfairness in taking advantage will not be defined properly either leading to protection that is overbroad.

In contrast to the ECJ, German doctrine and jurisprudence differentiates between taking advantage of the *repute* and taking advantage of *distinctive character*.²⁴⁹ As I will show, this differentiation is important.

The *repute* of a trademark is the positive image and the positive qualities indicated by a trademark.²⁵⁰ *Thomasberger* defines repute as all positive expectations that a consumer combines with a product and which induce him to purchase a product.²⁵¹ In my opinion, these elements are likely to be the result of efforts of the trademark right holder, meaning that their protection may be justified by Lockean labour rationale. In addition, the definition allows a court to assess, whether a third party has taken advantage of *particular elements* of the repute of a trademark, i.e. whether these elements have been transferred another sign.²⁵² For instance, if a super market sells private label goods that imitate the shape, colouring and trademarks of the products of market leaders, a court can assess whether – in the absence of confusion - elements of the repute of the original trademarks have been exploited.²⁵³

The *distinctive character* is defined with less precision as the,

‘special distinctiveness and advertising power of a trademark, the position in competition, which would justify protection vis-à-vis other than identical and similar products and services.’²⁵⁴

This definition has been understood as being equal to the level of attention given by consumers to a trademark, e.g. in German jurisprudence, where taking advantage of the

²⁴⁸ Ag Jacobs 10 July 2003 *Adidas v. Fitnessworld*, para. 39; AG Sharpston 26 June 2008 *Intel*, para. 33.

²⁴⁹ Dutch doctrine does not as clearly distinguish between the two. Gielen defines repute as the advertising power, power of attraction, appeal, or incentive to purchase encompassed by a trademark, which may entail elements that under German doctrine belong to the distinctiveness. Gielen & Wichers Hoeth 1992, p. 511; see also T. Cohen Jehoram, Van Nispen & Huydecooper 2008, p. 351.

²⁵⁰ Ströbele & Hacker 2006, § 14 no. 177.

²⁵¹ Thomasberger 1993, p. 164. "Unter einem ‚guten Ruf‘ ist alles zu verstehen, was der Verbraucher an positiven Erwartungen mit dem entsprechend gekennzeichneten Produkt verbindet und was ihn bewegt, diese zu kaufen. Träger des guten Rufes, der sich auf sachliche und emotionelle Bewertungen stützen kann, ist in erster Linie die Kennzeichnung des Produkts (die Marke).“

²⁵² See below the discussion in section 5.4.2.1 on ‘imagertransfer’.

²⁵³ T. Cohen Jehoram, Van Nispen & Huydecooper 2008, p. 352.

²⁵⁴ Ströbele & Hacker 2006, § 14 no. 172, (*approx. transl.* W. Sakulin) original, „die besondere Kennzeichnung und Werbekraft der Marke (BGH GRUR, p. 622 shell.de), der wettbewerbliche Besitzstand der einen Schutz auch jenseits der Waren/DL-Ähnlichkeit erfordert und rechtfertigt. Eine Alleinstellung und einmalige Originalität kann nicht verlangt werden [...]“.

distinctive character is referred to as “Aufmerksamkeitsausbeutung” (*transl.* ‘taking advantage of the attention’).²⁵⁵

In my opinion, it is not justifiable under Lockeian labour rationale to protect the mere ‘level of attention’ against the taking of advantage. First, it is uncertain whether this level of attention is likely to be the result of the sole efforts of the right holder, or whether it involves alternate factors. Second, attention is something that lies in the physical realm of consumers and Lockeian labour rationale may not cover a claim to an exclusive right over such attention.²⁵⁶ Third, there is only a certain, limited level of attention of consumers available on any market. A prohibition of the mere taking of advantage of such attention, without having to prove the taking of advantage of the specific elements of the repute of a trademark, does not ensure that enough and as good is left for third parties. In this context, it is interesting that *Fezer*, without referring to the rationales of trademark rights, states that only the taking of advantage of the repute can be actionable, while the taking of advantage of the distinctive character is inherent in competition and cannot be subject to a prohibition.²⁵⁷ I entirely agree with this position.

Forth, and most importantly to this research, the prohibition of taking advantage of distinctive character takes no account what so ever of the idiosyncratic nature of trademarks. To recall, idiosyncrasy means that a sign can simultaneously have multiple meanings, e.g. a commercial meaning and a cultural, social, or political meaning. The ‘level of attention’ will entail, both, elements of commercial attention and of cultural, societal, or political attention and these elements cannot be adequately separated from each other.²⁵⁸ It seems unjustified that the latter sorts of attention are subject to an exclusive right. By their very definition, this attention has not been produced by the right holder but rather it represents the public responses to the right holder’s actions in social, cultural, or political realms.

Therefore, a prohibition of taking advantage of the *distinctive character* of a trademark cannot be justified by Lockeian labour rationale, whereas the prohibition of taking advantage of the repute may be justifiable. In line with this finding, I think that courts should strongly focus on the question whether, as the ECJ stated, advantage is taken

“by reason of a transfer of the image of the mark or of the characteristics which it projects to the goods”.²⁵⁹

²⁵⁵ *Ibid.*, § 14 no. 173.

²⁵⁶ In this respect, an argument raised by *Scott et al.* is of interest. *Scott et al. 2008*. They argue that labour theory cannot be applied as a justification for the protection of the advertising function of trademarks, because the labour, which is invested by a right holder, differs from the product that is the object of protection. Locke’s theory of first occupancy states that if labour is mixed with a raw material from the commons the labourer deserves a right in the resulting object or surplus value. In the case of copyrights, that object of the commons may be abstract ideas that are part of the commons and not the concrete ideas in someone’s mind. The resulting object of protection of the trademark rights that protect the goodwill and advertising function is the propensity of consumers to respond in a certain manner to trademarks. The raw material would thus have to be the minds of consumers. The minds of people are however not something that is held in the commons. The point that *Scott et al.* hint at is that not only may Locke’s theory be inapplicable to the protection of the advertising function – as would it be to any other property right in a commercial image held by the public – but that consumers may even hold a better claim of property to their own propensity to respond in a certain manner. I do believe that the point raised by these authors is important.

²⁵⁷ *Fezer* 2001, § 14 no. 424; the contrary position is taken by *Ströbele & Hacker* 2006, § 14 no. 173.

²⁵⁸ E.g. BGH 3 February 2005 (*Lila Postkarte*).

²⁵⁹ ECJ 18 June 2009 *l’Oréal et al. v. Bellure et al.*, para. 41.

This *image transfer* is mostly present when advantage is taken of the repute but is absent when advantage is taken of the level of attention.

As regards the likelihood of harm, the text of Article 5.2 TMDir seems to require a right holder to prove actual harm or actual free-riding. It reads in part “where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.” AG Jacobs underlined in the Chevy case, that a finding of detriment or taking advantage requires a high likelihood of harm.

“It is to be noted in particular that Article 5(2), in contrast to Article 5(1)(b), does not refer to a mere risk or likelihood of its conditions being fulfilled. The wording is more positive: ‘takes unfair advantage of, or is detrimental to (emphasis added). Moreover, the taking of unfair advantage or the suffering of detriment must be properly substantiated, that is to say, properly established to the satisfaction of the national court: the national court must be satisfied by evidence of actual detriment, or of unfair advantage.’²⁶⁰

Also from the perspective of the rationales, the far-reaching nature of the protection granted by the prohibition of taking advantage implies a requirement of a higher certainty about harm than is the case under Article 5.1 TMDir. I agree with AG Jacobs, as leniency in this respect may extend the rights granted under Article 5.2 TMDir in manner that interferes unduly with the freedom of action of others, as such rights will not leave enough and as good for others.

The definition of unfairness under European law seems also quite imprecise. Considering the rationales for trademark rights, I think that unfairness must be seen as a threshold requirement that needs to be adequately defined.²⁶¹ One clear position would be to relate unfairness to the loss of revenues or the misappropriation of value. In that case, an absence of loss may mean that the exploitation of a trademark would be fair. European law, however, does not seem to follow the line of thought that unfair advantage would mean the loss of an actual economic opportunity.²⁶² Rather, the ECJ defined unfairness in its *l’Oréal* decision in the following terms,

“the use of a sign similar to a mark with a reputation, to ride on the coat-tails of that mark in order to benefit from its power of attraction, its reputation and its prestige, and to exploit, without paying any financial compensation and without being required to make efforts of his own in that regard, the marketing effort expended by the proprietor of that mark in order to create and maintain the image of that mark, the advantage resulting from such use must be considered to be an advantage that has been unfairly taken of the distinctive character or the repute of that mark.”²⁶³

²⁶⁰ AG Jacobs 29 November 2006 *General Motors v. Yplon* (‘Chevy’), para 43.

²⁶¹ See section 2.3.3.1.

²⁶² *Ibid.*, para. 49. AG Sharpston states in her opinion in *Intel v. CPM* that “[i]f the later mark is to derive unfair advantage, the associations of the earlier mark must be such as to enhance the performance of the later mark in the use that is made of it.” AG Sharpston 26 June 2008 *Intel*, para. 66.

²⁶³ ECJ 18 June 2009 *l’Oréal et al. v. Bellure et. al.*, para. 49.

I regard this definition as highly problematic. To my mind, the criteria of (1) no compensation, (2) no own effort, and (3) exploitation of the marketing efforts, do not in any substantiated manner define unfairness as a threshold requirement. Criteria (1) and (2) are a basic description of ‘taking advantage’, and criterion (3) (‘marketing efforts’) is solely the basis of either distinctive character or reputation. In fact, this description is void as it adds nothing to the definition of *unfairness* itself, but rather merely describes the process of taking advantage.

That being said, I think that the use in the *l’Oréal* case was unfair, but only due to the particular facts of the case, i.e. the sale of smell-alike perfumes, in which,

“the use of packaging and bottles similar to those of the fragrances that are being imitated is intended to take advantage, for promotional purposes, of the distinctive character and the repute of the marks under which those fragrances are marketed.”²⁶⁴

Only in this context ‘whole-sale imitation’ can the use of the trademarks by the defendants be seen as *unfair* and I believe that the interpretation of the ECJ quoted above must be understood in this light. Otherwise, the criterion of unfairness became meaningless as a threshold requirement, implying that any taking of advantage would have to be considered as immediately unfair. Such a far-reaching prohibition would stifle competition and would impair third parties in an unjustified manner.

In sum, I think that, both, the lack of precise definition of the object of protection and that of the threshold requirement of unfairness mean that the protection against taking unfair advantage extends far beyond what could be justified by the rationales. If unjust enrichment rationale did provide a basis for this right, and I have argued above that it does not, then any protection should only be granted when the advantage taken was clearly *unfair*. Any other sort of advantage would be fair game because it would fall under the freedom of competition. Put differently, a company deserves nothing more with its investments in trademarks than a fair shot at fair but possibly harsh competition. Third party use would thus only have to be prohibited above a certain (clearly defined) threshold of unfairness.

If Lockean labour theory were the basis of the prohibition of free-riding, the object of protection and the question of what precisely must be taken advantage of needed to be defined with more clarity. Under Lockean labour rationale, it is the labour and investment entailed in creating the repute or distinctiveness, which would justify protection, and any protection must leave enough and as good for others.

In my opinion, the protection against taking unfair advantage in the TMDir and TMReg reaches further than the justification provided by the rationales. This fact (i.e. that protection may be granted without sufficient underlying justification) must be taken into account when weighing trademark rights against the rights and interests of third parties, such as their freedom of expression.

2.4.3.4 *Blurring*

According to the ECJ, blurring or detriment to the distinctive character, is caused

²⁶⁴ ECJ 18 June 2009 *l’Oréal et al. v. Bellure et al.*, para. 48.

“when that mark’s ability 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. That is notably the case when the earlier mark, which used to arouse immediate association with the goods and services for which it is registered, is no longer capable of doing so.”²⁶⁵

Similar to the prohibition of free-riding, the protection of ‘immediate associations’ of a trademark with a product and its ‘hold upon the public’s mind’ may not be justifiable under Lockean labour rationale, as these terms are not sufficiently precise. They do not exclude effects that are not attributable to the right holder.

The prohibition of blurring is not always applied broadly. German courts have required that there must be proximity between the trademark and the sign or between the goods or services at stake.²⁶⁶ I think that this requirement may limit the protection to cases whereby the distinctive character of the trademark is clearly affected. In addition, where a sign is not arbitrary, but contains other connotations that a third party may (want to) use, the risk of blurring has been deemed small.²⁶⁷ If, for example, a sign is descriptive, like the sign Duplo or Allianz, it is much less likely that a third party using that sign would interfere with the particular distinctive character.²⁶⁸ Therefore, signs with descriptive content have rightly received little protection against blurring.

In my opinion, the such a limited interpretation should also apply to trademarks that have gained a new social, cultural or political connotations. According to Lockean labour theory, both, descriptive meanings as well as social, cultural or political meanings should not belong to the entitlement of a right holder. Take for instance the example of the trademark Barbie, which became highly distinctive through the marketing efforts of Mattel, Inc. Barbie has also come to symbolise cultural or social phenomena such as the ‘blond American bimbo’,²⁶⁹ a connotation that is not attributable to Mattel but rather to society at large. The rationales of trademark rights do not seem justify the grant of a right to prohibit a third party from using such connotations, even if these connotations may interfere with the distinctive character of the trademark.²⁷⁰

²⁶⁵ ECJ 27 November 2008 *Intel*, para. 29 and 76. AG Jacobs 10 July 2003 *Adidas v. Fitnessworld*, para. 37. “The essence of dilution in this classic sense is that the blurring of the distinctiveness of the mark means that it is no longer capable of arousing immediate association with the goods for which it is registered and used.”

²⁶⁶ Ströbele & Hacker 2006, § 14 n. 174; BGH 29 April 2004 (*Zwilling/Zweibrüder*); T. Cohen Jehoram, Van Nispen & Huydecooper 2008, p. 355.

²⁶⁷ Ströbele & Hacker 2006, § 14 no. 175; T. Cohen Jehoram, Van Nispen & Huydecooper 2008, p. 355.

²⁶⁸ OLG Hamburg 18 September 2003 (*Duplo*); OLG München 25 November 1999 (*‘Die Allianz’*), The use of the signs Allianz (transl. alliance) was found not to be descriptive for a hip-hop band.

²⁶⁹ United States Court of Appeals, Ninth Circuit 24 July 2002 *Mattel v. MCA*, “Barbie has been labeled both the ideal American woman and a bimbo.”

²⁷⁰ In this respect, I do agree with Justin Hughes who argues that if trademarks come to represent extraordinary ideas “*society’s increasing dependency on them creates a pressure to remove them from private control.*” Hughes 1988, p. 322; see also Kozinski 1993, p. 975, “The point is that any doctrine that gives people property rights in words, symbols, and images that have worked their way into our popular culture must carefully consider the communicative functions those marks serve. The originator of a trademark or logo cannot simply assert, “It’s mine, I own it, and you have to pay for it any time you use it.” Words and images do not worm their way into our discourse by accident; they’re generally thrust there by well-orchestrated campaigns intended to burn them into our collective consciousness. Having embarked on that endeavor, the originator of the symbol necessarily—and justly—must give up some measure of control. The originator must understand that the mark or symbol or image is no longer entirely its own, and that in some sense it also belongs to all those other minds who have received and integrated it. This does not imply a total loss of

In light of Lockean labour rationale, I do thus think that the prohibition of blurring is only justifiable if it does not cover descriptive meanings and if it is narrowed to cases of proximity between signs. In addition, sufficient proof should be required to verify the risk of detriment to the distinctive character. According to the ECJ,

“a first use of an identical or similar mark may suffice, in some circumstances, to cause actual and present detriment to the distinctive character of the earlier mark or to give rise to a serious likelihood that such detriment will occur in the future.”

But,

“evidence of a change in the economic behaviour of the average consumer of the goods or services for which the earlier mark was registered consequent on the use of the later mark, or a serious likelihood that such a change will occur in the future”

is required.²⁷¹

There has been opposition to the requirement of proof a change in consumer behaviour from scholars and courts who deem it to strict.²⁷² Indeed, it may be too much of a burden on the right holder to wait until the damage has been done. However, in order not to unduly infringe upon freedom of action of others, it is important to require that a serious likelihood of detriment is shown.²⁷³ This may help to limit prohibitions to cases, in which real commercial detriment may be likely.

Finally, also the prohibition of blurring needs to be limited under the criterion of unfairness and due cause, as certain trademark use by third parties that interferes with the ‘hold upon the public’s mind’ may be fully justifiable in economic competition. Comparative advertising and referential use are prime examples of such cases.

2.4.3.5 *Tarnishment*

Tarnishment under the TMDir and TMReg refers to the harm that 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. The likelihood of such detriment may arise in particular from the fact that 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 mark.”²⁷⁴

For instance, in the case of, prestigious [or] luxury goods,

“the reseller must not act unfairly in relation to the legitimate interests of the trade mark owner. He must therefore endeavour to prevent his advertising from affecting

control, however, only that the public's right to make use of the word or image must be considered in the balance as we decide what rights the owner is entitled to assert.”; Gordon 1992, p. 168, pointing out that “[c]ulture is interdependence, and requiring each act of deliberate dependency to render an accounting would destroy the synergy on which cultural life rests.”

²⁷¹ ECJ 27 November 2008 *Intel*, para. 77.

²⁷² Gielen 2009; Quaedvlieg 2009. OLG Köln 6 February 2009 (Deutschland sucht den Superstar).

²⁷³ In this respect, Ströbele and Hacker indicate that due to the lowered level of distinctiveness needed to qualify for protection, a stricter burden of proof should be required. Ströbele & Hacker 2006, § 14 no. 174.

²⁷⁴ AG Jacobs 10 July 2003 *Adidas v. Fitnessworld*, para 38, making reference to BenCJ 1 March 1975 ‘Claeryn/Klarein’.

the value of the trade mark by detracting from the allure and prestigious image of the goods in question and from their aura of luxury.”²⁷⁵

The object of protection is the repute of a trademark, which is defined as ‘power of attraction’, the ‘allure and prestigious image of the goods’ or their ‘aura of luxury’. Detriment is caused if, by use of a trademark in relation to any similar or dissimilar good or service, a link or association in the minds of consumers is made and the power of attraction is affected or detracted from.

Equally to the definition of the subject matter of the prohibition of blurring, it is questionable whether the aura of luxury or power of attraction is solely attributable to the efforts of the right holder. As explained above in relation to the Monica Lewinsky example, the ‘power of attraction’ of a trademark may sometimes be attributable to causes that lie outside the influence of the right holder. Justifying the protection of all elements that belong to the power of attraction of a trademark may thus not be justifiable under Lockean labour theory.

A further problem is that the prohibition of tarnishment may overly impair the freedom of action of third parties. For instance, even the most neutral form of comparative advertising between luxury goods and the goods of a newcomer can affect the ‘power of attraction’ or ‘aura of luxury’ of a product as it may create unwanted or negative associations. However, it may contravene the freedom of action and freedom of competition to prohibit such advertising. Only if the goods are not comparable or the goods of the third party are really of an inferior quality and the repute of the trademark is harmed by the perceptions of inferior quality, may a prohibition be justifiable.²⁷⁶ In my opinion, the definition of the object of protection as ‘power of attraction’ and ‘aura of luxury’ makes too little distinction between these two cases.

Yet, more problematic is the fact that the prohibition of tarnishment makes no clear cut distinction between trademark use in market communication and use in other types or domains of communication, like criticism, social use or use in art. Consequently, Article 5.2 TMDir allows right holders to prohibit third party uses that are at the heart of the protection afforded by other norms such as freedom of expression. I will return to this problem below in section 5.4.3.

2.4.3.6 Article 5.5 TMDir

Article 5.5 TMDir, as implemented in Article 2.20.1.d BVIE, is extremely far-reaching as it protects trademarks outside of trade and when they are used “other than for the purposes of distinguishing goods or services.” In my opinion, this protection cannot be reconciled with any of the rationales discussed above. Since it extends to other than source identifying use, even when it takes place outside of trade, it seems unrelated to any sort of economic or unfair competition related rationale.²⁷⁷ Nor can it be based on Lockean labour rationale because it lacks any labour related threshold requirement (e.g. reputation) that would justify protection. From the perspective of the rationales, the protection granted by Article 5.5 TMDir is therefore not justifiable at all. Moreover,

²⁷⁵ ECJ 4 November 1997 *Dior v. Evora*, para. 45.

²⁷⁶ E.g. BenCJ 1 March 1975 ‘Claeryn/Klarein’; ECJ 4 November 1997 *Dior v. Evora*.

²⁷⁷ Different T. Cohen Jehoram, Van Nispen & Huydecooper 2008, p. 366.

because of its far-reaching scope, Article 5.5 TMDir can limit the freedom of action of others quite severely.

Given that Article 5.5 TMDir reaches much further than any rationale would justify, I think that it is essential to take the lack of appropriate justification duly taken into account when weighing the interests of plaintiff and defendant. A strong focus should be laid on limiting the negative consequences on search cost reduction and on the freedom of third parties who use trademarks in a not purely commercial manner.

2.4.4 LIMITATIONS OF TRADEMARK RIGHTS

In line with economic rationales, the prohibitions of *Article 5.1 TMDir*, are limited by Article 6.1 TMDir, by allowing descriptive uses, referential uses on e.g. spare parts, thereby seeking,

“to reconcile the fundamental interests of trade mark protection with those of free movement of goods and freedom to provide services in the common market in such a way that trade mark rights are able to fulfil their essential role in the system of undistorted competition which the Treaty seeks to establish and maintain.”²⁷⁸

Furthermore, the European Directive on Misleading and Comparative Advertising²⁷⁹ allows for use of trademarks in comparative advertising.

Pursuant to Article 6.1.b TMDir, descriptive use of a trademark must be allowed because other traders will often need to refer to e.g. geographic place names or product characteristics:

“The trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade [...] (b) indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production [...] provided he uses them in accordance with honest practices in industrial or commercial matters.”

This limitation is related to the ground for refusal of descriptiveness discussed above.²⁸⁰ There, the rationale was that the descriptive meaning of a sign must be kept available for all to use, and that registration of these signs could create an unfair advantage to the competitors. Seen from the perspective of the rationales, this requirement of availability also exists after rights have been granted. Descriptive meanings of signs must be kept available to minimise negative economic effects and to make sure that free competition is not hampered. In addition, search costs can be reduced if 3rd parties are allowed to use signs to describe characteristic of goods and services. In this respect, the ECJ has accepted that the criterion of availability is part of Article 6.1.b TMDir.²⁸¹

Similarly, referential use of trademarks on spare parts to indicate the destination of those parts and comparative advertising can reduce search costs significantly. Article 6.1.c TMDir, allowing for referential use, may however be too restrictive, as it allows

²⁷⁸ ECJ 23 February 1999 *BMW*, para. 62.

²⁷⁹ Directive 2006/114/EC (‘Comparative Advertising Directive’).

²⁸⁰ Section 2.4.1.2.

²⁸¹ Compare ECJ 10 April 2008 *Adidas v. Marca II*, para. 45 and 46.

such use only if it is *necessary*. The Comparative Advertising Directive does not contain the requirement of necessity.

Article 6 TMDir allows third party use only where it is in line with the honest practices of trade, meaning that it can be prohibited if amongst others direct or indirect confusion can be shown.²⁸² Similarly a comparative advertisement which causes confusion is not allowed. This means that there is no limitation to the prohibition of confusing use and that it is thus crucial to define the likelihood of confusion properly. Problems may arise if third party trademark use confuses some consumers, but provides crucial information to others. An example could be a comparative advertisement stating, “If you like product X, you will love product A”.²⁸³ Some consumers may rightly interpret the message to mean that the new product A comes from a different producer, but is very similar to product X. This advertisement thus allows them to use their experience in the selection of the new product A. Other consumers may think that product A has also been manufactured by the company that produced product X. Thus, they may be confused about a commercial relationship.

In such cases, it may be necessary to grant leniency to third party users. The requirement of necessity, and the requirement that the use must be in accordance with honest practices, may induce court to be more restrictive than justified from an economic viewpoint. In my opinion, it would be better, if court, as the CompAdvDir requires, take into account the interest of consumers in receiving information that helps them to take economic decisions.²⁸⁴

In the discussion in section 2.4.3, I have shown that the scope of the prohibitions under *Article 5.2 TMDir* may only partly be justifiable by the rationales. However, the fact that the prohibitions are not justifiable does not render the rationales irrelevant. On the contrary, the rationales clearly establish that the freedom of action and freedom of competition of third parties needs to be respected by trademark rights. This requirement follows straight from one of the underlying concerns in the rationales of property rights, i.e. to achieve or to respect distributive justice. In light of this ultimate aim and in light of the fact that trademark rights cannot be justified properly, the need for appropriate limitations that protect the interests of third parties is even stronger.

Several overlapping limitations exist to Article 5.2 TMDir, i.e. the limitations of Article 6 TMDir and the criteria of unfairness and due cause. According to the BGH, the limitations of Article 6 TMDir take no independent role next to the criteria of unfairness and due cause, but rather must be imported into the assessment of those criteria.²⁸⁵ The same holds probably true for comparative advertising.

Article 5.2 TMDir entails the criterion ‘unfair’ as well as the criterion ‘due cause’. In the English as well as the Dutch version of Article 5.2 TMDir, ‘unfair’ is used solely in relation to unfair advantage. Interestingly, in the German version of Article 5.2 TMDir

²⁸² ECJ 23 February 1999 *BMW*, para. 51; ECJ 17 March 2005 *Gillette*, para 49; ECJ 12 June 2008 *O2*.

²⁸³ Compare Tushnet 2007, p.749.

²⁸⁴ Directive 2006/114/EC, Preamble paras. 14 and 15, “indispensable, in order to make comparative advertising effective, to identify the goods or services of a competitor, making reference to a trade mark or trade name of which the latter is the proprietor [...] Such use of another’s trade mark, trade name or other distinguishing marks does not breach this exclusive right in cases where it complies with the conditions laid down by this Directive, the intended target being solely to distinguish between them and thus to highlight differences objectively.” See also Kabel 2006.

²⁸⁵ BGH 17 June 1999 (‘Big Pack’).

the criterion of unfairness takes a more prominent role. It refers to relation to both *taking advantage* and to *use that is detrimental* to the distinctive character and the repute. In the German version unfairness is thus a requirement that needs to be shown in relation to all forms of infringement.

The simultaneous existence of the criteria of unfairness and due cause raises the question whether these criteria would not duplicate the limitation of Article 5.2 TMDir. Obviously, it would be difficult to apply both criteria simultaneously. According to the German commentary by Ströbele and Hacker, unfairness is the criterion to be generally relied upon, whereas due cause plays a subsidiary role.²⁸⁶

In my opinion, the presence of the criterion of unfairness, especially in the German version of the directive, is an indication that Article 5.2 TMDir as a whole is closely related to unfair competition law, meaning that the Article should respect the conditions of unfair competition law, i.e. to maintain free but fair competition. This is important as there is a subtle but not unimportant difference between the criteria of unfairness and due cause. First, from a procedural perspective unfairness needs to be proven by the right holder whereas due cause must be demonstrated by the third party. Due cause is thus a more restrictive criterion. Second, due cause can be interpreted in an extremely limited manner such as to mean that only third party use that is absolutely necessary would be justified.²⁸⁷ Unfairness lies at the other end of the spectrum, requiring only that unfair conduct must be prohibited and all other use should be free.

AG Mengozzi in his opinion in the *L'Oréal* case proposed to solve the problematic relationship between the criteria of unfairness and due cause by making the criterion of unfairness redundant. According to him,

“the adjective ‘unfair’ comes into play only where due cause for the use of such a sign is relied on and demonstrated[.] [...] [W]here it is not submitted or demonstrated that due cause has been shown for the use of that sign (and the simple fact that advantage is taken of the reputation of the mark clearly cannot constitute such due cause), the proprietor of the mark can prohibit such use where it enables the third party to take advantage of the reputation of the mark itself.”²⁸⁸

The ECJ, did not go as far in its *L'Oréal* decision, but as I described above,²⁸⁹ it failed to define the criterion of unfairness in a manner that could be used as a sufficiently high threshold.²⁹⁰

I think that in the present situation of expansive definitions of rights, missing criteria of harm, and a lack of justification, it is essential that the limitations provided by the criteria of unfairness and due cause are interpreted broadly so as to protect the freedom of action and freedom of competition of third parties. In fact, it may necessary that courts respect the subtle difference between unfairness and due cause and that they prohibit only use that is clearly unfair, thereby giving adequate weight to the interests of consumers and the interests of third parties who use trademarks in social, cultural or political discourse.

²⁸⁶ Ströbele & Hacker 2006, § 14, nr. 183.

²⁸⁷ Some courts have taken to this interpretation. See below section 5.5.1.

²⁸⁸ AG Mengozzi 10 February 2009 *L'Oréal et al. v. Bellure et. al.*, paras. 106 and 108.

²⁸⁹ See above section 2.4.3.3.

²⁹⁰ ECJ 18 June 2009 *L'Oréal et al. v. Bellure et. al.*. See above section 2.4.3.3.

2.5 CONCLUSION

In this chapter, I analysed the rationales for trademark rights and I examined whether the rights harmonised under the TMDir and granted under the TMReg can be justified by these rationales. I departed from the premise that property rights, including trademark rights, are not self-explanatory; rather, they are in constant need of justification, because they place limitations on the freedom of action of others. In particular, I examined what, in view of the need for balancing trademark rights and the justified interests behind them with freedom of expression, the rationales that justify trademark rights are and whether ‘European trademark rights’, i.e. the national trademark rights harmonised by the European Trademark Directive (‘TMDir’) and the largely identical trademark rights contained in the European Trademark Regulation (‘TMReg’), are justified by these rationales.

I started out by analysing the main functions of trademarks, which are used in jurisprudence and literature to justify trademark rights and to interpret their scope, i.e. the source identification, product distinction, quality or guarantee, and the advertising or goodwill function. I argued that the functions themselves could not provide a justification, because the *empirical* fact that a trademark fulfils a certain function is not sufficient *normative* reason to justify the grant of an exclusive right that would protect that function. Rather, rationales must be used which justify the grant of rights and which provide indications as to their justifiable scope. I argued that adequate rationales can be found in economic theory, i.e. search cost theory and dynamic efficiency theory, and ethical or fairness based rationales, i.e. unfair competition related rationales and the Lockean labour rationale.

Economic rationales have a utilitarian character, by justifying rights as tools that serve the aim of maximising the general good. This is usually expressed by a welfarist principle like the principle of *Pareto optimality*,²⁹¹ according to which intervention in free markets is only justified, if it makes at least one person better off and no one worse off.

The *search cost rationale* explains that consumer confusion should be forestalled in order to reduce consumer’s costs in searching for products. This theory provides a rather secure efficiency rationale for the protection of product distinction, and quality or guarantee functions of trademarks. Such protection is achieved by a protection of trademarks against confusion.

The *dynamic efficiency rationale* indicates that the protection of the source identification function would be overall beneficial to society because it would induce trademark right holders to produce high quality goods. This protection can equally be realised through the protection of trademarks against confusing third party use.

The protection of the goodwill and advertising function seems not entirely justified by economic rationales. Most benefits of the protection of that function are already captured by the protection against confusion. The prohibition of blurring is justified if it is limited to cases of third party use that contribute to the harm with high certainty. I discussed arguments that there are a number of negative economic and non-economic effects that can be caused by perception advertising and concluded that trademark protection must

²⁹¹ Pareto 1906.

not be crafted in such a way so as to *encourage* those forms of advertising through. This implies a certain measure of restraint in protecting the advertising function of trademarks.

Ethical and fairness based rationales focus on the entitlement of right holders. They explain that rights should be granted to right holders because they deserve the protection. Unfair competition related rationales connected to the principle of truthfulness, or the principle of unjust enrichment, do not provide an adequate justification of trademark rights. The *Lockean labour rationale*, in an extended form, may provide a justification for the protection of the goodwill and advertising function of famous or well-known trademarks. However, it does not cover an entitlement to the protection of meanings, which cannot be attributed to the right holder, i.e. descriptive meanings or social, cultural or political meanings.

In my opinion, the most important element in the Lockean labour rationale is its specification of the limits of the entitlement, i.e. that the right granted must leave enough and as good for others to use. When applied to trademarks, this condition protects, both, the needs of competitors as well as those of third parties that use trademarks outside of trade.

In section 2.4, I examined the provisions of the TMDir and TMReg in the light of the rationales for trademark rights. Section 2.4.1 on the grant and revocation of trademark rights showed that trademark rights are based on primarily economic considerations. One of the most important conclusions of that section was that trademark rights may not be fully justified by economic rationales, because they are granted before trademarks actually become distinctive in trade. I argued that this lack of justification needs to be taken into account by registering authorities and courts when assessing the grounds for refusal or revocation.

The grounds for refusal and revocation seem to take adequate account of the economic needs of third party traders, i.e. they establish an adequate economic balance. There is however a lack of consideration for the non-economic interests of third parties. The grant of trademark rights over signs of high cultural, social, or political value may need to be weighed against the public interest in keeping these signs free not just for other traders, but also for society at large. I argued that, freedom of expression, expressed in the form of a public interest concern, could help to bridge that gap between the market centred grounds for refusal and revocation and the wider social and political implications of granting trademark rights.

The scope of trademark rights as defined by Article 5.1 TMDir might stretch beyond what can be justified by the rationales, as a number of criteria are interpreted broadly. Article 5.1 lacks a criterion that would link the entitlement to the labour invested; therefore, the extended version of the Lockean labour rationale does not apply and only economic rationales can be used to justify the protection.

Under Article 5.1.a TMDir not just confusing use may be actionable but also use that harms the goodwill and advertising function. This is highly problematic, as the provision contains no threshold of reputation and no definition of harm and there are far less limitations that apply. Under Article 5.1.b TMDir a likelihood of confusion may be interpreted too broadly to be in line with economic rationales, as third party use that falls

under concepts such as post-sale confusion is actionable. In addition, the assessment is influenced by legal fictions that favour the protection of distinctive trademarks.

Similarly, the protection granted under Article 5.2 TMDir cannot be fully justified by the extended version of Lockean labour rationale. The criterion of reputation seems insufficiently precise to function as a threshold requirement, i.e. rights are also granted when the right holder has not himself created the goodwill or advertising value.

In addition, there seems to be a lack of clarity in the definitions of harm. The criteria of taking unfair advantage, detriment to the distinctive character and detriment to the repute are interpreted in an extremely far-reaching manner. The level of proof required for a showing of harm does not always seem sufficiently high and the criteria of unfairness and due cause, which are in principle fairly open, are interpreted narrowly. Article 5.2 TMDir may thus interfere with free competition of third parties in a manner that does not leave enough and as good for them to use. Moreover, Article 5.2 TMDir has the potential to interfere with freedom of expression, because it extends trademark rights far beyond the border of market communication.

The optional Article 5.5 TMDir, which has been implemented only in the Benelux Convention on Intellectual Property, cannot be justified by these rationales at all. This means that there is a particularly great need to interpret the limitations to that provision very broadly.

In the final part of the analysis, I turned to the limitations to Article 5 TMDir and found that they are interpreted too narrowly. A particular problem lies in the fact that the limitation allowing for referential use allows such use only in case of *necessity*. I argued that this restrictive application will lead to less than optimal search cost reduction and that an approach as found in the ComAdvDir, which instructs courts to take consumer interests into account when interpreting the criteria of the directive, should be followed. In relation to Article 5.2 TMDir, I pointed out that, since the protection stretches further than is justifiable under Lockean labour rationale, the criteria of unfairness and due cause should be used to counterbalance the impairment of the interests of third parties.

Overall, it became apparent that most criteria of trademark rights are interpreted broadly, whereas the limitations are interpreted narrowly. Furthermore, the scope of national trademark rights harmonised by the TMDir and those rights granted under the TMReg does extend beyond the scope justified by the rationales. In light of the rationales, the interpretation of the rights may have to be reconsidered.

A general reconsideration of trademark rights is however not the aim of this research. Rather, the aim is to provide an analysis of the conflict between trademark rights and freedom of expression. In light of that conflict, it is important to note that trademark rights may interfere with free competition, meaning that they might also conflict with freedom of commercial expression. Moreover, the analysis also showed that trademark rights may conflict with the core area of freedom of expression, i.e. social, political, and cultural expression, but that trademark law takes little account of this conflict.

From the perspective of trademark law's own rationales, as well as from the perspective of freedom of expression, there exists thus a need to adequately balance trademark rights with freedom of expression. In this balancing process, the finding that trademark rights may not be fully justifiable by their own rationales must play an important role.

3 Freedom of Expression as a Possible Limitation to Trademark Rights

3.1 INTRODUCTION

The analysis in the previous chapter has shown that trademark rights have expanded beyond the scope that is justified by their rationales. Since this extension has taken such forms that it may restrict freedom of commercial expression of third party traders and that it may interfere with core areas of social, cultural, and political discourse, I concluded that it may be necessary to limit trademark rights where they disproportionately impair the freedom of expression of third parties. In the present chapter, I will analyse whether and how freedom of expression can be invoked by a third party in a conflict with trademark rights and I will examine what the level of protection it will afford to third parties.¹

To start with, in section 3.2, I will provide a bird's eye view of relevant provisions protecting freedom of expression, i.e. Article 10 ECHR and Article 5 of the German Grundgesetz. I will also explain why I will regard Article 11 of the Charter of Fundamental Rights of the European Union and on Article 7 of the Dutch Constitution as less relevant to this research.

In section 3.3, I will examine how freedom of expression can be invoked in a conflict with trademark rights. Freedom of expression primarily protects a private individual or entity from intrusions on the part of the state. It grants protection in the vertical relationship between the individual and the state, but a conflict between a trademark right holder and third party trademark user invoking his freedom of expression is a horizontal conflict. Both, the ECtHR and the German Bundesverfassungsgericht ('BVerfG') have accepted that freedom of expression may be invoked in horizontal conflicts, thus also in a conflict with trademark rights. I will clarify the reasons and the conditions for this horizontal application and, in particular, I will examine the duty of courts and other state authorities to give effect to freedom of expression in conflicts with trademark rights and the connected duty of legislators to give effect to freedom of expression in drafting trademark law.

In section 3.4, I will examine rationales that justify a freedom of expression of third party trademark users. This analysis of the rationales is essential as the provisions protecting freedom of expression are deliberately open and vague and do only provide a very broad list of protected interests. Hence, the determination of protected interests often requires a teleological interpretation in light of the rationales for protecting freedom of expression. I will examine the democracy rationale, the rationale of discovering truth, the rationale connected to self-realisation and the rationale for protection of purely commercial expression. In addition, I will examine a supplementary rationale connected

¹ As I explained in section 1.4, this research is not dealing with the freedom of expression of a trademark right holder to use his own trademark(s).

to the theory of dialogic democracy, which justifies a freedom of expression for those parties who engage, alter, or question the meaning of those trademarks that are of social, cultural, or political importance.

In section 3.5, I will examine the freedom of expression jurisprudence of the ECtHR and the BVerfG with a view to assessing the varying level of protection of freedom of expression, which must be considered by courts when weighing the freedom against trademark rights.

In sub-section 3.5.1, I will focus on freedom of non-commercial expression on expression, which includes expression that is of public interest. In particular, I will propose that an analogy be made between expression about public figures and expression about certain trademarks that can be considered ‘public symbols’, i.e. trademarks that represent positions of political, social, or economic power or importance and which can thus be the focus of public interest.

In paragraph 3.5.1.3, I address the protection of artistic expression and the particular need to respect the multi-layered nature of such expression. Furthermore, in paragraph 3.5.1.4, I will discuss jurisprudence dealing with chilling effects on public discourse that can be caused by procedural requirements and by severe sanctions, as e.g. the introduction of sanctions for infringement of intellectual property rights. Also a lack of legal counterbalancing of the often quite unequal position between trademark right holders and e.g. activists can cause chilling effects. In fact, chilling effects caused by trademark rights may be one of the gravest burdens on freedom of non-commercial expression.

In sub-section 3.5.2 on purely commercial expression, I will show that most forms of third party trademark use in commercial expression fall under the subject matter of Article 10 ECHR, but that the level of protection of such expression is lower than that of non-commercial expression.

Finally, in sub-section 3.5.3, I will turn to the assessment of criteria that can be used to establish the level of protection for mixed expression, i.e. expression that contains both commercial and non-commercial elements. Third party trademark use will very often take place in mixed commercial/ non-commercial situation (e.g. critical statements on commercially sold T-shirts, commercial trademark parodies, or messages in paid advertisements). Due to the significantly different levels of protection for purely commercial and non-commercial expression, a correct classification of mixed expression is essential.

3.2 PROVISIONS PROTECTING FREEDOM OF EXPRESSION IN A BIRD’S EYE VIEW

3.2.1 ARTICLE 10 ECHR

The 1950 European Convention for the Protection of Human Rights and Fundamental Freedoms (ECHR) contains a catalogue of civil and political human rights, which Member States of the Convention are obliged to protect. Its part of the system of conventions that is drawn up by the Council of Europe (CoE) and ratification of the ECHR is an obligation for all 36 Member of the CoE. Individual persons and entities in

the Member States can send complaints to the European Court of Human rights (ECtHR), seated in Strasbourg, after all domestic remedies have been exhausted. Any person, organisation, or group of persons within the de-facto power² of a Member State, who is the victims of a violation, can bring a claim. This applies to natural as well as legal persons.³

The ECtHR, as an international Court of last resort, takes decisions in the individual cases, but its judgements also set the relevant standards of protection that have to be observed by the Member States. Due to its international position and the need to observe the authority and sovereignty of national courts and tribunals, the ECtHR applies different standards of review. It grants states a varying ‘margin of appreciation’ in judging the potential infringement of a right. The degree of that margin of appreciation depends on factors such as the right at stake, the complexity of the factual situation, the reason for a limitation of the right or discrepancies between the legal situations in various Member States.

Article 10 ECHR grants the (right to) freedom of expression. It is the most important provision protecting freedom of expression in Europe.⁴ Article 10 ECHR reads:

Article 10 Freedom of expression

(1) 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.

(2) 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 rights of others, for preventing the disclosure of information received in confidence, or for maintaining the authority and impartiality of the judiciary.

Article 10.1 ECHR describes the subject matter in very broad terms as ‘freedom to hold opinions and to receive and impart information and ideas.’ It does thus not refer to certain types of expression or certain types of distribution.

In its jurisprudence, the ECtHR has made clear on many occasions that Article 10 is not restricted to certain categories of information, ideas, or only those forms of expression that are of democratic value. In principle, all kinds of expression fall under the

² ECtHR 12 December 2001 *Banković and Others*, para. 80.

³ See ECtHR 12 February 1993 *Casado Coca v. Spain*, para. 35; ECtHR 13 February 2003 *Cetin and others v. Turkey*, para. 57.

⁴ European Convention for the Protection of Human Rights and Fundamental Freedoms (ECHR), CETS No.: 005. The ECHR was created under the auspices of the Council of Europe (CoE), which has the aim to protect human rights, pluralist democracy, and the rule of law. All Council of Europe Member States are members of the ECHR.

subject matter of Article 10.1 ECHR. This includes opinions as well as factual information.⁵ The Article also covers radio programs with popular music,⁶ commercial information, or advertisements.⁷ The use of symbols equally falls under Article 10 ECHR.⁸

Expression that may fall outside the subject matter of Article 10 ECHR is racist or hate speech⁹ and, more important in this research, misleading commercial expression. The latter can be deduced from the reasoning of the ECtHR in the *Krone v. Austria* case.¹⁰ The reason for protection commercial expression is that information contained in advertising may be important to the economic decision-making of the recipients.¹¹ Misleading information is by definition hurting this purpose rather than furthering it.

In relation to trademark rights, this means that in fact all forms of trademark use are part of the subject matter of Article 10.1 ECHR.

The scope of Article 10 ECHR is set primarily by the *limitations* contained in paragraph 2. The ECtHR has developed a standard manner of assessing limitations of expression under Article 10.2. First, a limitation must be foreseen by law, which, in case of a conflict with trademarks rights is trademark law. Second, the limitation must strive to achieve one of the legitimate aims contained in Article 10.2 ECHR. Trademark rights fall into the category of ‘the protection of the [...] rights of others’.

Third, and most importantly, a limitation must be ‘necessary in a democratic society’. The ECtHR interprets the requirement of necessity by examining whether a ‘pressing social need’ exists for a restriction, whether the restriction is relevant and sufficient, and whether restrictions are proportionate to the legitimate aim pursued, i.e. whether they do not reach further than necessary in case of non-commercial expression, or whether the restriction is justified in principle and proportionate in case of commercial expression.¹²

⁵ ECommHR 6 July 1876 *De Geillustreerde Pers v. Netherlands*, para 81, “[...] information includes the expression of facts and of news”, though as stated in ECtHR 8 July 1986 *Lingens v. Austria*, para. 46, value judgements may receive higher protection than factual information.

⁶ ECtHR 28 March 1990 *Groppera Radio AG v. Switzerland*.

⁷ ECtHR 24 February 1994 *Casado Coca v. Spain*, para. 35, “Article 10 guarantees freedom to ‘everyone’. No distinction is made in it according to whether the type of aim pursued is profit-making or not.” ECtHR 11 December 2003 *Krone Verlag v. Austria*.

⁸ ECtHR 8 July 2008 *Vajnai v. Hungary*.

⁹ Art. 17 ECHR prohibits the abuse or misuse of a Convention right. It states, “Nothing in this Convention may be interpreted as implying for any State, group or person any right to engage in any activity or perform any act aimed at the destruction of any of the rights and freedoms set forth herein or at their limitation to a greater extent than is provided for in the Convention.” E.g. hate speech can be seen as falling under that provision. Barendt 2005a, p. 170.

¹⁰ ECtHR 11 December 2003 *Krone Verlag v. Austria*.

¹¹ ECtHR 11 December 2003 *Krone Verlag v. Austria*, para. 31, “For the public, advertising is a means of discovering the characteristics of services and goods offered to them.”

¹² First mentioned in ECtHR 7 December 1976 *Handyside v. The United Kingdom*, para. 48, “whilst the adjective “necessary”, within the meaning of Article 10 para. 2 (art. 10-2), is not synonymous with “indispensable” (cf., in Articles 2 para. 2 (art. 2-2) and 6 para. 1 (art. 6-1), the words “absolutely necessary” and “strictly necessary” and, in Article 15 para. 1 (art. 15-1), the phrase “to the extent strictly required by the exigencies of the situation”), neither has it the flexibility of such expressions as “admissible”, “ordinary” (cf. Article 4 para. 3) (art. 4-3), “useful” (cf. the French text of the first paragraph of Article 1 of Protocol No. 1) (P1-1), “reasonable” (cf. Articles 5 para. 3 and 6 para. 1) (art. 5-3, art. 6-1) or “desirable”. Nevertheless, it is for the national authorities to make the initial assessment of the reality of the pressing social need implied by the notion of “necessity” in this context.” Voorhoof 2005, no. 202.

Courts must examine in every *individual case* whether a restriction is necessary in a democratic society; it is thus not sufficient to apply a rule of national law within which freedom of expression has already abstractly been integrated.¹³

The test of necessity in a democratic society under Article 10.2 ECHR is not of equal strength in all cases. The ECtHR uses various criteria that determine the strength of the test. *Voorhoof* distinguishes seven criteria.¹⁴ In the context of the present research, these are first, the distinction in the content of the expression, i.e. whether the expression is on a matter of public interest, whether it is artistic expression, or whether it is commercial expression. Second, the particular role of the press or pressure groups in a democratic society can be of influence on the test. Third, the Court distinguishes between value judgements and factual allegations. Fourth, the potential harm of third party trademark use is of importance. Fifth, the intention of the speaker will be weighed. Sixth, the proportionality of the restriction must be examined, in particular if sanctions or inequalities between the parties could cause chilling effects on public discourse. And seventh, the variable margin of appreciation is of influence.

Furthermore, the strength of the test of necessity is greatly influenced by the variable ‘margin of appreciation’ that the ECtHR grants to Member States.¹⁵ In its jurisprudence, the ECtHR combines the margin of appreciation with the proportionality test to a single formula. The simultaneous application of these two standards reinforces the strength and also the weakness of the proportionality test.

Problems arise where the kind of expression involved requires a strict proportionality test, but the ECtHR still grants a wide margin of appreciation. The clearest example of this problem is the treatment of artistic expression, but problems may also arise with respect to expression covered by unfair competition law or trademark law.

Typically, this situation arises in regard of artistic expression, which is often of high public interest and should thus be highly protected under the proportionality test. When the restriction of the expression is aimed at protecting morals or religious feelings however, the ECtHR grants Member States a wide margin of appreciation.¹⁶ Consequently, review by the ECtHR is weak and Member States may not feel instructed to grant high protection of artistic expression that affects morals or religious feelings.¹⁷

Similar problems can arise with regard to expression that falls under national unfair competition law. If the national qualification of unfair competition or trademark law remain unchallenged,¹⁸ there is a very real possibility that that expression, which should receive high protection, i.e. expression that is of public interest, would be subject to a low level of scrutiny.

The particular strength of the necessity test and the resulting level of protection is discussed below in section 3.5.

¹³ *Ibid.*, no. 204, referring to ECtHR 28 June 2001 *Verein gegen Tierfabriken*.

¹⁴ *Ibid.*, no. 208.

¹⁵ See *Ibid.*, no. 326.

¹⁶ ECtHR 20 September 1994 *Otto Preminger v. Austria*; ECtHR 17 March 1997 *Müller v. Switzerland*.

¹⁷ Castendyk, Dommering & Scheuer 2008, p. 57.

¹⁸ E.g. ECommHR 2 December 1991 *Österreichische Schutzgemeinschaft für Nichtraucher v. Austria*.

3.2.2 FREEDOM OF EXPRESSION UNDER EU LAW

The 1957 Treaty of Rome, the founding document of the European Communities (EEC), did not include any reference to human rights. The treaty was concerned with reducing trade barriers, establishing an internal market, and granting fundamental economic freedoms. It was not considered to be touching upon issues that concern human rights or freedom of expression. In 1970, the ECJ accepted that EC legislation may interfere with fundamental rights and that these rights must be taken into account when assessing Community law. In the 1970 *Internationale Handelsgesellschaft* case, it held that,

“general principles of EC law include protection for fundamental rights which are part of the common constitutional traditions of the Member States and contained in international human rights treaties.”¹⁹

The applicability of specifically Article 10 ECHR as a possible restriction of economic freedoms has been accepted in many cases of e.g. media mergers,²⁰ advertising regulation.²¹ It has also been accepted as a right that must be respected by the ECJ when interpreting EU legislation such as the TMDir.²²

With the extension of the competences of the European Union into non-economic areas, the question arose whether the Union would need to give a more prominent place to the protection of human rights. One solution could have been that the European Union had joined as a Member of the European Convention on Human Rights. In an opinion from 1996, the ECJ clarified that the EU lacked competence to accede to the ECHR since this would have far-reaching institutional consequences for the Union.²³ (This will change with the full implementation of the 2006 Lisbon Treaty which enters into force on 1 December 2009.) As the EU itself is not yet a party to the ECHR, organs of the EU are not formally bound by Article 10 ECHR in the same manner as national authorities. As general principles of EU law the rights of the ECHR must, however, be respected by the EU legislator.

The first reference to human rights in primary EU law was introduced only with the 1997 Treaty of Amsterdam,²⁴ which amended the 1992 Treaty establishing the European Union. Article 6.2 of the Treaty Establishing the European Union (“T.EU”) states that the Union is bound to respect

“fundamental rights, as guaranteed by the [...] Convention for the Protection of Human Rights and Fundamental Freedoms [ECHR] [...], and as they result from the constitutional conditions common to the Member States, as general principles of Community law.”

¹⁹ ECJ 17 December 1970 *Internationale Handelsgesellschaft*; See Craig & de Burca 2002, p. 317.

²⁰ ECJ 26 April 1988 *Bond van Adverteerders*; ECJ 18 June 1991 *ERT*; ECJ 25 July 1991 *Stichting Collectieve Antennevoorziening Gouda*; ECJ 8 July 1999 *VTM*; Commission Decision 96/346/EC *RTL/Veronica/Endemol*.

²¹ ECJ 26 June 1997 *Familiapress*; ECJ 24 March 2004 *Karner v. Troostwijk*.

²² E.g. ECJ 12 October 2006 *Laserdisken ApS v. Kulturministeriet*, paras. 60 to 66.

²³ ECJ Opinion 2/94.

²⁴ Treaty of Amsterdam, [1997] OJ C 340/ 145.

Since in 1996 accession to the ECHR was not an option, the European Council decided in 1999, that human rights should be consolidated into a charter to give them greater visibility. In 2000, the EU adopted the Charter of Fundamental Rights of the European Union.²⁵ Article 11 of this Charter protects freedom of expression:

“1. 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.

2. The freedom and pluralism of the media shall be respected.”

According to Article 51 of the Charter, the rights contained therein are addressed to the institutions and bodies of the Union meaning that Article 11 of the Charter cannot be invoked by private individuals. Moreover, Article 11 read in conjunction with Article 52.3 of the Charter mean that the meaning and scope of Article 11 of the Charter is the same as that of Article 10 ECHR.²⁶ Since Article 11 of the Charter cannot yet be invoked by individuals, since there is no specific jurisprudence about Article 11 and since its meaning and scope is the same as Article 10 ECHR, I have chosen not further to refer to Article 11 of the Charter but solely to Article 10 ECHR.

3.2.3 FREEDOM OF EXPRESSION UNDER DUTCH LAW

Article 7 of the Dutch Grondwet protects freedom of expression but it does not grant protection to the present conflict for both material and formal reasons. Article 7 Grondwet reads:

Article 7 [Expression]

(1) No one shall require prior permission to publish thoughts or opinions through the press, without prejudice to the responsibility of every person under the law.

(2) Rules concerning radio and television shall be laid down by Act of Parliament. There shall be no prior supervision of the content of a radio or television broadcast.

(3) No one shall be required to submit thoughts or opinions for prior approval in order to disseminate them by means other than those mentioned in the preceding paragraphs, without prejudice to the responsibility of every person under the law. The holding of performances open to persons younger than sixteen years of age may be regulated by Act of Parliament in order to protect good morals.

²⁵ Charter of Fundamental Rights of the European Union, [2000] OJ C 364/1.

²⁶ Article 52.3 Charter of Fundamental Rights of the European Union, “In so far as this Charter contains rights which correspond to rights guaranteed by the Convention for the Protection of Human Rights and Fundamental Freedoms, the meaning and scope of those rights shall be the same as those laid down by the said Convention. This provision shall not prevent Union law providing more extensive protection.”

(4) The preceding paragraphs do not apply to commercial advertising.²⁷

An examination of the text of the Article shows that it cannot play a significant role in the conflict with trademark law. First, Article 7.4 of the Dutch Grondwet excludes commercial advertising or ‘handelsreclame’ from the scope of the freedom. This reduces significantly the relevance of Article 7 to third party trademark use, since such use will very often take place in commercial advertising. Second, paragraphs 1 to 3 of Article 7 are aimed at protecting expression against ‘prior approval’ whereas the restrictions placed on freedom of expression by trademark law can probably not be seen as ‘system of prior approval’, but rather a system of (repressive) sanctioning.²⁸ The material provisions of Article 7 Grondwet do thus not provide protection in a conflict between trademark rights and freedom of expression.

Third, there are formal reasons why Article 7 Grondwet may not grant relevant protection. Article 120 of the Dutch Constitution bars judges from reviewing the constitutionality of formal national laws.²⁹ This means that Article 7 Grondwet cannot be invoked by an individual before a court against a claim of trademark right infringement. Hypothetically, Article 7 could be used by judges in interpreting open provisions of trademark law;³⁰ however, for the reasons just mentioned, Article 7 does not provide material protection against a claim of trademark right infringement.³¹

For these formal and material reasons, Article 7 Grondwet shall not be referred to in this research.

That being said, Article 10 ECHR plays a very important role in Dutch jurisprudence, as Article 94 of the Dutch constitution, which enshrines the monistic approach of the Dutch constitution towards international law, states that,

“[s]tatutory regulations in force within the Kingdom shall not be applicable if such application is in conflict with provisions of treaties that are binding on all persons or of resolutions by international institutions.”³²

Consequently, Article 10 ECHR, which is binding on all persons, can set aside national Dutch law, which makes this article most relevant provision in protecting the freedom of expression of third party trademark users.

For these reasons, I will focus on Article 10 ECHR and I will not further refer to Article 7 Grondwet.

²⁷ Translation taken from the International Constitutional Law database, <http://www.servat.unibe.ch/icl> (accessed 15 January 2008).

²⁸ Van der Pot & Donner 2001, p. 291.

²⁹ Article 120 of the Dutch Constitution states “*The constitutionality of Acts of Parliament and treaties shall not be reviewed by the courts.*” Translation taken from the International Constitutional Law database, <http://www.servat.unibe.ch/icl> (accessed 15 January 2008).

³⁰ See below section 3.3.3.

³¹ Hartkamp 2000, p. 23. *Hartkamp* states, that the legislator is the only ‘judge’ in constitutional matters.

³² Translation taken from the International Constitutional Law database, <http://www.servat.unibe.ch/icl> (accessed 15 January 2008).

3.2.4 ARTICLE 5 OF THE GERMAN GRUNDGESETZ

The German *Grundgesetz* (“GG” or “Basic Law”) was drafted after WWII. With the experience of the dehumanising national socialist regime fresh in mind, the constitution laid a very strong focus on the protection of individual dignity. Article 1.1 of the GG states, “*Human dignity shall be inviolable. To respect and protect it shall be the duty of all state authority.*”³³ In addition, Article 2 GG grants a general personality right. Article 18 GG clarifies that basic rights, and in particular freedom of expression, are forfeited if they are used ‘in order to combat the free democratic basic order’.

Questions on the interpretation of the constitution are decided by the German Bundesverfassungsgericht (“BVerfG”). The BVerfG is no appellate court and its role is limited to reviewing the application of constitutional rights by lower courts, and to judge the constitutionality of acts of parliament.

Article 5 GG protects freedom of expression:

“Freedom of expression

(1) Every person shall have the right freely to express and disseminate his opinions in speech, writing, and pictures and to inform himself without hindrance from generally accessible sources. Freedom of the press and freedom of reporting by means of broadcasts and films shall be guaranteed. There shall be no censorship.

(2) These rights shall find their limits in the provisions of general laws, in provisions for the protection of young persons, and in the right to personal honor.

(3) Art and scholarship, research, and teaching shall be free. The freedom of teaching shall not release any person from allegiance to the constitution.”³⁴

The right to express and disseminate opinions (*Meinungsfreiheit*) and the right to inform oneself (*Informationsfreiheit*) are recognised as separate rights under Article 5.1 1st sentence GG.³⁵ Equally, freedom of the press (*Pressefreiheit*) and broadcasting freedom (*Rundfunkfreiheit*) are seen as separate rights under Article 5.1 2nd sentence GG. Artistic freedom is a separate right under Article 5.3 GG. According to Article 19.3 GG, Article 5 GG can be invoked by individuals and domestic artificial persons alike.³⁶ As will be discussed below, it can also be invoked in horizontal conflicts.

In relation to trademark use, the freedom to express opinions and artistic freedom are of most relevance. Under Article 5.1 GG, the right to “*freely to express and disseminate his opinions in speech, writing, and pictures*” encompasses all subjective value judgements.³⁷ Of importance is that there is a subjective relationship between the speaker

³³ Art. 1.1 GG.

³⁴ Grundgesetz der Bundesrepublik Deutschland - Status: December 2000 (transl. German Bundestag)

³⁵ This was confirmed by the Constitutional Court (BVerfG) in BVerfG 3 October 1969 Leipziger Volkszeitung.

³⁶ Article 19.3 GG states “The basic rights shall also apply to domestic artificial persons to the extent that the nature of such rights permits.”

³⁷ BVerfG 10 October 1995 (Soldaten Sind Mörder); see also Rohnke, Bott et.al. 2005, p. 1; Stiess 2000, p. 84, speaking of “jedes Stellung beziehende Dafürhalten“.

and the message and that the opinion is the result of the process of rational thinking.³⁸ It is however not relevant that the expression is of a certain intellectual level,³⁹ which means that organs of the state may not determine whether an opinion is valuable or not,⁴⁰ as such value judgements of state organs would conflict with the principle of a pluralistic public that is itself protected by the democracy principle enshrined in the *Grundgesetz*.⁴¹

Article 5.1 GG specifically refers to opinions. However, the BVerfG has also brought factual statements under the scope of Article 5.1 GG, if these factual statements contribute to a process of forming opinions.⁴² The reason to include such factual statements is that a clear distinction between facts and opinions cannot be drawn and that, by their very essence, opinions will include statements of fact. Purely factual statements do however generally receive a lower level of protection than statements that contribute to the process of forming opinions.⁴³

The freedom to hold opinions also covers commercial expression if it contributes to the process of forming opinions.⁴⁴ The level of protection for commercial expression is lower than that of debates on a matter of public interest.

Limitations to the rights in the constitution are either specifically provided in the rights themselves, or can be derived from other rights granted in the constitution.

Article 5.2 GG states that freedom of opinion and freedom of information “shall find their limits in the provisions of general laws...” Trademark law is considered a general law in this context. However, this does not mean that trademark law simply limits freedom of expression. Article 19.2 GG specifies that “[i]n no case may the essence of a basic right be affected” by a limitation. This so called ‘Wesensgehaltsgarantie’ ensures that trademark rights cannot simply set aside freedom of expression. Rather, according to the BVerfG’s judgement in the *Lüth* case general laws must themselves be interpreted in the light of constitutional norms.⁴⁵ The balancing between freedom of expression and

³⁸ BVerfG 14 March 1972 (Strafgefangene); BVerfG 10 October 1995 (Soldaten Sind Mörder).

³⁹ BVerfG 22 June 1982 (Die NPD von Europa), “Konstitutiv für die Bestimmung dessen, was als Äußerung einer ‘Meinung’ vom Schutz des Grundrechts umfaßt wird, ist mithin das Element der Stellungnahme, des Dafürhaltens, des Meinens im Rahmen einer geistigen Auseinandersetzung; auf den Wert, die Richtigkeit, die Vernünftigkeit der Äußerung kommt es nicht an. Die Mitteilung einer Tatsache ist im strengen Sinne keine Äußerung einer ‘Meinung’, weil ihr jenes Element fehlt. Durch das Grundrecht der Meinungsäußerungsfreiheit geschützt ist sie, weil und soweit sie Voraussetzung der Bildung von Meinungen ist, welche Art. 5 Abs. 1 GG in seiner Gesamtheit gewährleistet. Was dagegen nicht zur verfassungsmäßig vorausgesetzten Meinungsbildung beitragen kann, ist nicht geschützt, insbesondere die erwiesene oder bewußt unwahre Tatsachenbehauptung. Im Gegensatz zur eigentlichen Äußerung einer Meinung kann es also für den verfassungsrechtlichen Schutz einer Tatsachenmitteilung auf die Richtigkeit der Mitteilung ankommen. Von hier aus ist der Begriff der ‘Meinung’ in Art. 5 Abs. 1 Satz 1 GG grundsätzlich weit zu verstehen: Sofern eine Äußerung durch die Elemente der Stellungnahme, des Dafürhaltens oder Meinens geprägt ist, fällt sie in den Schutzbereich des Grundrechts. Das muß auch dann gelten, wenn sich diese Elemente, wie häufig, mit Elementen einer Tatsachenmitteilung oder -behauptung verbinden oder vermischen, jedenfalls dann, wenn beide sich nicht trennen lassen und der tatsächliche Gehalt gegenüber der Wertung in den Hintergrund tritt. Würde in einem solchen Fall das tatsächliche Element als ausschlaggebend angesehen, so könnte der grundrechtliche Schutz der Meinungsfreiheit wesentlich verkürzt werden.”

⁴⁰ Stieff 2000, p. 84.

⁴¹ Art. 20.1 GG; see also *Ibid.*, p. 85;

⁴² *Ibid.*, FN 39; Stegmann 2004; Seifert & Hömig 2003, Art. 5 no. 4a.

⁴³ *Ibid.*

⁴⁴ BVerfG 26 February 1969 (Blinkfür); BVerfG 22 June 1960 (Jugendgefährdende Schriften); BVerfG 12 December 2000 (Benetton I); Stieff 2000; see below section 3.5.2.

⁴⁵ BVerfG 15 January 1958 (Lüth).

trademark rights must be conducted in a hermeneutical circle (the ‘Wechselwirkungslehre’), in which the basic right is restricted by trademark law, but trademark law is interpreted in the light of the basic right. Furthermore, the rights must be balanced concretely in each individual case by weighing the protected interests at stake against each other.⁴⁶ In this process of balancing, opinions on matters that are of substantial public interest, the BVerfG grants a general presumption in favour of freedom of opinion under Article 5 GG.⁴⁷

Artistic freedom under Article 5.3 GG cannot be limited by general laws and must thus be balanced against other constitutional rights that limit Article 5. These can be Article 2 GG (right to personality),⁴⁸ 12 GG (freedom of profession), 14 GG (right to property) and 18 GG (the general provision on abuse of constitutional rights). In relation to trademark rights, Article 14 GG is of most importance. It states,

“Property ... shall be guaranteed,” and trademark rights are protected under this right to property.⁴⁹

Courts must weigh Article 5 GG against Article 14 GG, likewise in a concrete manner and by ensuring that the essence of the rights is not affected.

3.3 INVOKING FREEDOM OF EXPRESSION IN A CONFLICT WITH TRADEMARK RIGHTS

Freedom of expression, as all human rights norms, usually applies in the vertical relationship between state and individual. If a state interferes with the freedom of expression of one of its citizens, that citizen can invoke his freedom of expression to fend off the interference of the state.⁵⁰

For a number of decades, it has been accepted that the protection granted by freedom of expression and other human rights extends beyond this vertical relationship between state and individual. Freedom of expression can also be invoked in cases of horizontal conflicts between private parties, e.g. in a conflict between trademark rights and the freedom of expression of third parties using trademarks.

The application of freedom of expression in horizontal conflicts raises conceptual questions of the interplay between human rights and private law as well as the nature of the rights and duties that human rights create in private relations. The duty bearer of international human rights like Article 10 ECHR is in all cases the state. The same holds

⁴⁶ Seifert & Hömig 2003, Art. 5 no. 21; BVerfG 5 June 1973 Lebach, p. 224.

⁴⁷ *Ibid.*, Art. 5 no. 21; BVerfG 13 April 1994 Auschwitzlüge, p. 249. *Stiess* points out that this presumption in favour of matters that are of public interest may entail a value judgement in favour a particular type of expression. According to her, such a value judgement may run counter to the general rule against value judgements derived from the democracy principle or Article 20.1 GG *Stiess* 2000, p. 118.

⁴⁸ Art. 2.1 GG guarantees that “[e]very person shall have the right to free development of his personality.”

⁴⁹ E.g. BGH 3 February 2005 (Lila Postkarte); Kur 1996, p. 198. For the application of Art. 14 GG to copyrights see BVerfG 7 July 1971 (Schulbuchprivileg).

⁵⁰ In this respect, *Dworkin* refers to human rights as ‘trumps’. *Dworkin* 1978, p. 266.

true for most national constitutional provisions, like Article 5 GG. This becomes even more apparent when one takes into consideration the restrictions contained in these norms.⁵¹ Restrictions under Article 10 ECHR or Article 5 of the German Grundgesetz need to be foreseen by law, which implies by organs of the state. Therefore, freedom of expression has an indirect effect if it is invoked in a conflict with trademark rights.

Indirect horizontal effect means that application of fundamental rights in horizontal conflicts is effected indirectly by interpreting the norms of private law in accordance with constitutional norms.

In the following paragraphs, I will give a short comparative overview of the indirect horizontal effect of freedom of expression in the jurisprudence of the ECtHR as well as in the German and the Dutch legal order.

3.3.1 *INDIRECT HORIZONTAL EFFECT OF ARTICLE 10 ECHR*

In cases before the ECtHR, only state parties can be held responsible for a violation. Therefore, in a technical sense, cases brought before the Court always concern a vertical legal conflict between private parties and State parties. The underlying conflict may however well be one between private parties. In such cases, the ECtHR has relied upon an institutional theory of indirect horizontal effect,⁵² i.e. on a broad understanding of the responsibility of state organs.

The basis of indirect horizontal effect of the rights contained in the ECHR can be found in the Preamble, as well as in Articles 1 and 13 of the Convention. The Preamble states that a Contracting State needs “to secure to everyone within its jurisdiction the rights and freedoms defined in the convention.” Similarly, Article 1 ECHR states that

“The High Contracting Parties shall secure to everyone within their jurisdiction the rights and freedoms defined in Section I of this Convention.”

In addition, Article 13 ECHR protects the right to an effective remedy, meaning that, Article 1 read in conjunction with Article 13 ECHR entail that Member States must provide everyone within their jurisdiction with an effective remedy if their rights have been violated. This implies that private individuals must be able to invoke their freedom of expression under Article 10 ECHR in a conflict with other private individuals.

3.3.1.1 *Indirect Horizontal Effect and Positive Obligations*

In its jurisprudence, the ECtHR links the indirect horizontal effect of the rights in the Convention to the positive obligations of State Parties, which are entailed in each Convention right and in the Convention as a whole.⁵³ The theory of positive obligations

⁵¹ Hartkamp 2000, p. 27. According to *Ruffert*, the German system of limitations of constitutional rights or ‘*Schrankensystematik der Grundrechte*’ forestalls direct horizontal effect of these rights. *Ruffert* 2001, p.14.

⁵² ECtHR 28 June 2001 *Verein gegen Tierfabriken*, para. 46 “The Court does not consider it desirable, let alone necessary, to elaborate a general theory concerning the extent to which the Convention guarantees should be extended to relations between private individuals *inter se*.” *VandeLanotte & Haeck* 2005, vol. I, p. 106.

⁵³ At a very minimum, a number of rights under the convention require that States create and maintain a functioning legal system. Generally on positive duties see ECtHR 9 October 1979 *Airey v. Ireland*, para. 26; see also *Ibid.*, vol. I, p. 99 & 101.

was initially developed in the jurisprudence relating to Article 8 ECHR, the right to respect for private and family life. In the *Marckx* case, which dealt with the recognition a right of visitation of divorced spouses, the ECtHR first held that Article 8 of the Convention,

“does not merely compel the State to abstain from such interference: in addition to this primarily negative undertaking, there may be positive obligations inherent in an effective “respect” for family life.”⁵⁴

The ECtHR soon found that positive obligations also exist in relation to Article 10 ECHR, stating for instance that,

“the key importance of freedom of expression as one of the preconditions for a functioning democracy. Genuine, effective exercise of this freedom does not depend merely on the State’s duty not to interfere, but may require positive measures of protection, even in the sphere of relations between individuals.”⁵⁵

The notion of positive obligations is not clear-cut. At a very minimum, positive obligations entail the passing of adequate national legislation, the maintenance of a functioning judicial system and the respect of Convention rights. For instance, in the *Young, James and Webster* case, the ECtHR stressed the positive obligations of the legislator, holding that,

“[u]nder Article 1 (art. 1) of the Convention, each Contracting State “shall secure to everyone within [its] jurisdiction the rights and freedoms defined in ... [the] Convention”; hence, if a violation of one of those rights and freedoms is the result of non-observance of that obligation in the enactment of domestic legislation, the responsibility of the State for that violation is engaged.”⁵⁶

In the *Özgür Gündem* case, the Court stressed the positive obligations of national courts, as

“[g]enuine effective exercise of [freedom of expression] does not depend merely on the state’s duty not to interfere, but may require positive measures of protection, even in the sphere of relations between individuals”⁵⁷

In the conflict between third party freedom of expression and trademark rights, such positive obligations are very important. From the international perspective of the ECtHR, a State is under the obligation to ensure that the exercise of trademark rights will not cause a disproportionate impairment of freedom of expression. Internally, the State has discretion as to how to achieve this result. At the very minimum, courts as protectors of freedom of expression of last resort, must ensure compliance with Article 10 ECHR. I do, however, think, that such a reliance on the courts’ ability to achieve a balance that is missing in trademark law, is insufficient. In my opinion, it is crucial to bring the

⁵⁴ ECtHR 13 June 1979 *Marckx v. Belgium*, para 31; confirmed in ECtHR 9 October 1979 *Airey v. Ireland*, para. 32 (right to divorce); ECtHR 26 March 1985 *X. and Y. v. The Netherlands*, para. 23; ECtHR 9 December 1994 *Lopez Ostra v. Spain* (odorous fumes); ECtHR 8 July 2003 *Hatton v. United Kingdom* (protection against noise). See also Garlicki 2005.

⁵⁵ ECtHR 6 May 2003 *Appleby and Others v. The United Kingdom*, para. 39; Voorhoof 2005, p. 925.

⁵⁶ ECtHR 13 August 1981 *Young, James and Webster v. The United Kingdom*, para. 49.

⁵⁷ ECtHR 16 March 2000, *Özgür Gündem v. Turkey*, para. 43.

considerations of Article 10 ECHR within trademark law, as the best respect for freedom of expression is achieved and the least chilling effects are caused, when trademark law itself provides clear limitations and room for balancing with third party freedom of expression. This entails that, in addition to courts, legislators of Member States should structure trademark law in a manner that the exercise of trademark rights will not violate freedom of expression of third parties, that registering authorities should take Article 10 ECHR into account when granting trademark rights and that courts of Member States are obliged to take Article 10 ECHR into account in cases before them.

3.3.1.2 *Positive Obligations and Expressive Diversity*

Positive obligations are also of importance to this research, because they entail the duty to guarantee (the conditions of) pluralism and expressive diversity. According to the ECommHR, Article 10 ECHR protects the “free flow of information in general.”⁵⁸ Moreover, specifically in the media sector the ECtHR stressed,⁵⁹

“the fundamental role of freedom of expression in a democratic society, in particular where, through the press, it serves to impart information and ideas of general interest, which the public is moreover entitled to receive. Such an undertaking cannot be successfully accomplished unless it is grounded in the principle of pluralism, of which the State is the ultimate guarantor.”⁶⁰

In my opinion, the obligation to guarantee the conditions of pluralism, or as want to refer to it – expressive diversity - exists also outside the media sector, e.g. when trademarks are concerned. As I will explain chapter 4, trademark rights may affect pluralism if they are granted in signs that are of key social, cultural, or political importance, such as the names of famous persons and when they are granted in relation to expressive goods such as T-shirts or expressive services such as media services. Such trademark rights could provide a right holder with a monopoly to produce cultural artefacts relating to e.g. Michael Jackson or Elvis Presley and thereby they may limit expressive diversity.⁶¹

The nature of the obligation to guarantee expressive diversity differs from the obligation of e.g. courts in individual horizontal conflicts. There, courts have the obligation to protect the freedom of individuals and the individuals themselves have an enforceable right to be protected. In contrast, the obligation to guarantee expressive diversity is of a more abstract nature. For a large part it is covering the interests of recipients and to some extent the interests of members of the ‘audience’ who want to use the received information – or in our example the cultural artefacts – to express their views. These recipients do not have an enforceable right to *receive* privately held information, and consequently they have no right to receive diverse expressions or expressive goods from those private parties (i.e. those offering alternative expressive goods with the relevant signs) that would be prohibited from doing so by trademark

⁵⁸ ECommHR 6 July 1976 *De Geïllustreerde Pers v. the Netherlands*, para. 85.

⁵⁹ For an in depth analysis of such positive obligations in the media sector see Helberger 2005, p. 67.

⁶⁰ ECtHR 24 November 1993 *Informationsverein Lentia v. Austria*, para. 38. VandeLanotte & Haeck 2005, vol. I p. 100, explain that the Court does not always clearly distinguish between the duty to abstain and positive obligations.

⁶¹ See below sections 4.2 and 5.3.

rights.⁶² The positive obligation does thus not lie in the fact that a state must protect an individual's right to receive diverse cultural artefacts. Rather the obligation lies in the realm of setting the conditions for expressive diversity. Thereby,

“regard must be had to the fair balance that has to be struck between the general interest of the community and the interests of the individual, the search for which is inherent throughout the Convention. The scope of this obligation will inevitably vary, having regard to the diversity of situations obtaining in Contracting States, the difficulties involved in policing modern societies and the choices which must be made in terms of priorities and resources. Nor must such an obligation be interpreted in such a way as to impose an impossible or disproportionate burden on the authorities.”⁶³

The positive obligation must, in my view, thus be characterised as follows: The state, as the ‘ultimate guarantor of pluralism’, is under an obligation to structuring trademark law in a manner that it does not create obstacles to expressive diversity and in fulfilling this obligation the state needs to weigh the interest in protection expressive diversity against the interests of prospective trademark right holders.

3.3.2 HORIZONTAL EFFECT OF ARTICLE 10 ECHR IN EU LAW

The applicability of Article 10 ECHR as a possible restriction of primary EU law, e.g. of the fundamental economic freedoms guaranteed in the EC Treaty, has been accepted by the ECJ in various cases.⁶⁴ It applied Article 10 ECHR e.g. in a case of an alleged abuse of a dominant position⁶⁵ or in a case of advertising regulation.⁶⁶ It has also applied Article 10 ECHR as a rule that must be respected when interpreting EU directives.⁶⁷ E.g. in the *Laserdisken* case, the ECJ assessed whether a provision of a directive regulating aspects of copyright law caused a disproportionate limitation of Article 10 ECHR. In that case, it carried out a balancing process between Article 10 ECHR and copyright as protected by Article 1 of the 1st Additional Protocol of the ECHR, i.e. the right to protection of property.⁶⁸

In relation to trademark rights, this means that the ECJ, in interpreting the TMDir, or in deciding upon registration of Community trademarks under the TMReg, is bound to respect Article 10 ECHR, not because of a direct duty under the Convention,⁶⁹ but because Article 10 ECHR is one of the general principles of EU law.⁷⁰

⁶² Helberger 2005, p. 73; Hugenholtz *diss.* 1989, p. 157. In relation to Article 5 GG see Seifert & Hömig 2003.

⁶³ ECtHR 16 March 2000, *Özgür Gündem v. Turkey*, para. 43.

⁶⁴ ECJ 26 April 1988 *Bond van Adverteerders*; ECJ 18 June 1991 *ERT*; ECJ 25 July 1991 *Stichting Collectieve Antennevoorziening Gouda*; ECJ 8 July 1999 *VTM*; Commission Decision 96/346/EC *RTL/Veronica/Endemol*. See further Castendyk, Dommering & Scheuer 2008, p. 69.

⁶⁵ ECJ 26 June 1997 *Familiapress*.

⁶⁶ ECJ 24 March 2004 *Karner v. Troostwijk*.

⁶⁷ ECJ 12 October 2006 *Laserdisken ApS v. Kulturministeriet*, paras. 60-66.

⁶⁸ *Ibid.*

⁶⁹ That direct duty may arise upon the EU's accession to the ECHR pursuant to the Treaty of Lissabon. See above section 3.2.2.

⁷⁰ ECJ 12 October 2006 *Laserdisken ApS v. Kulturministeriet*, para. 61; ECJ 12 June 2003 *Eugen Schmidberger v. Austria*, para. 71.

3.3.3 'HORIZONTALE DOORWERKING' IN THE DUTCH LEGAL ORDER

Also Dutch constitutional rights have indirect horizontal effect or '*horizontale doorwerking*',⁷¹ which means that open norms of private law like Article 6:162 BW on civil liability need to be interpreted in accordance with constitutional rights. *Horizontale doorwerking* of Article 7 Grondwet could also apply to trademark rights, were it not that this Article is of little relevance to this research.⁷²

That being said, Article 10 ECHR is applied by Dutch courts in horizontal conflicts. Whereas Article 120 of the Grondwet pre-empts Dutch courts from assessing the constitutionality of trademark law, Articles 92 to 94 Grondwet allow third parties to invoke Article 10 ECHR before national courts. They enshrine the monist system of Dutch law by regulating that international law that "may be binding on all persons by virtue of their contents" is directly applicable in the Dutch legal order.⁷³

The horizontal effect of rights contained in the ECHR was first confirmed by the Dutch Hoge Raad in the 1987 *Bespiedde Bijstandsmoeder* case.⁷⁴ In this case, Article 8 ECHR was interpreted as a subjective right and the infringement by the other party upon this right was qualified as 'onrechtmatige daad', a general provision of tort, under Article 6:162 of the Dutch Civil Code.

In case of a conflict with trademark rights, judges may give effect to Article 10 ECHR in a number of ways.⁷⁵ They can try to solve the conflict by interpreting trademark law in light of Article 10 ECHR. This manner of balancing can be referred to as 'internal balancing', meaning that 'open' norms, i.e. norms that leave room for interpretation, can be interpreted in light of freedom of expression. These open norms are the provisions like due cause, unfairness, or public policy. In addition, I think that many other criteria of trademark law leave room for interpretation in line with Article 10 ECHR, e.g. the criterion of 'use in the course of trade' or 'use in relation to goods and services'.

When, in an individual case, internal balancing does not offer an adequate solution to the conflict, courts may resort to external balancing. Consequently, they can balance trademark rights with the freedom of expression of third parties externally in a human rights framework. Within that framework, trademark rights are protected as property

⁷¹ Van der Pot & Donner 2001, p. 246; Dommering 1982, p. 17; Hartkamp 2000. According to the Dutch legislator, it is up to the judiciary to decide whether in a concrete case constitutional norms have *horizontale doorwerking*. The *doorwerking* can take place in five different manners, which represent a sliding scale: "1) The mandate of the legislator or the government to implement a specific policy or principle, including in private relationships; this is the case for example with the instruction norms found in the fundamental social rights, like the rights to education, work and housing;. 2) The fundamental norm, which is not directed solely at the legislator, can also present itself to the judge as an important value that influences the interpretation of the rules or principles of private law, such as good morals, public order, or good faith; 3) The fundamental right can be the independent expression of a legal interest, which the judge must take into consideration when weighing all interests at hand. 4) The fundamental right can be the expression of a legal principle from which the judge may only deviate for compelling reasons. 5) The fundamental rights recognised in the Constitution impose themselves as interpretative norms of law, which can be restricted only in compliance with the constitutional limitation clauses." (transl found in Guibault *diss.* 2002, p. 156).

⁷² Dutch judges are not allowed to review the constitutionality of trademark law and they are hesitant to interpret open norms in light of constitutionally rights. In addition, the wording of Article 7 GW is solely directed at creating rights of individuals vis-à-vis the state. It can thus not create obligations of the state in horizontal relations. See further above section 3.2.3.

⁷³ Van der Pot & Donner 2001, p. 250.

⁷⁴ HR 9 January 1987 (*Bespiedde Bijstandsmoeder*).

⁷⁵ Hartkamp 2000, p. 31.

rights by Article 1 1st AP ECHR.⁷⁶ E.g. in the *XS4ALL v. Scientology* case, the Hof Den Haag held,

Although copyright falls under Article 1 of the First Additional Protocol to the ECHR and can thus be seen as a human right, it is not immune to the need for balancing with freedom of expression and information under Article 10 ECHR ...⁷⁷

In that particular case, the Hof Den Haag examined whether the exercise of the exercise of a copyright was a justifiable impairment of Article 10 ECHR.

3.3.4 'MITTELBARE DRITTWIRKUNG' OF ARTICLE 5 GG

In German doctrine, the application of constitutional provisions in conflicts between private parties is referred to as "*Drittwirkung*". The German Bundesverfassungsgericht, following a theory of *Dürig*,⁷⁸ adheres to the doctrine of "*mittelbare Drittwirkung*" or indirect horizontal effect. The doctrine of *mittelbare Drittwirkung* as developed by the BVerfG entails two elements: the responsibility of all state organs to respect constitutional rights and an all-encompassing effect of constitutional norms on the law as a whole.

The responsibility of state organs to give effect to constitutional rights follows from Articles 1.3 and 20.3 GG, which bind organs of the state to respect constitutional rights and the constitutional order.⁷⁹ In its seminal *Lüth* decision, the German Bundesverfassungsgericht confirmed this 'mittelbare Drittwirkung' of constitutional rights.⁸⁰ However, in its decision, the BVerfG went much further than presenting a mere institutional version of horizontal effect. It found that constitutional norms have a far-reaching impact on the legal system as a whole. In the words of the BVerfG,

"the basic rights are primarily rights of defence of citizens against the state; however, the basic rights provisions of the Grundgesetz also embody an objective

⁷⁶ HR 20 October 1995 *Dior v. Evora*, para. 3.11, "Ingevolge deze bepalingen kan dat recht immers bij de wet worden onderworpen aan beperkingen die in een democratische samenleving nodig zijn ter bescherming van — onder meer — de rechten van anderen. Tot die rechten van anderen dienen het merk- en auteursrecht te worden gerekend."

⁷⁷ Hof Den Haag 4 September 2003 *XS4ALL v. Scientology*. "Hoewel het auteursrecht onder art. 1 van het Eerste Protocol bij het EVRM valt en dus als mensenrecht kan worden bestempeld, is het auteursrecht daarmee geenszins verheven boven een afweging tegen de informatievrijheid van art. 10 EVRM ..." See also AG Verkade (HR) 18 March 2005 *XS4ALL v. Scientology*; Rb. Amsterdam 19 January 1994 (*Boogschutter*); Pres. Rb. Amsterdam 12 November 1998 *Anne Frank Fonds v. Het Parool*; Hof Amsterdam 8 July 1999 *Anne Frank Fonds v. Het Parool*.

Dommering is of the opinion that in the case of copyrights, external balancing would not be necessary. Dommering et al. 2000, p. 455. In favour of external balancing Verkade 1990, p. 38; De Cock Bunning 2005, p. 161, Hugenholtz 2000. According to *Hartkamp*, the option of external balancing is open if the solution is clear and the neglected provision can be replaced easily Hartkamp 2000, p. 31.

⁷⁸ *Dürig* 1956, p. 157. Initially, *Nipperdey* and *Leisner* argued that constitutional rights would create "unmittelbare Drittwirkung" or direct horizontal effect. *Nipperdey* 1959; *Leisner* 1960. For an overview over the discussion see Canaris 1999; Ruffert 2001.

⁷⁹ Article 1.3 GG, "The following basic rights shall bind the legislature, the executive, and the judiciary as directly applicable law." Article 20.3 GG, "The legislature shall be bound by the constitutional order, the executive and the judiciary by law and justice."

⁸⁰ BVerfG 15 January 1958 (*Lüth*); Ruffert 2001, p. 15.

order of values which has, as a fundamental decision of constitutional law, validity for all areas of the law”.⁸¹

This ‘objective order of values’ or “*Wertordnung*” embodied in constitutional rights means not only that general laws are limited by constitutional rights, but that the legal system as a whole must be interpreted in light of the values underlying the constitution. According to Preuss,

“it cannot be tolerated that there are spheres of social life in which the spirit or the values of the fundamental rights are absent.”⁸²

In these spheres of social life, the state plays the role of enabling individuals to enjoy their rights, by guaranteeing not just a negative *freedom from the state* but also a more positive sort of *freedom through the state*.⁸³

The BVerfG also specified how constitutional norms and their underlying values need to be given effect in horizontal conflicts. In the *Spezifisches Verfassungsrecht* case, the BVerfG referred to the duty of courts to engage in *internal balancing*. It held that,

“[c]ourts have a duty, in the interpretation and application of (simple) law, and particularly in when general clauses are concerned, to take account of basic values. If a court neglects these norms, it violates, as a carrier of public power, the relevant constitutional norms. Its judgment must be annulled by the Bundesverfassungsgericht in case of a constitutional complaint.”⁸⁴

In case of a conflict between freedom of expression and trademark rights, a judge must thus interpret the norms of trademark law in accordance with Article 5 Grundgesetz. This applies in particular to open provisions such as public policy, unfairness and due cause. Moreover, in my opinion, Article 5 GG can play a role in the interpretation of other the criteria of Article 14 Markengesetz, such as the criteria of ‘use in the course of trade’ or ‘use in relation to goods and services’. In this process of balancing, courts must pay attention to the hermeneutical circle (the ‘Wechselwirkung’), in which the basic right is restricted by trademark law, but trademark law is interpreted in the light of the basic right,⁸⁵ and they must take account of Article 19.2 GG, which states that “[i]n no case may the essence of a basic right be affected” (the ‘Wesensgehaltsgarantie’).

⁸¹ BVerfG 15 January 1958 (Lüth); translation Guibault *diss.* 2002, p. 155.

⁸² Preuss 2005, p. 24. See also Wahl 2004, Band II, § 19, p. 745. Wahl explains the dimension of the influence of constitutional provisions on the law in the following manner: “Das Gericht liefert eine Fundamentalbegründung, die weit über die Fallkonstellation der Drittwirkung hinaus reicht und erstmals breite Felder, ja ganze juristische ‚Kontinente‘ der Grundrechtsgeltung erschließt. Die Grundrechte wurden, was ihre Wirkung betrifft, neu erfunden, als ihnen eine Rundum-Geltung, eine ‚absolute‘ oder ‚universale‘ Wirkung zuerkannt wurde. Sie wurden das ‚Gesetz der Gesetze‘, eine Grundnorm nicht nur im formalen Sinn. Das neue Verständnis macht nicht nur den Staat, sondern auch die Gesellschaft zum ‚Regelungsgegenstand‘ der Verfassung.”

⁸³ Preuss 2005, p. 24.

⁸⁴ BVerfG 30 November 1962 (Spezifisches Verfassungsrecht), p. 93, “Gerichte haben bei der Auslegung und Anwendung von einfachem Recht, insbesondere von Generalklauseln, den grundgesetzlichen Wertmaßstäben Rechnung zu tragen. Verfehlt ein Gericht diese Maßstäbe, so verletzt es als Träger öffentlicher Gewalt die außer acht gelassenen Grundrechtsnormen; sein Urteil muß auf eine Verfassungsbeschwerde hin vom Bundesverfassungsgericht aufgehoben werden.”

⁸⁵ See above section 3.2.4.

Furthermore, the rights must be balanced concretely in each individual case by weighing the protected interests at stake against each other.⁸⁶

If the freedom of art as guaranteed by Article 5.3 GG collides with trademark rights, internal balancing is impossible. The freedom of art may not be restricted by ordinary laws. It can however be restricted by other norms of constitutional character. Courts may thus externally balance the freedom of art with the right to property contained in Article 14 GG. In this collision, courts must try to achieve a ‚practical concordance‘ (praktische Konkordanz) of the two constitutional rights. The BVerfG has explained the meaning of practical concordance as follows:

"Gerät die Kunstfreiheit mit einem anderen Recht von Verfassungsrang in Widerstreit, müssen vielmehr beide mit dem Ziel der Optimierung zu einem angemessenen Ausgleich gebracht werden. Dabei kommt dem Grundsatz der Verhältnismäßigkeit besondere Bedeutung zu [...] Bei Herstellung der geforderten Konkordanz ist daher zu beachten, daß die Kunstfreiheit Ausübung und Geltungsbereich des konkurrierenden Verfassungsrechtsgutes ihrerseits Schranken zieht. All dies erfordert eine Abwägung der widerstreitenden Belange und verbietet es, einem davon generell - und sei es auch nur für eine bestimmte Art von Schriften - Vorrang einzuräumen."⁸⁷

Practical concordance means thus that as a first step in the concrete case the interests behind the respective rights need to be examined and balanced. According to Article 19.2 GG, it must be ensured that the core values of the respective right are not encroached upon.⁸⁸ In a second step, the intensity of the concrete interference must be assessed. In both steps, an optimal solution for a balance of the rights must be found.

3.3.5 THE CONSTITUTIONALISATION OF PRIVATE LAW

Especially in German doctrine, there is a discussion whether the application of constitutional or human rights to private law would create an unnecessary and undesirable substitution or duplication of the norms of private law.⁸⁹ Private law and its specific norms, especially those on balance of interests, have developed since Roman times. Private law has thus passed through a process of historical evolution that has filtered out unsuccessful solutions. The remaining successful and fine-tuned norms, it is argued, should not be replaced with general and vague proportionality tests stemming from very recent constitutional norms.⁹⁰ Such a ‚constitutionalisation‘ of private law would lead to the erosion of the mechanisms of private law and in the case of intellectual property rights it may create legal uncertainty. It may replace specific norms of private law with ‚vague constitutional norms‘.⁹¹

⁸⁶ Seifert & Hömig 2003, Art. 5 no. 21; BVerfG 5 June 1973 Lebach, p. 224.

⁸⁷ BVerfG 27 November 1990 (Josefine Mutzenbacher), p. 143 (citations omitted); BVerfG 3 November 1987 (Herrnburger Bericht), p. 253.

⁸⁸ This is referred to as "Wesensgehaltgarantie." Leisner 1960, p. 332.

⁸⁹ See Ruffert 2001, p. 47. Ahrens 2004, Einl F no. 103 to 107.

⁹⁰ Ruffert 2001, p. 47 "Diese Tradition vermag in vielen Fällen einem dem jeweiligen Institut eigene Rationalität vermitteln, denn traditionelle Institutionenbildung führt dazu, daß über die zeitliche Evolution unsachgemäße Lösungen ausgeschieden und vorteilhafte Konzepte aufrechterhalten werden."

⁹¹ Dreier 2001, p. 310.

I think that these arguments echo the concerns of intellectual property lawyers also outside of Germany, who are hesitant to accept that human rights norms such as Article 10 ECHR have a bearing on intellectual property rights.⁹²

Private law offers indeed many fine-tuned legal mechanisms that must be maintained. However, in respect of the conflict between freedom of expression and trademark rights the arguments against the application of freedom of expression are not compelling.

First, the argument that the application of Article 10 ECHR would cause legal uncertainty must be rejected. The conflict between freedom of expression and trademark rights is a conflict between two private parties, which both have an equal entitlement to legal certainty. They are both equally entitled to the protection of their respective trademark rights and freedom of expression. Trademark law knows its specific definitions and limitations, which grant legal certainty to trademark right holders. It does however also contain open provisions like the ground of refusal of public policy, or the requirements of due cause and unfairness in Article 5.2 and 5.5 TMDir as well as various other requirements of trademark law that are open to interpretation. In addition, trademark law is already limited externally e.g. by antitrust law (in cases of abuse of a dominant position)⁹³ or by provisions on abuse or misuse of right.⁹⁴ Trademark law does thus, in fact, provide no watertight form of legal certainty. The legal certainty of trademark right holders would not be gravely worsened by the application of freedom of expression. Rather, the application of freedom of expression to trademark rights is an essential recognition of legal certainty of third parties because it provides them with an effective remedy in cases where their freedom of expression is curtailed.

Second, the argument of ‘historical value’ of private law is only compelling if constitutional law were to entirely replace the mechanisms of private law. In my opinion, this is not the case in the conflict between trademark rights and freedom of expression. For instance in German law the relationship between constitutional law and private law is not at all one-sided. Rather, according to the “Wechselwirkungslehre” constitutional rights and private law mutually influence each other. On a hierarchical level, constitutional law does prevail over private law. Private law does however retain the presumption of validity and insight (“Geltungs- und Erkenntnisvorrang”), meaning that, in balancing trademark rights with freedom of expression, judges will not simply replace valid provisions by entirely different considerations stemming from freedom of expression.⁹⁵

Third and most importantly, as the analysis in chapter 2 has shown present day trademark law essentially lacks the fine tuned solutions to many of the problems that have been created by the expansion of trademark rights and by a change in the manner we deal with trademarks. Some trademarks have become important social and even political symbols that represent lifestyles, culture, and (private) power, but trademark law protects

⁹² E.g. H. Cohen Jehoram 2003.

⁹³ See e.g. on the possible limitation of copyright by antitrust rules ECJ 6 April 1995 (Magill); on a conflicts between anti-trust rules and trademark protection in the United States, see above section 2.3.2.3, FN 151.

⁹⁴ Article 17 ECHR in conjunction with Article 1 1st AP ECHR; Article 3.13 Dutch Civil Code. See also De Cock Bunning 2005, p. 161; H. Cohen Jehoram 2004 expressing a preference for the application of provisions on abuse of right.

⁹⁵ Ruffert 2001, p. 49.

trademarks in a monologic manner, which clashes with the dialogic form of communication that is protected by freedom of expression. Moreover, trademark rights have been stretched beyond the limitations set by their own rationales into a sphere that lies at the core of freedom of expression.

As social, cultural, or political concerns have not been integrated in the structure of trademark law, freedom of expression and the jurisprudence developed under it may thus in many cases provide a more appropriate balancing mechanism. Moreover, freedom of commercial expression may provide an adequate balancing solution for third party traders, who are hindered in providing information to consumers by using trademarks of others in comparative advertising, referential use or descriptive use.

In sum, Article 10 ECHR places states under an obligation to ensure that the exercise of trademark rights does not violate the freedom of expression of third parties and states are obliged to respect their positive obligations and thus to structure trademark law in a manner that expressive diversity is not overly impaired. In order to achieve this, I argued that it is necessary that legislators draft trademark law in a manner that no disproportionate impairment of freedom of expression is caused by the exercise of trademark rights, and that courts and registering authorities interpret open norms of trademark law in light of freedom of expression.

3.4 RATIONALES FOR FREEDOM OF EXPRESSION

In this section, I provide an overview of those rationales that may justify freedom of expression for third parties to use trademarks. Taking a closer look at foundations of freedom of expression is important because constitutional, and international legal provisions of freedom of expression contain little guidance on the subject matter and level of protection granted by the freedom. The rationales play thus an important role in the interpretation of the freedom of expression.

In section 3.4.1, I will examine traditional rationales of freedom of non-commercial expression, i.e. discovering truth and democratic participation, and the rationale of self-fulfilment. These traditional rationales justify a general freedom of expression for a third party who uses trademarks in non-commercial expression. However, since the traditional rationales have a rather institutional view on public discourse, I deem it necessary to provide a supplementary rationale, which focuses on the role of signs in public discourse. In sub-section 3.4.2, I will thus discuss a rationale based on a conception of 'dialogic democracy'. This rationale is related to postmodernist theories and it justifies freedom of expression in particular when individuals and groups influence the meaning and ideas that are carried by dominant symbols, which includes certain trademarks.

In section 3.4.3, I will discuss the general rationale for the protection of a freedom of commercial expression, i.e. the freedom of expression of a third party who uses trademarks of another trader in a purely commercial manner in order to inform consumers, e.g. through comparative advertising, referential use or descriptive use. Since, courts have only recently accepted the protection of commercial expression as a part of freedom of expression and legal doctrine is still divided on the question whether

commercial expression should be protected, I will also address the criticism voiced against protecting freedom of commercial expression.

3.4.1 GENERAL RATIONALES FOR FREEDOM OF NON-COMMERCIAL EXPRESSION

3.4.1.1 Truth, Democracy, and the Role of the State

The rationale of discovering truth and the democracy rationale of are of a consequentialist nature; they justify freedom of expression because of its positive outcome. The rationales apply to freedom of non-commercial expression, e.g. when a person uses trademarks in criticism of, or comment about a trademark right holder, its products, or a phenomenon connected to the trademark. In particular, the two rationales justify strong protection of minority views and oppositional expression.

The democracy rationale, furthermore, indicates that freedom of expression must be granted in order to control dominant political, social, cultural, or economic forces. In my opinion, this freedom to control implicates the freedom to criticise the symbols of power, which may often be trademarks.

However, freedom of expression as justified by the two rationales is not unlimited. The rationales also indicate the extent of permissible limitations of freedom of expression for third party trademark use. If third party trademark use causes harm to a trademark or a trademark right holder, the rights and interests at stake must be carefully balanced whereby the democracy rationale and the rationale of discovering truth may create an assumption in favour of allowing those types of expression that aim at criticising or controlling dominant entities or persons in society.

a. Truth and Democracy

The *rationale of discovering truth* justifies the protection of expression about beliefs, of opinions, and expression on political or social matters. It is often linked to *John Stuart Mill* who argued that governments must not prohibit potentially true expression, because they are not infallible. As governments will be inclined to suppress expression that they deem incorrect, their versions of truth must be open to criticism and debate; otherwise, Governments cannot be confident that the grounds upon which they legislate are appropriate.⁹⁶ Equally, Mill contended that false expression should not be suppressed. Those holding the true views must be instigated to oppose and challenge false views. In Mill's words,

“if [truth] is not fully, frequently, and fearlessly discussed, it will be held as dead dogma, not a living truth.”⁹⁷

A particular version of the argument of discovering truth is the market place of ideas rationale. The term ‘free market place of ideas’ goes back to U.S. jurisprudence in *Abrams vs. U.S.*⁹⁸ Justice *Holmes*, who was describing the system of the U.S.

⁹⁶ Barendt 2005a, p. 8.

⁹⁷ Mill 1859, p. 97.

⁹⁸ U.S. Supreme Court 11 October 1919 *Abrams v. United States*.

Constitution, argued that the competition of ideas and beliefs on a free market place provides the only viable test for uncovering the truth of ideas. In Holmes' words,

“When men have realized that time has upset many fighting faiths, they may come to believe even more than they believe the very foundations of their own conduct that the ultimate good desired is better reached by free trade in ideas--that the best test of truth is the power of the thought to get itself accepted in the competition of the market, and that truth is the only ground upon which their wishes safely can be carried out.”⁹⁹

Holmes saw the competition on the market place of ideas as an ongoing process. Absolute truth of opinions and views cannot be established, it is therefore important to allow also false beliefs to enter the market place. Wrong or offensive opinions and ideas should thus not be forbidden but should be tested against other opinions. The best remedy against ‘wrong’ speech is ‘more speech’.

Both, the argument presented by Mill and the free market place of ideas metaphor show that true expression should receive strong protection, but that also potentially untrue expression should not always be prohibited. In relation to trademark rights, this means that a third party using a protected trademark in order to address social issues or political issues should receive high protection, even if the expression is potentially untrue.

The *democracy rationale* justifies high protection for democratically relevant expression. It focuses on the central role of freedom of expression in a democracy. Freedom of expression is essential to allow people to participate in self-governance, because only by taking account of diverging opinions, an optimum of societal justice and societal development can be reached.¹⁰⁰ Freedom of expression in this sense is of equal importance to the right to vote and be elected or the right to association and assembly. In addition, freedom of expression is important because it contributes to the control of powers in a democracy, as e.g. the use of trademarks of oil companies by a campaign group like Greenpeace may clearly fall into this category.¹⁰¹

b. Freedom to Control Power

Freedom of expression is clearly an essential precondition to the control of the powers in a democracy. Governments may try to limit freedom of expression for the sake of stability in a democracy or in order to forestall unpleasant criticism. One could argue therefore that freedom of expression must be granted precisely because governments may not be trusted with deciding, which expression to allow and which to prohibit. *Frederik Schauer* finds in the mistrust of government authority a unifying rationale of freedom of

⁹⁹ *Ibid.* In a more recent judgement, Justice Kennedy wrote, “It is through speech that our convictions and beliefs are influenced, expressed, and tested. It is through speech that we bring those beliefs to bear on Government and on society. It is through speech that our personalities are formed and expressed. The citizen is entitled to seek out or reject certain ideas or influences without Government interference or control.” U.S. Supreme Court 22 May 2000 *United States v. Playboy Entertainment*.

¹⁰⁰ Nuspilger 1980, p. 5.

¹⁰¹ E.g. Rb. Amsterdam 22 December 2006 *The Netherlands v. Greenpeace*; Cour de Cassation 8 April 2008 *Greenpeace v. SPCEA* (Areva).

expression.¹⁰² In his opinion, governments must not decide for individuals upon questions of life-styles, they must not proscribe their image of the ‘good life’ and they must not interfere with the opinions of individuals; they are prone to abuse this power.¹⁰³ Following this line of reasoning, a great leeway for dissident, oppositional, or unpleasant expression must be granted.

The powers in a democracy may be government powers, but also religious powers or private powers. Through debate, criticism, satire, or even art, awareness of problems can be created and power can be controlled. The democracy rationale therefore grants preferred positions to certain institutions in society, which hold traditional control functions. Traditionally, the press plays a special role in controlling political power. The ECtHR, for instance, refers to the press a ‘watchdog’ and grants heightened protection to the press.¹⁰⁴ Increasingly also pressure groups and even individuals who publish and criticise e.g. on the Internet are exerting an important control function. These groups may receive a similar high degree of protection.¹⁰⁵ The ECtHR confirmed this role of pressure groups in the *Steel and Morris v. the United Kingdom* case, where it held that:

“The Court considers [...] that in a democratic society even small and informal campaign groups, such as London Greenpeace, must be able to carry on their activities effectively and that there exists a strong public interest in enabling such groups and individuals outside the mainstream to contribute to the public debate by disseminating information and ideas on matters of general public interest such as health and the environment”¹⁰⁶

In my opinion, the freedom to control and criticise power must also imply a freedom to criticise the symbols of power as they are the representatives of that power. Next to state symbols or religious symbols, power in a democracy may also be represented by private actors and in particular by their trademarks. As a logical consequence, the freedom to control and criticise private power implies a freedom to criticise the symbols of private power, i.e. trademarks.

c. *Minority Views, Opposition, Exaggeration and Pluralism*

In a democracy, the value of freedom of expression lies in particular in the facilitation of minority expression, unpopular expression, or dissent. Criticism of government symbols like flags or emblems will often cause heated debate. This should however be no reason to prohibit such expression as also exaggerated expression can be of great value.¹⁰⁷ The need to ensure a plurality of opinions is echoed by the ECtHR in the *Handyside* case. In its decision, the Court stated,

¹⁰² Schauer 1982.

¹⁰³ *Ibid.*; De Meij, Hins, Nieuwenhuis & Schuijt 2000, p. 31; see also Nieuwenhuis 1997, p. 12.

¹⁰⁴ ECtHR 26 April 1979 *Sunday Times v. United Kingdom*.

¹⁰⁵ ECtHR 15 February 2005 *Steel and Morris v. The United Kingdom*.

¹⁰⁶ ECtHR 15 February 2005 *Steel and Morris v. The United Kingdom*, para. 89; see also ECtHR 19 February 1998 *Bowman v. The United Kingdom* and ECtHR 6 May 2003 *Appleby and Others v. The United Kingdom*.

¹⁰⁷ In the United States, for instance, several state-laws forbade the desecration of the flag of the United States of America. In the United States Supreme Court held these laws unconstitutional. U.S. Supreme Court 21 June 1989 *Texas v. Johnson*.

“The Court's supervisory functions oblige it to pay the utmost attention to the principles characterising a 'democratic society'. Freedom of expression constitutes one of the essential foundations of such a society, one of the basic conditions for its progress and for the development of every man. Subject to paragraph 2 of Article 10 (art. 10-2), it is applicable not only to 'information' or 'ideas' that are favourably received or regarded as inoffensive or as a matter of indifference, but also to those that offend, shock or disturb the State or any sector of the population. Such are the demands of that pluralism, tolerance and broadmindedness without which there is no 'democratic society'.

Some forms of trademark use may be exaggerated in a manner that its positive contribution to discovering truth or to public debate in a democracy may be doubted. Campaign groups may for instance alter trademarks drastically in order to create attention for their views. A drawing of a person urinating on the logo of a hunting federation may leave no doubt about the views of a group of protesters.¹⁰⁸ Likewise, the poster of ‘Boycott Outspan Aksie’ depicted below in p. 235 calling for a boycott of an orange trader involved in the South African apartheid regime may have been too exaggerated to trigger a polite and ‘civilized’ public debate. (The poster showed a cut off head of a little African boy squeezed on an orange squeezer carrying the slogan ‘Do not squeeze South Africans’.¹⁰⁹) Under the democracy rationale, however, expression may not be judged solely by its immediate benefits and it does not need to be polite. In fact, a great leeway must be granted to expression that could be regarded as not democratically ‘useful’.

In this respect, it is important to stress that the type of consequentialism underlying the democracy rationale as well as the rationale of discovering truth differs significantly from the type of consequentialism that underlies economic theories. In particular, the cause-effect relationship on the market place of ideas or in a democratic or public discourse differs from that of economic market places. In economic market places, a close relationship between causes and effects is presumed and the aim is to generate an *optimum of information*. In contrast, when freedom of expression is at stake, effects are not guaranteed nor do they have to be immediate. Wrong, divergent, or eccentric ideas can prove to be of high value at a later stage and they can influence the communication process in manners that cannot be foreseen. Scanlon made this point in relation to self-realisation, but I think that it is equally valid here:

“Even if I dismiss what is said or shown to me as foolish and exaggerated, I am slightly different for having seen or heard it. This difference can be trivial but it can also be significant and have a significant effect on my later decisions. For example, being shown powerful photographs of the horrors of war, no matter what my initial reaction to them may be, can have the effect of heightening (or ultimately of dulling) my sense of human suffering involved, and this may later affect my opinions about foreign policy in ways I am hardly aware of.”¹¹⁰

¹⁰⁸ OLG Koeln 10 March 2000 ‘Kampagne gegen die Jagd’.

¹⁰⁹ Hof Amsterdam 30 October 1981 (Boycott Outspan Aksie).

¹¹⁰ Compare Scanlon 1979, p. 525.

The aim of freedom of expression is then not to produce an *optimum of information* (without any distracting voices), but rather functioning public discourse with a *pluralism of opinions* and of forms of expression.

In order to fully realise such a pluralistic public sphere, a state in a democracy may have to play not just a passive but also an active role. It may have to engage actively in setting the conditions for a pluralistic public sphere. Unfettered expression in the search of truth, on the market place of ideas, or in a democracy may not produce by itself the desired results. *Smolla* and *Nimmer* stress that the market place of ideas, just as economic market places will over time be biased in favour of those with the resources to speak. ‘Floods’ of advertising money produces speech that is calculated to influence consumers’ behaviour and ownership concentrations over media entities leads to predominance of conventional ideas.¹¹¹ Views and ideas may thus shift in favour of dominant forces, while minority views may be chronically underrepresented. In some cases, it will thus be necessary that governments actively take positive steps to facilitate freedom of expression.¹¹²

As I indicated in section 3.3.1.2, this may mean that governments are liable to structure trademark law in a manner that it does not enable trademark right holders to dominate the representation of e.g. cultural icons like Michael Jackson, via their trademark rights.

d. Limitations

The rationale of discovering truth and the democracy rationale also provide indications of the limitations of the freedom. Such limitations of freedom of expression may be warranted if expression is overly harmful or offensive, meaning that a balancing process between the freedom and the harms caused must be carried out. In this process, it should not be forgotten that the value of expression may often only be judged in the long term. ‘Simple’ truths, like the fact that the earth is round or that it revolves around the sun were forbidden for a long time before they were accepted as official truths. Equally, strong criticism or emotive expression or expression that may be labelled as categorically harmful, e.g. condoning terrorism, may make an (indirectly) valuable contribution to a public debate that advances society. Prohibitions of such expression may lead to a hollow public debate and to the abuse of power.

Mill was a proponent of a very strict harm principle, arguing that,

“[i]f all mankind minus one were of one opinion, and only one person were of the contrary opinion, mankind would be no more justified in silencing that one person than he, if he had the power, would be justified in silencing mankind.”¹¹³

Mill considered that only a *direct and clear violation of the rights of others* should lead to limitation of freedom of expression. He gave the example of expression in the form of an article in the press, which accused a corn dealer of starving the poor through. Such printed accusations would be legal as they do not produce a direct and clear violation of the right of the corn dealer. However, inciting an angry mob to personally attack the

¹¹¹ *Smolla & Nimmer on Freedom of Speech* 2009, § 2:17.

¹¹² ECtHR 24 November 1993 *Informationsverein Lentia v. Austria*.

¹¹³ *Mill* 1859, p. 76.

corn dealer would be illegal, as it would lead to direct and clear danger for the corn dealer.¹¹⁴

If one lays an emphasis on plurality and the respect of human dignity, as the ECHR and the German Grundgesetz do, such a strict harm principle is not warranted. It will be necessary to prohibit expression that causes hatred towards minorities or expression that attacks the dignity of other humans.¹¹⁵

In the case of a third party using trademarks in non-commercial expression, the freedom may be limited if it causes disproportionate economic harm to the trademark right holder. This means that the freedom of expression and the economic harm must be weighed against each other, whereby the party claiming the need for a restriction of expression must present proof of harm. Since the relationship between expression and economic harm will often be hard to establish, a more abstract form of proof may be sufficient.¹¹⁶

As, the rationale of discovering truth and the democracy rationale justify strong protection of oppositional and exaggerated expression and a freedom to control the carriers of power as well as the symbols of power, a trademark right holder may have to endure a degree of economic harm if third party trademark use in e.g. calls for a boycott. Successful campaigns of vegetarians will decrease the revenues of the meat industry. However, such changes in consumer behaviour cannot be seen as relevant harm.¹¹⁷ Neither should, in my opinion, sales drops due to factually true consumer awareness campaigns about poisonous vegetables be considered relevant harm.¹¹⁸

3.4.1.2 *The Self-Fulfilment of Individuals*

The self-fulfilment rationale explains that freedom non-commercial expression, including third parties who use trademarks in e.g. artistic expression, can provide a means to individuals to determine their place in the world. The self-fulfilment rationale of freedom of expression focuses on the individual and the individual's position in society. Liberties such as freedom of religion, freedom of assembly, the right to privacy, or the right to property need to be granted because the involvement of the state in these areas would fundamentally conflict with a person's autonomy and self-fulfilment. The self-fulfilment rationale justifies an individual's entitlement to freedom of expression "even though the exercise may be inimical to the welfare of society."¹¹⁹ Freedom of expression is important, because by expressing himself, an individual can determine and influence his place in society and he can give meaning to his life; by receiving information, he can make informed choices as an autonomous individual in society.

¹¹⁴ *Ibid.*, p. 119. This kind of harm principle is for instance present in the First Amendment protection of political speech. Harmful speech is allowed unless it 'so imminently threaten[s] immediate interference with the lawful and pressing purposes of the law that an immediate check is required to save the country.' U.S. Supreme Court 11 October 1919 *Abrams v. United States*, dissenting opinion of Justice Holmes. See also U.S. Supreme Court 3 March 1919 *Schenk v. United States*.

¹¹⁵ Granting the protection of Article 10 ECHR to such expression may be considered abusive and could be prohibited under Article 17 ECHR.

¹¹⁶ Nieuwenhuis 1997, p. 48.

¹¹⁷ *Ibid.*

¹¹⁸ Rb. Amsterdam 6 January 2005 *Milieudefensie v. Super De Boer*.

¹¹⁹ Barendt 2005a, p. 13.

Autonomy is one of the central elements in the self-fulfilment rationale. There are many differing ideal-typical notions of autonomy. One definition of autonomy is the following: The autonomy or individuality of an individual lies in the capacity of the individual to reason, to understand the world around him and to make reasoned decisions about his life.¹²⁰ For the purposes of this research, I want to mention two aspects of autonomy.

First, rationality is perceived as a precondition for autonomy and I think that such a rationality-based notion of autonomy provides a convincing rationale for granting liberties. However, the requirement of rationality must not be understood as a computer-like quality. Self-fulfilment is furthered not just by completely rational expression, but also by expression motivated by emotions. The expressive use of signs and trademarks is much more connected to this notion of self-fulfilment, as it is often highly loaded with emotions. In this sense, I think that if the self-fulfilment rationale, as encompassing also emotive statements, does provide a general rationale for a strong protection of and in particular artistic expression, which may include the use of protected trademarks.

Second, in order to guarantee the self-fulfilment of individuals the state may not purely have to abstain from interfering with a person's self-development but may have to take active steps. Indeed, there is an ongoing debate about the question whether a state must provide liberties as mere defence rights ('negative liberty'), or whether it must also provide conditions that enable individuals to realise their capacities and to enjoy their freedoms ('positive liberty').¹²¹ This question about the notion of liberty cannot be answered one way or the other. It is related to political conviction about the ideal relationship between state and individual and the answer is ultimately one of political choice. I personally think that, while the notion of negative liberty must remain the primary aspect of freedom of expression, there is a need to provide the conditions for positive liberty and hence states should ensure that individuals can enjoy their freedom of expression by setting favourable conditions for self-fulfilment.

In sum, the self-fulfilment rationale can provide a forceful justification of freedom of expression in many areas of political, social, or cultural expression. What it does not provide is a specific rationale that justifies the use of trademarks in such expression.

3.4.2 DIALOGIC DEMOCRACY: A SUPPLEMENTARY RATIONALE FOR THE USE OF TRADEMARKS IN NON-COMMERCIAL EXPRESSION

The rationale from discovering truth and the democracy rationale as well as the self-fulfilment rationale justify the protection of the act of expression including the necessary access to information. They both take what a view on public discourse in a democracy, which focuses on participants and forums, by e.g. justifying specific protection the press, public service broadcasting and other media, and to participants such as certain pressure groups in society or artists. While rationales with this focus appropriately identify forums and participants that should receive strong protection, they do, in my opinion, not

¹²⁰ Mill 1859, p. 119; Buss 2008; Blockland 1995; *Yochai Benkler* describes individual autonomy or self-direction as "the capacity to perceive the state of the world, to conceive of available options for action, to connect actions to consequences, to evaluate alternative outcomes, and to decide upon and pursue an action accordingly." Benkler 2006, p. 146.

¹²¹ Berlin 1982; Buss 2008; Blockland 1995.

sufficiently explain the key role of signs in public discourse. As a necessary addition, I therefore think that a rational base on the theory of dialogic democracy can justify specifically the use and transformation of ‘*meaning carriers*’ in society, i.e. signs, including certain trademarks, which are the focus of social, cultural, and political discourse.

The background of dialogic democracy rationale is found in elements of postmodernist theories. It has been proposed as an additional rationale for freedom of expression in particular by *Rosemary Coombe*, who explains the role of trademarks after WWII in the following manner:

“Postmodernity is distinguished by a dramatic restructuring of capitalism in the postwar period, a reconstruction of labor and capital markets, the displacement of production relations to non-metropolitan regions, the consolidation of mass communications in corporate conglomerates, and the pervasive penetration of electronic media and information technologies. Such processes have coalesced in the Western world societies oriented toward consumption. Consumption is managed by the mass media's capacity to convey imagery and information across vast areas to ensure a production of demand. Goods are increasingly sold by harnessing symbols, and the proliferation of mass media imagery means that we increasingly occupy a “cultural” world of signs and signifiers that have no traditional meanings within social communities or organic traditions [...].”¹²²

The fact that trademarks now are equal to traditional cultural symbols becomes obvious if one were to ask a Dutch person to enumerate elements of Dutch identity or culture. One might end up with a mix of historic and cultural symbols and present day trademarks. It may not be uncommon to get a list that reads: Rembrandt's ‘*Nachtwacht*’, Vermeer's ‘*Girl with the Pearl earring*’, Queen Beatrix, Hema and Albert Hein. If one were to ask an Austrian, the list may read: The Alps, Wolfgang Amadeus Mozart, Johann Strauss, Billa, and Red Bull.

Moreover, in an increasingly globalised world, trademarks can provide an international feeling of home or, conversely, of alienation. For instance, from the year 2000 there was a Starbucks outlet in China's Forbidden City. For a western tourist this meant an availability of familiar products and to some it may also have provided an instant feeling of recognition, of home. Conversely, the Starbucks outlet caused negative associations for the local government, which found that Starbucks certainly did not represent Chinese identity and that the outlet was a western intrusion into Chinese cultural heritage. Partly for this reason, Starbucks decided to close the shop in the Forbidden City in 2007.¹²³

¹²² Coombe 1991, p. 1862 (underline added by WS). Original proponents of this viewpoint, such as Baudrillard or Lyotard, explained that trademarks had not just taken over the role of traditional symbols, but that there was a fragmentation of the public sphere caused by a lack of commonly shared meaning of signs. Baudrillard 1993; Baudrillard 1994; Lyotard 1984. Baudrillard, for instance, spoke of a ‘hyperreality’ caused by signs, which did not refer to (external) socially shared experiences but only to themselves. Baudrillard 1993. I do not share this view of fragmentation, hyperreality and loss of public sphere, yet I still think that the theory of dialogic democracy delivers an important addition to traditional rationales of freedom of expression, because it places emphasis not just on forums and participants, but on the need to ensure the ability to influence the meaning carried by certain signs in order to achieve full and equal participation in a democracy.

¹²³ BBC News, 14 July 2007, <http://news.bbc.co.uk/2/hi/asia-pacific/6898629.stm>.

This example shows that trademarks may be linked to the manner, in which we define ourselves in a globalised world. Trademarks can be points of orientation in our self-direction and self-fulfilment (in a positive or negative manner). Simultaneously, they play a role in the self-definition of groups.

On an individual level, the theory of 'bricolage', which is attributed to French anthropologist *Claude Lévi-Strauss*, explains how the meaning of trademarks can be engaged and changed by 'a bricoleur' when he produces new forms of cultural expression. A bricoleur is a person "who creates improvised structures by appropriating pre-existing materials which are ready-to-hand."¹²⁴ "The bricoleur works with signs, constructing new arrangements by adopting existing signifieds as signifiers and 'speaking' 'through the medium of things' - by the choices made from 'limited possibilities'."¹²⁵ The artistic creation of the bricoleur involves a "dialogue with the materials and means of execution."¹²⁶ "In such a dialogue, [...] the choice of the materials which are ready-to-hand may not be purely instrumental: the bricoleur 'speaks' not only with things... but also through the medium of things': the use of the medium is expressive."¹²⁷

In my opinion, this theory very accurately describes how the act of using the trademarks in cultural production can be important for individual self-fulfilment. It shows that the choice to use a particular trademark in art, parody, or even in criticism is in itself an act of speech. Examples of the use of trademarks in such bricolage are, Andy Warhol's Campbell soup cans, Tom Sachs' Channel Guillotine and Prada Concentration Camp, or a German artist's transformation of a known poem by Goethe into a parody of Milka.

Trademarks, used in bricolage can also play a potential cross-cultural and political role. An example for such use is the postcard series of Trio Sarajevo, a graphic design group from Sarajevo, created a series of postcards using Western trademarks to "convey their demand for the return of their most fundamental human right, the right to exist."¹²⁸ The series included a bullet riddled Campbell Soup can, the "Coca-Cola" trademark transformed to "Sara-jevo", or the Olympic rings made from barbed wire. By using these familiar symbols and trademarks, they were able to communicate effectively to audiences outside of Bosnia-Herzegovina the human suffering and the destruction of cultural heritage that took place in Bosnia-Herzegovina in the first part of the 1990ies. In particular, the use of the trademarks provides a means to reach those audiences that are not so much involved in political discourse, because it is understandable across language barriers and across cultures. As Aoki expresses it:

"What can be clearly understood from Trio's work is that symbols have the ability to convey meaning across the globe because they are not restricted by language barriers, and they often have a uniformity of meaning that is understood across cultures. Courts that restrict this ability to convey meaning in a universally recognizable way restrict freedom of expression."¹²⁹

¹²⁴ Chandler 2002, p. 203.

¹²⁵ *Ibid.*

¹²⁶ Chandler 1995, p. 12 quoting Lévi-Strauss 1968, p. 28.

¹²⁷ *Ibid.*

¹²⁸ Aoki used this example to demonstrate the use of trademarks as an international language. Aoki 1998, p. 541.

¹²⁹ *Ibid.*, p. 542.

The example of Starbuck's and Trio Sarajevo demonstrate that some trademarks represent more than information about goods and services. They have become carriers of political, social or cultural meaning, meaning that freedom of expression of third parties should include a freedom to use and transform the layered meaning contained in certain trademarks.

In this sense, the use and adaptation of trademarks can be seen as part of a greater social dialogue in a democracy.¹³⁰ The central theme of this dialogue is the change and struggle about cultural, social, and political meaning, whereby the dialogue is also seen as a process of 'meaning making'. According to Rosemary Coombe,

"people engage in meaning-making to adapt signs, texts, and images to their own agendas. These practices of appropriation or "recoding" cultural forms are the essence of popular culture [...] mass media imagery and commodified cultural texts provide the most important cultural resources for the articulation of identity and community in Western societies, as traditional ethnic, class, and cultural indicia fade."¹³¹

On a greater scale, there exists a concern that the ability to take part in the democratic dialogue by means shaping the meaning contained in certain signs is limited to certain groups, which leads to a struggle to "fix and transform meanings in a world where access to the means and the medium of communication is limited."¹³² Like in the case of the democracy rationale, the perceived risk is that dominant forces try to control social dialogue. The particular addition lies in the recognition of the fact that such control can also be achieved by controlling the meaning of the key signs that make up public discourse. In this sense, freedom of expression must thus not just entail access to forums and special protection for key participants to public discourse, it must also entail a protection of the ability of groups and persons to use and influence the meaning carried by dominant symbols in society, which includes certain trademarks of social, political or cultural importance. As *William Fisher* states:

"In an attractive society, all persons would be able to participate in the process of meaning-making. Instead of being merely passive consumers of cultural artifacts produced by others, they would be producers, helping to shape the world of ideas and symbols in which they live. Active engagement of this sort would help both to sustain several of the features of the good life--e.g., meaningful work and self-determination--and to foster cultural diversity."¹³³

Coombe lays the link between the theory of dialogic democracy and freedom of expression, by stating that

"[a] dialogic theory of human social life provides a means to reorient the law of free speech or freedom of expression so that it focuses more on the conditions of interaction than on the interacting individuals – freedom not as a lack of all constraints but as an ability to participate in engaged conversations."¹³⁴

¹³⁰ Elkin-Koren 1995, p. 400.

¹³¹ Coombe 1991, p. 1863. see also Hughes 1999; Dreyfuss 1996, p. 148

¹³² Coombe 1991, p. 1860; Elkin-Koren 1995, p. 400.

¹³³ Fisher 1998, p. 1217.

¹³⁴ Coombe 1998, p. 266.

The theory of dialogic democracy as applied to freedom of expression draws thus also on a notion of positive liberty entailing the ability of individuals to influence their place in society and the definition of their identity through the use and transformation of the meaning carried by dominant signs.¹³⁵ Multi-directional media, such as the Internet, have greatly increased the ability of individuals to influence and disseminate interpretations of trademarks, as they have increased the capability of individuals to engage in bricolage or recoding.¹³⁶ *Benkler* points to the fact that someone can find on the Internet all kinds of cultural representations of e.g. Barbie. He calls the possibility for individuals to receive these differing representations as ‘a new cultural transparency’.¹³⁷ In my opinion, just as the press plays a particular role in controlling the powers in a democracy, the Internet plays an important role in facilitating the sort of dialogic communication that contributes social dialogue.

In sum, the theory of dialogic democracy provides a convincing additional rationale for freedom of expression of third parties to use and change the meaning of trademarks of social, cultural, and political importance. Such a freedom must entail not only the possibility of a person to speak; it must also, or in particular, protect the choice for using a particular trademark in expression. Moreover, I argued that this freedom should be strong in dialogic media, such as the Internet.

3.4.3 THE RATIONALE FOR FREEDOM OF COMMERCIAL EXPRESSION

Third party trademark use is often of a purely commercial nature, e.g. when trademark are used in comparative advertising, descriptive use, or referential use on products or services may be entirely commercial. The rationale for a freedom of commercial expression justifying the use trademarks in such manners is of a different nature than the freedom of non-commercial expression. While freedom of non-commercial expression is justified because of its contribution to democratic governance, the discovery of truth, for its essential role in the self-fulfilment of individuals and because of the important role that is played by certain trademarks in social dialogue, freedom of (purely) commercial expression is justified because of its positive effects on the information position of consumers. This rationale, hence, resembles to some extent the search cost rationale for the protection of trademark rights.

Courts have started to protect freedom of commercial expression only recently and amongst scholars this freedom remains one of the strongly debated areas of freedom of expression.¹³⁸ The gist of the criticism of freedom of commercial expression is connected to the negative influence of commercial expression on self-fulfilment and on society.

¹³⁵ “The symbolic resources available for communicative activity shape our ways of knowing even as we use them to express identity and aspiration. [...] Discursive social interactions and the opportunities for imaginative meaning-making they yield are paramount to human life and crucial to historical change. Speech is not a means to an end of self-expression or an instrument to convey information, but the marrow of the self one expresses, the social life of intersubjective practice and its potential for transformation. Dialogue is the activity in which people create their selves and their communities – texts and contexts. The interactive conditions for dialogue need to be fostered if we are to give tangible meaning to democracy.” *Ibid.*, p. 265.

¹³⁶ Elkin-Koren 1995.

¹³⁷ Benkler 2006, p. 277.

¹³⁸ See generally Kabel *diss.* 1981, p. 45; Kabel 2003a.

This criticism is similar to that addressed in section 2.3.2 on the protection of the advertising function of trademarks. There, I argued that the existence of potential negative effects of advertising must mean that it is economically only partly justified to grant an exclusive right to the protection of the goodwill and advertising function of trademarks. Here, I will revisit these arguments and I will argue that such possible negative effects mean that the level of protection of freedom of commercial expression should be lower than that of non-commercial expression. First, I will introduce, however, the rationale for a freedom of purely commercial expression.

The main rationale for the protection of commercial expression lies in the argument that a free flow of commercial information is of crucial importance to citizens in a market economy and that hence traders must be granted the freedom to inform consumers. It may be of little surprise that this argument in favour of protecting commercial expression has been voiced by economics scholars. *Aaron Director*, a founder of the law and economics movement, argued that

“[for] the bulk of mankind [...] freedom of choice as owners of resources in choosing within available and continually changing opportunities, areas of employment, investment, and consumption is fully as important as freedom of discussion and participation in government.”¹³⁹

Ronald Coase summarised this more generally and stated that,

“there is simply no reason to suppose that for the great mass of people the market for ideas is more important than the market for goods.”¹⁴⁰

Coase defined informative advertising broadly. To him,

“any advertisement which includes people to consume a product conveys information, since the act of consumption gives more information about the properties of a product or service than could be done by the advertisement itself.”¹⁴¹

Kozinski and Banner, who are proponents of a high level of protection of commercial expression under the First Amendment to the United States Constitution, argue that no distinction between commercial expression and other kinds of expression can or should be made, as

“in a free market economy, the ability to give and receive information about commercial matters may be as important, sometimes more important, than expression of a political, artistic, or religious nature.”¹⁴²

Overall, the rationale for the freedom lies thus in the interest of consumers to receive a variety of information about goods and services, which is reflected in a right of a trader to inform consumers. This rationale is thus similar to search cost rationale justifying trademark rights in order to stop confusion in the market place and in order to allow consumers to use trademarks as information enhancing tools. The difference between the rationales is that freedom of commercial expression (merely) provides a *freedom* to

¹³⁹ Director 1964, p. 7. See also Coase 1977, and further Coase 1974.

¹⁴⁰ Coase 1977, p. 3.

¹⁴¹ *Ibid.*, p. 9.

¹⁴² Kozinski & Banner 1990, p. 652.

inform with the aim to take away serious obstacles of traders to inform consumer; under search cost rationale, a trader is granted an exclusive right in order to reach an *optimum* of information.

The argument of the value of commercial expression to consumers has been accepted by both the ECtHR and the United States Supreme Court. In its *Virginia Board* decision, the US Supreme Court accepted purely informative commercial expression as falling under the First Amendment. It stated that,

“Advertising, however tasteless and excessive it sometimes may seem, is nonetheless dissemination of information as to who is producing and selling what product, for what reason, and at what price. So long as we preserve a predominantly free enterprise economy, the allocation of our resources in large measure will be made through numerous private economic decisions. It is a matter of public interest that those decisions, in the aggregate, be intelligent and well informed. To this end, the free flow of commercial information is indispensable.”¹⁴³

In similar terms, the ECtHR has accepted the protection of purely informative advertisements in *Krone Verlag v. Austria*. It held that “for the public advertising is a means of discovering the characteristics of services and goods offered to them.”¹⁴⁴

The argument expressed by Director, Coase, Kozinski, and Banner rightly points to the fact that economic information that is provided through advertising is vital. Some scholars even argue that life-style advertising deserves equally high protection as expression aimed at self-fulfilment.¹⁴⁵ The argument is that life-style advertising portrays images and ideas of the good life and that this form of expression is of equal rank to other expression about life and society and that life-style advertising may contribute to self-realisation, in particular, when it communicates ideas or helps formulate self-images.¹⁴⁶

In my opinion, it is an exaggeration to claim that commercial expression is as valuable as expression of a political social or cultural nature. As the previous sub-sections have shown, freedom of non-commercial expression protects a dialogic mode of communication. The rationale of discovering truth and the democracy rationale presuppose an ongoing public dialogue. In particular, the dialogic democracy rationale justifies a freedom of expression of individuals and groups to engage in a dialogue with the meaning represented by certain trademarks.

In contrast, commercial expression is a monologic form of communication. Commercial expression provides vital information to consumers, but it does, in most

¹⁴³ U.S. Supreme Court 24 May 1976 *Virginia State Board of Pharmacy*, p. 765.

¹⁴⁴ ECtHR 11 December 2003 *Krone Verlag v. Austria*, para. 31.

¹⁴⁵ Smolla & Nimmer on Freedom of Speech 2009, § 20:43, “The very ‘excesses’ of modern advertising that might at first make it seem a likely candidate for heavy legal regulation are actually the attributes that most qualify such speech for the heightened constitutional protection we routinely grant other categories of speech. Indeed, the distinction that is central to this line of attack on commercial speech, a distinction that seeks to drive a wedge between the rational and irrational components of advertising, is a distinction that has been repudiated in virtually all areas of current First Amendment doctrine other than commercial speech. The refusal of current First Amendment jurisprudence to accept a schism between the rational and irrational elements of speech (or, to use slightly different terms, between the ‘intellectual’ and ‘emotional’ content of speech) is sound—indeed, one can say *vital* to the American conception of freedom of speech. Commercial speech should be no exception.”

¹⁴⁶ McGowan 1990, p. 435.

cases,¹⁴⁷ not invite dialogue, discussion, or even dispute in any meaningful sense. Advertisements for toothpaste or cars do not further the self-development of the advertiser himself or of his recipients. The argument from truth does thus not provide an argument for the protection of freedom of commercial expression, as the truth and falsity of commercial expression can be easily determined and no real freedom of expression that would facilitate the exchange of opinions is needed in order to determine this truth.¹⁴⁸ According to *Barend*,

“commercial advertising induces consumers to buy products and to use services, but does not equip them to think about social issues or the conduct of government.”¹⁴⁹

This difference in the kind of expression involved has led some authors to view commercial expression as lacking all minimum properties necessary to qualify for protection under freedom of expression.¹⁵⁰ According to Shiner, corporations should not be allowed,

“to pre-empt and pervert for their own ends the sources of protection for personal autonomy at the heart of our political life as individual persons and as citizens.”¹⁵¹

Moon stresses that the facilitation of human agency is one of the key foundations of freedom of expression and that commercial expression and advertising perverts rather than furthers human agency.¹⁵²

Indeed, many critics assert that commercial expression easily manipulates people. On a social scale, commercial expression may promote or impose dominant cultural representations¹⁵³ or social inequality¹⁵⁴. Advertising, including the advertising function of trademarks, is seen as a main source and instrument of power. *Moon*, for instance, states,

“in our liberal-democracy the risk of improper state censorship is far less than the risk of manipulation of consent through advertising for products such as cigarettes and political candidates.”¹⁵⁵

Shiner claims that perception advertising or life style advertising

“presents unreal lifestyles and false implications of portrayals of life-styles; in extreme forms it manipulates and interferes with autonomy.”¹⁵⁶

¹⁴⁷ For an exceptional example see below the two Benetton cases dealt with by the BVerfG (section 3.5.3.b).

¹⁴⁸ Barendt 2005a, p. 399.

¹⁴⁹ *Ibid.*

¹⁵⁰ E.g. Shiner 2003; Moon 1991; Baker 1976; Baker 2004.

¹⁵¹ Shiner 2003 p. 3.

¹⁵² Moon 1991, p. 128.

¹⁵³ Coombe 1991.

¹⁵⁴ Klein 2000. Klein argues that, in particular, multinational companies base their power on the ability to create positive images through advertising. This positive image, and thus their power, is embodied in their trademarks. According to Klein, The positive image is not only used to generate profit; it is also used to conceal the fact that such companies create and exploit social inequality.

¹⁵⁵ Moon 1991, p. 129

¹⁵⁶ Shiner 2003, 322.

I have already discussed similar arguments in section 2.3.2 in relation to the protection of the advertising function of trademarks. In short, the criticism relates to 'perception advertising' that ties in social and cultural representations to stimulate consumption. The criticism has two components. First, commercial expression may create negative effects on individuals because there is a great asymmetry of knowledge between the speaker and the recipient. The strategic character and the information asymmetry make manipulative abuse of commercial expression easy and likely. In addition, there is a more direct relation between manipulative commercial expression and harm than in the case of i.e. political expression.

In section 2.3.2.3, I argued that the potentially negative effects of advertising are a reason to limit the grant of exclusive rights that protect the goodwill and advertising function of trademarks. I agreed that perception advertising or life-style advertising may promote dominant forms of cultural representation and that such advertising may interfere with rational or optimal decision-making of consumers. However, in my opinion these concerns have different consequences with regard to freedom of commercial expression.

First, freedom of commercial expression may provide similar beneficial effects as those described by search cost rationale, i.e. the improvement of the information position of the consumer. However, freedom of expression does not aim at achieving an economic optimum. Certain latitude with regard to the consequences of expression is an essential element of freedom of expression.

Second, persuasion or trying to exert influence is one of the main components of all expression that aims at shaping ideas or opinions and likewise expression that aims at self-fulfilment. This 'persuasion principle', as Strauss calls it, is one of the basic elements of freedom of expression.¹⁵⁷ Thus, persuasiveness *per se* cannot be a reason to exclude commercial expression from protection.

Third, and most importantly, trademark rights and freedom of expression are fundamentally different. Trademark rights are exclusive rights and freedom of expression is 'merely' a freedom. Trademark rights provide right holders with a means to prohibit others to speak, if the expression causes harm to the trademark. By giving the trademark right holder a degree of control over the use of the trademark, trademark rights *enforce* the monologic mode of communication and harm the dialogic form of expression that underlies freedom of expression. In my opinion, an exclusive right to protection the goodwill and advertising function of trademarks cannot be justified, if the underlying advertising may cause negative effects. Others must remain free to challenge the propositions made by advertising. In contrast, freedom of expression merely provides a right for advertisers to speak. It does not exclude dialogic communication or a response by others to the commercial expression. I therefore think that the protection of commercial expression is not excluded by the possibility of negative consequences of advertising.

That being said, I do think that the protection of freedom of commercial expression must necessarily be of a lower intensity than that of non-commercial expression such as on matters of public interest or expression that is related to self-fulfilment, i.e. certain forms of regulation that counter the negative effects of commercial expression must be allowed.

¹⁵⁷ Strauss 1991, p. 334.

In this light, the argument that the regulation of commercial expression is unwarranted paternalism is unconvincing. Commercial speech may advertise for harmful products like cigarettes or alcohol, or may portray unrealistic lifestyles that some consider harmful. It may be argued, “that people will perceive their own best interests if only they are well enough informed, and that the best means to that end is to open the channels of communication rather than to close them.”¹⁵⁸

However, I think that the classical idea that more speech is better, i.e. that the truth or falsity of expression will become apparent by allowing others to respond, cannot be equally applied to commercial expression. First, there is an information asymmetry between suppliers and consumers. Second, the possibility of causing negative effects by false commercial expression is much higher than in the case of e.g. political expression. Third, commercial expression is monologic. It does thus not take place in a context that would be favourable to responses that clarify the truth or falsity of speech.

In sum, freedom of commercial expression can indeed be justified by a consequentialist rationale, i.e. because a freedom of commercial expression may satisfy needs that are vital in a free market economy, however, the justification extends only to a freedom of a lower intensity than that of freedom of non-commercial expression.

3.4.4 INTERIM CONCLUSION

In the present section, I examined the rationales for freedom of expression as it applies to third party trademark users. I clearly distinguished the rationales for freedom of non-commercial expression and the rationale justifying freedom of commercial expression. In relation to freedom of non-commercial expression of third parties, I discussed the rationale of discovering truth, the democracy rationale, and the self-fulfilment rationale as well as specific rationale for the use of trademarks by third parties i.e. a rationale of dialogic democracy. The justification of freedom of commercial expression of third party traders to use trademarks in e.g. comparative advertising, referential use, and descriptive use lies in the information benefits provided by the expression to the consumer.

The rationale of discovering truth and the democracy rationale justify third party trademark use that contributes to public debate even if it is exaggerated, oppositional, or even potentially wrong. The rationales justify the protection of diverse expression and expression that does not directly contribute to public debate. Strong protection should be granted even if expression criticises or aims at controlling dominant views, entities, or persons in society and if it thereby harms the rights and interests of others. In such expression, whether it takes the form of news reporting, satire, gripe sites or public awareness campaigns, third parties must remain free to criticise or debate the symbols of power. These may be trademarks. If the use of trademark by a third party causes harm to a trademark or a trademark right holder, the rights and interests at stake must be carefully balanced.

I argued that in addition to the rationale of discovering truth and democracy rationale as well as the self-fulfilment rationale, a theory of dialogic democracy can provide a

¹⁵⁸ U.S. Supreme Court 24 May 1976 *Virginia State Board of Pharmacy*.

rationale for the use of trademarks by third parties. The theory explains that the meaning contained in dominant signs in a democracy including such as trademarks has a powerful influence over individuals and groups. As these individuals and groups struggle to determine their place in society, a freedom not just to gain access to forums of discourse or a special protection for certain key participants is important, but also the ability to influence the meaning of these signs (the ability to take part in a process of ‘meaning making’). I, therefore, argued that freedom of expression must protect trademark use of individuals and groups who try to influence the meaning of trademarks that are of social, political or cultural importance and I also argued that this freedom should be strong in dialogic media, such as the Internet.

The rationale of freedom of commercial expression of third parties to use trademarks in comparative advertising, referentially or descriptively lies in the positive effects of advertising for consumers. This rationale resembles the argument underlying search cost rationale, but differs from it in the sense that the freedom of commercial expression is not aimed at achieving an optimum of information but rather at removing significant impairments for traders to inform consumers. As commercial expression is potentially more harmful than non-commercial expression, I argued that the level of protection granted must be lower than that of non-commercial expression, i.e. a certain degree of regulation of commercial expression is permissible.

3.5 THE VARYING LEVEL OF PROTECTION

In the previous section, I examined rationales that justify freedom of expression including the freedom of third parties to use trademarks. In the present section, I will examine freedom of expression jurisprudence with a focus on criteria that determine the level of protection, thereby drawing on these rationales.

3.5.1 NON-COMMERCIAL EXPRESSION

3.5.1.1 *Expression on Matters of Public Interest*

In line with the democracy rationale of freedom of expression, the ECtHR as well as the German Bundesverfassungsgericht grant heightened protection to political expression and, more in general, to expression on matters of public interest. This heightened level of protection is of particular relevance to trademark use in non-commercial expression such as criticism of, or comment on a trademark right holder, its products, or a social or cultural phenomenon represented by the trademark.

For the ECtHR “freedom of political debate is at the very core of the concept of a democratic society.”¹⁵⁹ The Court however also stated that “there is no warrant [...] for distinguishing [...] between political discussion and discussion of other matters of public

¹⁵⁹ ECtHR 8 July 1986 *Lingens v. Austria*, para. 42.

concern."¹⁶⁰ 'Discussion on matters of public concern' did cover the criticism of unnamed police officers,¹⁶¹ exaggerated reports about seal hunting,¹⁶² or allegations of incompetence of a plastic surgeon.¹⁶³

In such cases, the Court thus applies the test of necessity in a democratic society strictly and it applies a narrow margin of appreciation. It repeatedly held that "there is little scope under the convention for restrictions on political speech or on debates of matters of public interest."¹⁶⁴ In the *Handyside* decision, the ECtHR clarified that this strong protection encompasses strong dissent and it emphasised the need for pluralism and broadmindedness. In the words of the Court:

"Freedom of expression constitutes one of the essential foundations of such a society, one of the basic conditions for its progress and for the development of every man. Subject to paragraph 2 of Article 10 (art. 10-2), it is applicable not only to 'information' or 'ideas' that are favourably received or regarded as inoffensive or as a matter of indifference, but also to those that offend, shock or disturb the State or any sector of the population. Such are the demands of that pluralism, tolerance and broadmindedness without which there is no 'democratic society'."¹⁶⁵

In the later *Sunday Times* decision, the Court confirmed the particular importance of the press in a democratic society and in political expression. It held:

"Furthermore, whilst the mass media must not overstep the bounds [imposed in the interests of the proper administration of justice], it is incumbent on them to impart information and ideas concerning matters that come before the courts just as in other areas of public interest. Not only do the media have the task of imparting such information and ideas: the public also has a right to receive them. Were it otherwise, the press would be unable to play its vital role of 'public watchdog'."¹⁶⁶

The ECtHR thus recognises the role of journalists as a "public watchdog"¹⁶⁷ and its essential role in "ensuring the proper functioning of a political democracy."¹⁶⁸ The Court however does not make political expression the prerogative of journalists. In addition, pressure groups and demonstrators may enjoy high protection. In the *Steel v. Morris* case, the ECtHR held that

"[t]here exists a strong public interest in enabling such groups and individuals outside the mainstream to contribute to the public debate by disseminating

¹⁶⁰ ECtHR 25 June 1992 *Thorgeirson v. Iceland*, para. 64.

¹⁶¹ *Ibid.*

¹⁶² ECtHR 20 May 1999 *Bladet Tromsø and Stensaas v. Norway*.

¹⁶³ ECtHR 2 May 2000 *Bergens Tidende and others v. Norway*.

¹⁶⁴ E.g. ECtHR 25 November 1996 *Wingrove v. The United Kingdom*; ECtHR 28 September 1999 *Öztürk v. Turkey*; ECtHR 25 November 1999 *Nilsen and Johnsen v. Norway*. See also VandeLanotte & Haeck 2005, part II, vol. 1, p. 856.

¹⁶⁵ ECtHR 7 December 1976 *Handyside v. The United Kingdom*. The *Handyside* case and a range of later cases also show that the ECtHR does grant a wide margin of appreciation to states if the grounds of a restriction of freedom of expression are morals or religion.

¹⁶⁶ ECtHR 26 November 1991 *Sunday Times v. The United Kingdom II*, para. 50. The role of the press as a watchdog was first mentioned in ECtHR 25 March 1985 *Barthold v. Germany*, para. 58.

¹⁶⁷ ECtHR 28 September 1999 *Dalban v. Romaina*, para. 48.

¹⁶⁸ ECtHR 18 July 2000 *Sener v. Turkey*, para. 41.

information and ideas on matters of general interest such as health and the environment.”¹⁶⁹

This means that also the campaigns of pressure groups like Greenpeace, Amnesty International, or Milieudefensie may enjoy strong protection under Article 10 ECHR.

The German BVerfG places similar emphasis on the protection of political expression. In the *Lüth* case, it held that expression is of particular weight if it is not made in the course of a private debate, but with the aim to contribute to the forming of public opinions.¹⁷⁰ The BVerfG does not limit the high level of protection to a particular medium. Expression of interest to the public can also be contained in a paid advertisement. In the *Benetton* case, the BVerfG for instance held that an advertisement of a clothing company that showed the naked behind of a person with the stamp ‘H.I.V. positive’ had to be granted heightened protection. It held that the expression was of public interest despite the fact that the advertisement was simultaneously commercial. It also found that potential fear or offence by some people did not justify a restriction on freedom of expression.¹⁷¹

Like the ECtHR, the BVerfG finds that strong or fierce expressions of opinion must be tolerated. In particular, the BVerfG recognised already in 1968 that there is an overflow of impressions in society. According to the BVerfG,

“it is the legitimate aim of any expression, which contributes to the forming of opinions, to gain attention. Therefore, all sorts of speech that leaves an impression or strong expressions must be tolerated.”¹⁷²

This recognition is important in relation to third party trademark use in parodies, satire, or criticism. Campaign groups that address social or environmental issues will often use those trademarks of a company that carry a lot of attention, i.e. the main logos. In the campaign material, these logos will often be transformed in an exaggerated manner in order to catch attention. This technique will often be necessary in order to instigate a discussion on the relevant topic. Therefore, I think that the consideration of the BVerfG with regard to exaggerated and strong expression is of particular relevance to third parties in a conflict with trademark rights.

Another valuable element of the jurisprudence of the BVerfG is that it instructs courts to be very conscious of the fact that determining the character of the expression is a precarious matter. As a basic rule, an expression must be judged in each individual case with considerations of all the relevant facts. When judging expressions that carry multi-

¹⁶⁹ ECtHR 15 February 2005 *Steel and Morris v. The United Kingdom*, para. 89.

¹⁷⁰ BVerfG 15 January 1958 (*Lüth*), “Es wird vor allem dort in die Waagschale fallen müssen, wo von dem Grundrecht nicht zum Zwecke privater Auseinandersetzungen Gebrauch gemacht wird, der Redende vielmehr in erster Linie zur Bildung der öffentlichen Meinung beitragen will, so daß die etwaige Wirkung seiner Äußerung auf den privaten Rechtskreis eines anderen zwar eine unvermeidliche Folge, aber nicht das eigentliche Ziel der Äußerung darstellt.”

¹⁷¹ BVerfG 11 March 2003 (*Benetton II*).

¹⁷² BVerfG 6 November 1968 (*GEMA*), p. 286, “Da es der Sinn jeder zur Meinungsbildung beitragenden öffentlichen Äußerung ist, Aufmerksamkeit zu erregen, sind angesichts der heutigen Reizüberflutung aller Art einprägsame, auch starke Formulierungen hinzunehmen.”

layered messages or that aimed at a variety of goals, courts must take a viewpoint that is as differentiated as the expression itself.¹⁷³

According to the German BGH, the court judging the facts of a case must assess the meaning of the expression. This meaning is not the subjective meaning attributed by the plaintiff nor that of the defendant. The relevant court needs to consider the opinion of an open-minded audience without prior knowledge. It needs to consider the wording as well as the linguistic and other context. It must however not decide upon a definitive meaning of the expression.¹⁷⁴ This instruction is very important with respect to expression that carries both commercial and non-commercial elements. It is also important with regard to judging expression of art.

3.5.1.2 *Public Figures and Public Symbols*

Public figures like politicians, heads of religious organisations, of cultural organisations, or of companies, play an important role in public discourse because they may hold key positions of power or authority. Freedom of non-commercial expression is particularly strong if the expression involves criticism or comment of public figures. As a rule of thumb, public figures will have to endure a great degree of criticism than private individuals. In my opinion, *analogous considerations apply to certain trademarks* that play an equal role in public discourse as public figures.¹⁷⁵ Some trademarks have become the key representatives of companies, much more so than the companies' chief executives have. In addition, trademarks may represent social phenomena and, as the theory of dialogic democracy showed, it is of key importance that the ability of individuals and groups to use and influence the meaning contained in trademarks, which have become signs of cultural, political, or social representation, is protected.

In the following paragraphs, I will provide an overview of jurisprudence with respect to public figures in which I will indicate elements that analogously apply to trademarks as public symbols.

¹⁷³ BVerfG 11 March 2003 (Benetton II), "Die Meinungsfreiheit gebietet indessen, eine Sichtweise einzunehmen, die so differenziert ist wie die zu bewertende Aussage selbst."

¹⁷⁴ BGH 11 March 2008 (Gen-Milch), "Nach diesen Grundsätzen ist die Annahme des Berufungsgerichts, in der Verwendung des Begriffs "Gen-Milch" durch den Beklagten im Zusammenhang mit Produkten der Klägerin liege keine unzulässige Tatsachenbehauptung, nicht zu beanstanden. Die Sinndeutung des Begriffs unterliegt in vollem Umfang der Nachprüfung durch das Revisionsgericht, insbesondere darauf, ob der Tatrichter rechtlich einwandfrei zwischen Tatsachenbehauptungen und Meinungsäußerungen unterschieden hat. Da es auf die Ermittlung des objektiven Sinns des Begriffs ankommt, ist entscheidend weder die subjektive Absicht des Beklagten noch das subjektive Verständnis der betroffenen Klägerin und ihrer Unternehmen, sondern das Verständnis, das ein unvoreingenommenes und verständiges Publikum dem Begriff ausgehend von seinem Wortlaut, der allerdings den Sinn nicht abschließend festlegen kann, unter Berücksichtigung des allgemeinen Sprachgebrauchs und des sprachlichen Kontextes sowie der erkennbaren Begleitumstände, die den Sinn des Begriffs mitbestimmen, zuzusst." (citations omitted).

¹⁷⁵ See also Van Manen 1985; Denicola 1982, p. 198. "Famous trademarks are the functional equivalent of famous names; indeed, if the mark consists of a distinctive graphic representation, it functions as the visual 'likeness' of its incorporeal owner as well. It is therefore not surprising that the constitution demands similar restraint in the recognition of trademark rights." Cantwell 1997, p. 583, "[T]rademark owners, like public figures, who seek the public spotlight must accept the concomitant risk of public ridicule in the form of parody. It is well established that public figures cannot recover for parodies, however vulgar. If 'good name in man and woman' can be said in today's world to remain 'the immediate jewel of their souls,' surely there is no principled basis to afford greater protection to the reputation of a commercial symbol than is afforded a human being."

a. Public Figures and Public Symbols

Internationally, one of the key cases about public figures is *New York Times v. Sullivan*, a libel case decided by the United States Supreme Court,¹⁷⁶ which concerned the struggle of the civil rights movement in the southern states. At the time, libel suits against members of the civil rights movement and newspapers reporting about the protests were very common. The New York Times newspaper published a paid political advertisement criticising the police force and commissioner Sullivan from Montgomery, Alabama. Sullivan sued the New York Times for libel. In its decision, the Supreme Court severely limited the possibility for public figures to sue successfully for defamation or libellous expression, by holding that only when a public figure is able to prove with ‘convincing clarity’ that the expression was made with ‘actual malice’, will he be able to recover damages. This decision laid a heavy burden of proof on the plaintiff and seriously reduced any possibility of success in libel proceedings.

In the later *Gertz* case, the Supreme Court nuanced its findings from the *New York Times* case. It distinguished between ‘unlimited’ public figures, to whom actual malice standard should apply and ‘limited’ public figures, who are subject to that standard only if the defamation took place in relation to them being the focus of public debate.¹⁷⁷ According to Smolla, the Supreme Court established the need for a “nexus between the ‘newsworthiness’ of a story and the plaintiff’s role in voluntarily entering the arena of public debate regarding the story.”¹⁷⁸

The rationale for the far-reaching protection of potentially libellous and defamatory speech is of interest, as it could equally apply to certain trademarks.¹⁷⁹ First, according to U.S. doctrine, public figures are able to protect their reputation themselves because they have privileged access to the media. Second, it is generally supposed that speech about public figures is speech of genuine public interest. Third, public figures, who seek publicity themselves, must learn to live with critical responses. Fourth, if public officials could bring libel actions with ease, such actions would create a chilling effect on the media, which could seriously restrict critical reporting about public figures.¹⁸⁰

In my opinion, the first and the third argument applies to many trademark as they are heavily advertised trademarks, aiming at improving their public standing, i.e. they may be pervasively used in the media, they seek publicity. The second argument may apply to these heavily advertised trademarks, but it may also apply to trademarks that have otherwise become the focus of public interest, e.g. because of political or social public interest in the goods or services at stake. Clearly also the fourth argument, pertaining to the chilling effects, also applies in the trademark context.

Similar to the United States Supreme Court, the ECtHR has developed a public figures rule in the jurisprudence with regard to conflicts between the protection reputation and the protection of privacy and Article 10 ECHR. In the *Lingens* case, the ECtHR decided that an allegation of journalist Lingens against the then chancellor of Austria Bruno

¹⁷⁶ U.S. Supreme Court 9 March 1964 *New York Times v. Sullivan*; Smolla & Nimmer on Freedom of Speech 2009, § 23:1 to 23:13.

¹⁷⁷ U.S. Supreme Court 25 June 1974 *Gertz v. Robert Welch, Inc.*

¹⁷⁸ Smolla & Nimmer on Freedom of Speech 2009, § 23:4.

¹⁷⁹ *Ibid.*, § 23:4.

¹⁸⁰ *Ibid.*

Kreisky, whom he had criticised for defending a former SS officer who had become an influential politician, should receive strong protection. In its decision, the Court held that,

“[t]he limits of acceptable criticism are accordingly wider as regards a politician as such than as regards a private individual. Unlike the latter, the former inevitably and knowingly lays himself open to close scrutiny of his every word and deed by both journalists and the public at large, and he must consequently display a greater degree of tolerance. No doubt Article 10 para. 2 (art. 10-2) enables the reputation of others - that is to say, of all individuals - to be protected, and this protection extends to politicians too, even when they are not acting in their private capacity; but in such cases the requirements of such protection have to be weighed in relation to the interests of open discussion of political issues.”¹⁸¹

In the *Fayed* case, the ECtHR applied the public figures reasoning to those businessmen, who run large public companies. The case concerned claims of unfair competition and fraud between business rivals. According to the ECtHR,

“the limits of acceptable criticism are wider with regard to businessmen actively involved in the affairs of large public companies than with regard to private individuals, to paraphrase a principle enunciated by the Court in the context of the State’s power to restrict freedom of expression in accordance with Article 10 para. 2 (art. 10-2) of the Convention. Persons, such as the applicants, who fall into the former category of businessmen inevitably and knowingly lay themselves open to close scrutiny of their acts, not only by the press but also and above all by bodies representing the public interest.”¹⁸²

Finally, in the *Steel and Morris* case, the ECtHR expanded the public figure argument beyond natural person also to *companies*, thereby applying the rule, which was developed in order to balance privacy or personality interests with freedom of expression, to cases that involve *economic or commercial interests* and freedom of expression. The case concerned a campaign of the environmentalist group London Greenpeace by means of the leaflet ‘What’s wrong with McDonald’s?’, containing factually wrong criticism against McDonald’s. The Court held that,

“[I]t is true that large public companies inevitably and knowingly lay themselves open to close scrutiny of their acts and, as in the case of the businessmen and women who manage them, the limits of acceptable criticism are wider in the case of such companies.”¹⁸³

In my opinion, the *Steel and Morris* case shows that a similar rule to that involving public figures must equally be applied to such trademarks that are public symbols. Similar to public persons this will not apply to all trademarks but only to trademarks that are of a certain level of public interest. Criteria for such a status may be that they are widely know, pervasively used in advertising campaign, that they are the subject of or related to an ongoing public debate, or that they represent socially, culturally or politically relevant meanings. In determining such status and thus a heightened level of

¹⁸¹ ECtHR 8 July 1996 *Lingens v. Austria*, para. 46; ECtHR 5 May 1991 *Oberschlick v. Austria*, para. 59.

¹⁸² ECtHR 21 September 1994 *Fayed v. The United Kingdom*, para. 75 (citation omitted).

¹⁸³ ECtHR 15 February 2005 *Steel and Morris v. The United Kingdom*, para. 94.

protection for expression involving such trademarks, it is essential that courts recognise the importance of the ability to influence the meaning represented by such signs.

b. The Countervailing Interests

In most of the above cases, freedom of expression must be balanced against the privacy or personality interests of public figures, whereby a distinction between the private and the public sphere of public persons is made by the ECtHR. Persons like politicians may have to endure also expression that affects their private interests, whereas other public figures receive more protection of their private lives.¹⁸⁴ Equally, the BVerfG protects the personality of public persons under Article 2 GG, the general personality right.¹⁸⁵ Politicians and anyone who engages voluntarily in public debate lose part of the right to protect their reputation.¹⁸⁶

When the reputation or distinctiveness of trademarks is concerned, the countervailing interests are different. It is not the protection of privacy or personality interests that is at stake; rather, the balance must be struck between the *economic interests* of right-holders and freedom of expression of the third party trademark user. In the words of the ECtHR in its *Steel and Morris* decision,

“in addition to the public interest in open debate about business practices, there is a competing interest in protecting the commercial success and viability of companies, for the benefit of shareholders and employees, but also for the wider economic good.”¹⁸⁷

In weighing these *economic* interests of right holders against freedom of expression, generally applicable balancing criteria from freedom of expression jurisprudence must be applied. A particularly relevant criterion in considering criticism or comment of trademarks or trademark right holders is the distinction in protection between *value judgements and statements of fact*. It is consistent jurisprudence of the ECtHR that expression may ‘shock offend or disturb’. This applies in particular to value judgements, where great leniency must be granted. However, the ECtHR clearly did not intend to allow value judgments that are without any factual basis to be fully protected and it requires that also value judgements must be grounded in factual evidence.¹⁸⁸

¹⁸⁴ ECtHR 18 May 2004 *Plon v. France*. In the *Plon* case, reports of the personal physician of Francois Mitterrand, the then deceased President of the French Republic, on the medical condition of the late president were held to be protected strongly under Article 10 ECHR as these reports were of public interest.

¹⁸⁵ BVerfG 15 January 1958 (Lüth); BVerfG 3 June 1987 (Strauss Karrikatur).

¹⁸⁶ This balance is also reflected in Article 22 and 23 of the German *Kunsturheberrechtsgesetz*, which gives persons the right to prohibit the publication of pictures that have been taken without their consent. In this respect ‘Personen der Zeitgeschichte’, (transl. ‘figures of contemporary society’) have a lesser entitlement of protection. Thereby, the BGH distinguished between ‘absolute Personen der Zeitgeschichte’ or ‘figures of contemporary society par excellence’ and ‘relative Personen der Zeitgeschichte’, i.e. persons who have become the subject of news by coincidence. Pictures relating to the first category of persons were considered news *per se*. Exactly this classification was criticised by the ECtHR in the *Von Hannover* case, where the Court found that also celebrities are entitled to the protection of their private life. ECtHR 24 June 2004 *Von Hannover v. Germany*. The same balance is contained in Articles 19 to 21 of the *Auteurswet 1912* (the Dutch Copyright Act) regulating the right to object to the publication of a picture.

¹⁸⁷ ECtHR 15 February 2005 *Steel and Morris v. The United Kingdom*, para. 94.

¹⁸⁸ ECtHR 24 February 1997 *De Haes and Gijssels v. Belgium*. See also Castendyk, Dommering & Scheuer 2008, p. 33.

Similarly, the German BVerfG distinguishes between allegations of fact and opinions. Opinions receive wider protection than allegations of fact. They may be polemic or exaggerated. Pejorative terms like ‘crook’ or ‘cutthroat’ may, dependent on the particular factual situation, be seen as value judgements rather than factual allegations.¹⁸⁹

Interestingly, it may not just be the interpretation of the audience that counts in such cases, but the intention of the speaker must also be given strong weight. The Dutch Hoge Raad decided that the use of the word “kwakzalver” (transl. ‘quackery’) by the ‘Vereniging tegen de Kwakzalverij’ (‘Association against Quackery’) for a form of therapy was justified, despite the fact that a part of the audience would understand the term “kwakzalver” as pejorative reference.¹⁹⁰ The decisive criterion for the Hoge Raad was that the Association had made clear in its public statements that it was using the term in order to refer to its own objective definition of quackery and not in order to make a pejorative statement. A point stressed by *Dommering* is of interest here, namely that it is the speaker, who sets the conditions under which he wants to participate in public debate; a misunderstanding of these intentions by the public should not be attributed to the speaker.¹⁹¹

In case of factual allegations, exaggerations are less tolerated and a requirement of proof is compatible with freedom of expression.¹⁹² In a case where a journalist could not substantiate his allegation, the court mentioned that journalists should “provide accurate and reliable information in accordance with the ethics of journalism.”¹⁹³ Equally, the ECtHR deemed it in accordance with Article 10 ECHR that the campaigners from London Greenpeace were required to adduce proof of the allegations that they made against McDonalds.¹⁹⁴

Under German law, a speaker who makes allegations of fact does have a duty of care to verify the allegations. This duty of care of the press is higher than that of individuals. Individuals may e.g. rely on undisputed press reports.¹⁹⁵

In some cases, the ECtHR deemed it permissible that facts are presented in an exaggerated manner. In the *Bladet Tromso* case, a journalist based his report on seal hunting on a leaked government report that had been held back due to inaccuracies.¹⁹⁶ Based on the report, he wrote that ‘seals were skinned alive’ and that someone trying to

¹⁸⁹ ECtHR 8 July 1986 *Lingens v. Austria*; ECtHR 7 May 2002 *McVicar v. The United Kingdom*; ECtHR 24 February 1997 *De Haes and Gijssels v. Belgium*; BGH 29 January 2002 (Schmähkritik); BGH 1 February 1977 (Halsabschneider).

¹⁹⁰ HR 15 May 2009 (‘Vereniging tegen de Kwakzalverij’).

¹⁹¹ *Dommering* 2009.

¹⁹² In the *Lingens* case, journalist Lingens had been held liable by Austrian courts to prove the allegation that Bruno Kreisky acted with “basest opportunism” in support of a former Nazi officer turned politician. Adducing proof of this allegation was quite impossible, since it the statement concerned a value judgement. In the decision, the Court held that, “[A] careful distinction needs to be made between facts and value-judgements. The existence of facts can be demonstrated, whereas the truth of value-judgements is not susceptible of proof. ... As regards value judgements this requirement [to prove the truth of allegations] is impossible of fulfilment and it infringes freedom of opinion itself.” ECtHR 8 July 1996 *Lingens v. Austria*, para. 46; affirmed ECtHR 5 May 1991 *Oberschlick v. Austria*; ECtHR 28 August 1992 *Schwabe v. Austria*.

¹⁹³ ECtHR 7 May 2002 *McVicar v. The United Kingdom*, para. 73.

¹⁹⁴ ECtHR 15 May 2005 *Steel and Morris v. The United Kingdom*.

¹⁹⁵ BVerfG 9 October 1991 (Bayer Aktionäre), p. 21.

¹⁹⁶ ECtHR 20 May 1999 *Bladet Tromso v. Norway*.

stop the hunters was ‘beaten up by furious hunters’. While these facts were untrue, the ECtHR found that readers of the newspaper would correctly interpret the story as an exaggeration. Likewise, it found that the journalist had not violated his duty of care.

This is important to the present research as campaign groups that express their criticism about trademark right holders or trademarked goods are prone to voice their criticism in an exaggerated manner. In addition, criticism or comment entailing trademarks as any symbolic speech may very often mix facts with emotions. Greenpeace for instance depicted the ESSO trademark as E\$\$O in a campaign about the environmental impact of that company; a Dutch environmental organisation used the word ‘poison’ in red letters over the trademark of a super market chain that sells vegetables with a high concentration of pesticides; another Dutch campaign group called for a boycott of an orange trader involved in the South African apartheid regime. The poster showed a cut off head of a little African boy squeezed on an orange squeezer carrying the slogan ‘Do not squeeze South Africans’. In judging these expressions, courts should not try to split factual allegations from value judgements and they should leave room for exaggeration.

Seen from the perspective of freedom of expression, campaign groups have the freedom to change the public opinion about trademarks and trademark right holders. They may be allowed to use harsh criticism just because trademark right holders have sought the public stage by pushing forward a pervasive positive image. On the other hand, freedom of expression, may not warrant baseless allegations or criticism that harms the economic or commercial status of trademarks.

The limits of the harm that a trademark right holder must be prepared to accept may be hard to define. In a German Boycott case from 1982, the BVerfG held that,

‘in pursuit of the aim the person calling for a boycott may not go further in the necessary influence upon the addressee than what would be justified by the circumstances. This would be the case, if the person calling for a Boycott employs means that are restricted to means contribute to the struggle of opinions. It is not warranted to exert economic pressure in a manner that causes grave economic disadvantage and that consequently makes it impossible for the addressee to take a free economic decision.’¹⁹⁷

In my opinion, such a criterion of taking influence on the ‘free economic decision making’ of a trademark right holder would be too restrictive. I rather think that economic harm must be balanced in a balancing process that takes all relevant factors into account, such as the contribution to public debate, the degree of public interest, the various meanings that in particular expression about signs can carry, the interests of the speaker, or the fact that harm of exaggerated statements may be reduced, because the public in many cases knows how to filter out the exaggeration from the facts.

¹⁹⁷ BVerfG 15 November 1982 (Boykottaufruf); paraphrased from German, „Die Verfolgung der Ziele des Verrufers darf ferner das Maß der nach den Umständen notwendigen und angemessenen Beeinträchtigung des Angegriffenen oder des Betroffenen nicht überschreiten. Schließlich müssen die Mittel der Durchsetzung des Boykottaufrufs verfassungsrechtlich zu billigen sein. Das ist der Fall, wenn der Verrufer sich gegenüber dem Adressaten auf den Versuch geistiger Einflußnahme und Überzeugung, also auf Mittel beschränkt, die den geistigen Kampf der Meinungen gewährleisten. Dagegen ist die Ausübung wirtschaftlichen Drucks, der für die Adressaten eines Boykottaufrufs schwere Nachteile bewirkt und ihnen demgemäß die Möglichkeit nimmt, ihre Entscheidung in voller innerer Freiheit zu treffen, nicht durch Art. 5 Abs. 1 GG geschützt.“ (Citations omitted).

A limit to freedom of expression exists, in my opinion, where the expression is no longer justified by the facts. This is accepted by the ECtHR¹⁹⁸ and by the BVerfG, which defines the limit of acceptable criticism or comment at the level of defamation or “Schmähhkritik,” meaning that expression may be polemic and exaggerated, but a prohibition is justified when use of a trademark does not address the an issue of public interest connected to the trademark, but rather primarily disparages the trademark.¹⁹⁹

In this respect, the Vajnai decision of the ECtHR is of interest, wherein the Court confirmed that,

“utmost care must be observed in applying any restrictions, especially when the case involves symbols which have multiple meanings. In such situations, the Court perceives a risk that a blanket ban on such symbols may also restrict their use in contexts in which no restriction would be justified. [...] [I]t is only by a careful examination of the context in which the offending words appear that one can draw a meaningful distinction between shocking and offensive language which is protected by Article 10 and that which forfeits its right to tolerance in a democratic society.”²⁰⁰

Hence, in determining whether expression is primarily defamatory, courts are called upon to be careful not to attribute a singular meaning to expression, which can be interpreted in various manners.

3.5.1.3 *Artistic Expression*

Artistic expression takes a special place in freedom of non-commercial expression next to expression on matters of public interest, public figures, and public symbols by playing an important role in the self-fulfilment of artists. As the theory of dialogic democracy explains, it can also deliver an important contribution to social and cultural development. Pop-art, for instance, often places trademarks out of context to comment on consumer culture, thereby triggering a process of reflection in the viewers. Thereby, artists may contort reality, overemphasize certain aspects, or exaggerate and shock, whereby they may cause harm to protected trademarks. Given the fact that artistic expression is often seen as provocative, offensive or tasteless, I think that particular value of a freedom of artistic expression would lie in instructing courts to take account of the

¹⁹⁸ E.g. ECtHR 8 July 1986 *Lingens v. Austria*; ECtHR 7 May 2002 *McVicar v. The United Kingdom*; ECtHR 6 February 2001 *Tammer v. Estonia*; ECtHR 24 February 1997 *De Haes and Gijssels v. Belgium*; Castendyk, Dommering & Scheuer 2008, p. 33 and 38; Barendt 2005a, p. 224.

¹⁹⁹ BVerfG 26 June 1990 (Postmortale Schmähhkritik), „Einer verfassungsrechtlichen Nachprüfung hält aber auch die Einordnung der Äußerung als Schmähhkritik nicht stand. Eine Meinungsäußerung wird nicht schon wegen ihrer herabsetzenden Wirkung für Dritte zur Schmähhung. Auch eine überzogene und selbst eine ausfällige Kritik macht für sich genommen eine Äußerung noch nicht zur Schmähhung. Eine herabsetzende Äußerung nimmt vielmehr erst dann den Charakter der Schmähhung an, wenn in ihr nicht mehr die Auseinandersetzung in der Sache, sondern die Diffamierung der Person im Vordergrund steht. Sie muß jenseits auch polemischer und überspitzter Kritik in der Herabsetzung der Person bestehen.“

²⁰⁰ ECtHR 8 July 2008 *Vajnai v. Hungary*, paras. 51 and 52.

particular manner in which artists communicate, i.e. in an often very indirect, multilayered, contorted or exaggerated way.²⁰¹

In the following paragraphs, I will examine the jurisprudence of the ECtHR and BVerfG with respect to artistic expression in order to see if these courts take specific account of the nature of artistic expression and the role it plays in the process of social, cultural or political debate.

Article 10 ECHR does not distinguish between art and other sorts of expression. It covers

“freedom of artistic expression – notably within freedom to receive and impart information and ideas – which affords the opportunity to take part in the public exchange of cultural, political and social information and ideas of all kinds”.²⁰²

The ECtHR links the importance of artistic expression to the self-fulfilment of individuals²⁰³ but also to the role it plays in public discussion. Similar to political expression, artistic expression is protected even when it offends shocks, or disturbs. However, artistic expression is often limited in order to protect morals or religious feelings. Contrary from what one would expect, the ECtHR grants a wide margin of appreciation to states to restrict expression in the name of morals or religious feelings.²⁰⁴

The case of *Vereinigung Bildender Künstler v. Austria* is of particular interest to trademark use in satire or in cartoons. The case concerned a prohibition of Austrian artist Otto Mühl’s painting ‘Apocalypse’, depicting 34 Austrian public figures (mostly members of the right-wing FPÖ and of the catholic clergy) taking part in an orgy. Otto Mühl, who had lived in a Viennese anti-bourgeois commune that propagated, amongst others, free sexual relations between adults and minors, had been convicted in 1991 for child molestation and had been sentenced to seven years imprisonment. Members of Austrian Freedom Party and the Catholic Church publicly voiced fierce criticism of Mühl. His painting, which was exhibited in 1998 in a Viennese gallery, was intended as a ‘reply’ to his critics. Upon application of one of the portrayed politicians, an Austrian court ordered an injunction against the exhibition of the painting, as it infringed the portrait right of one of the politicians.

A minority of the ECtHR found the prohibition of the exposition of the painting permissible as such paintings,

“undermine the reputation or dignity of others, especially if they are devoid of any meaningful message and contain nothing more than senseless, repugnant and disgusting images.”

²⁰¹ According to *Voorhoof*, “often cartoons are provocative, with a dose of (black) humour. And often they are disrespectful towards persons, victims, minorities, governments, states or groups and sectors in society.” *Voorhoof* 2009.

²⁰² ECtHR 24 May 1988 *Müller and Others v. Switzerland*.

²⁰³ ECtHR 25 January 2007 *Vereinigung Bildender Künstler v. Austria*, para. 26.

²⁰⁴ In the *Mueller*, *Otto Preminger*, and *Wingrove* cases, the ECtHR confirmed that states have a wide margin of appreciation in cases concerning the protection of morals. ECtHR 24 May 1988 *Müller and Others v. Switzerland*; ECtHR 20 September 1994 *Otto Preminger v. Austria*; ECtHR 25 November 1996 *Wingrove v. United Kingdom*. Castendyk, Dommering & Scheuer 2008, p. 40.

In contrast, the majority interpreted the painting differently and viewed the depictions as referring to the public life of the politician in question, meaning that he had to “display a wider tolerance in respect of criticism”.²⁰⁵ The majority also found that the harm to politician who had filed for the injunction was not that great as he was only one of the 34 depicted figures and played only a relatively unimportant role in the painting. Consequently, the Court held the injunction of the Austrian courts to be in violation of Article 10 ECHR.

In my opinion, it is difficult to draw general conclusions from this judgement, due to the divided opinions of the judges and the highly factual nature of the decision. One statement of the Court is however of importance to the protection of third party trademark use in satire or parody. In paragraph 33, the ECtHR noted that,

“satire is a form of artistic expression and social commentary and, by its inherent features of exaggeration and distortion of reality, naturally aims to provoke and agitate. Accordingly, any interference with an artist's right to such expression must be examined with particular care.”

I think that this statement is an important recognition of the particular freedom that must be granted to artists when they draw a satiric image or a parody in an exaggerated fashion.

Regretfully, the jurisprudence of the ECtHR shows little consistency with regard to the application of this criterion. In a later case, the ECtHR granted less protection to a cartoon published shortly after 11 September 2001.²⁰⁶ The cartoon was published in a small Bask newspaper, which had previously disseminated Anti-American views. It showed a plane crashing into the twin towers. The caption read, “We have all dreamt of it... Hamas did it.” This was a parody of a commercial slogan of Sony, which read, “We have all dreamt of it... Sony did it.” The Artist had been convicted under the French penal law for condoning terrorism. In this case, the court did not follow the same consideration as in the *Vereinigung Bildender Künstler* case. It rather followed the line of reasoning of the French courts holding the artist responsible for the exaggeration and agitation in the tense atmosphere after 11 September. Accordingly, it found the French conviction to be justified under Article 10.2 ECHR.

Also in the *Lindon* case, the Court – while confirming that those who themselves are vociferous participants in public debate must accept particularly strong criticism²⁰⁷ - considered the prohibition of a fictional book about a trial against French right wing political Mr. Le Pen, in which he was accused of being responsible for the murder of an immigrant, to be permissible under Article 10.2 ECHR.²⁰⁸ Certainly, the author of that book had acted with the intent to stimulate public discussion about the possible consequences of xenophobic rhetoric used by Mr. Le Pen, thereby contributing to a debate that was already ongoing in France.

²⁰⁵ ECtHR 25 January 2007 *Vereinigung Bildender Künstler v. Austria*, para. 34.

²⁰⁶ ECtHR 6 April 2008 *Leroy v. France*.

²⁰⁷ ECtHR 22 October 2007 *Lindon v. France*, para. 56, “as Mr Le Pen, a leading politician, is known for the virulence of his speech and his extremist views, on account of which he has been convicted a number of times on charges of incitement to racial hatred, trivialising crimes against humanity, making allowances for atrocities, apologia for war crimes, proffering insults against public figures and making offensive remarks. As a result, he has exposed himself to harsh criticism and must therefore display a particularly high degree of tolerance in this context.”

²⁰⁸ ECtHR 22 October 2007 *Lindon v. France*.

Under the German constitution, artistic freedom plays a very important role. Article 5.3 GG protects artistic freedom in a different manner from freedom of opinion. Pursuant to Article 5.2 GG, ordinary law may limit the freedom of opinion and the other freedoms contained in Article 5.1 GG. The limitation of Article 5.2 GG is not applicable to Article 5.3 GG, which protects artistic freedom. As a result, only constitutional provisions such as the general personality right of Article 2 GG can limit artistic freedom.

In the definition of art and in the judgement of artistic expression, German courts must exercise particular care.²⁰⁹ The German Bundesverfassungsgericht has attempted to define art in a number of decisions. It thereby takes a midway approach between the need to define art for the purposes of a decision and the need to avoid such a definition in order not to unduly exclude expression from the ambit of Article 5.3 GG. The test, which determines that expression should be considered art, is thus deliberately open, vague.²¹⁰

In the *Mephisto* case, the BVerfG held that,

‘the essence of art lies in free creation, in which impressions and experiences of the artist are immediately communicated to the public by means of a ‘material language’ [Formensprache][...] Intuition, fantasy and artistic knowledge work together in the process of artistic creation; it is not primarily information, but expression of the immediate and individual personality of the artist.’²¹¹

This definition clearly lays the link to the self-fulfilment rationale and in particular to the relevance of using a particular form of expression. The reference to intuition and fantasy also shows that the meaning of art cannot easily be judged by a court. The

²⁰⁹ Bunschoten 2003; Seifert & Hömig 2003, Art. 5, no. 26.

²¹⁰ In the *Anachronistischer Zug* case, the BVerfG further expanded on the definition of art. It used three alternative manners of determining the nature and meaning of a street theatre performance. First, it relied on the criterion of personalised free creativity from the *Mephisto* case. Second, it applied a more objective criterion. It assessed the artistic expression by using the typologies of art that are used in the field of art itself. Third and most important, it concluded that the meaning of art by its very nature is open to a variety possible interpretations. In its decision, the BVerfG also stated that artistic expression must be interpreted in its totality. It is not permissible to detach elements of the expression and to judge whether they separately would indicate (criminal) liability. BVerfG 18 July 1984 (*Anachronistischer Zug*).

Finally, in the *Strauss Karrikatur* case, the BVerfG held that although a general definition of art is impossible, court must define the scope of artistic freedom. Such a definition must only distinguish between what should be considered art and what not. A classification of art into high or low art may not be undertaken by courts, because it is not warranted by the constitution. This means that courts must judge artistic expression on a case by case basis. BVerfG 3 June 1987 (*Strauss Karrikatur*), p. 377, “Ungeachtet der Unmöglichkeit, Kunst generell zu definieren, gebietet die verfassungsrechtliche Verbürgung dieser Freiheit, ihren Schutzbereich bei der konkreten Rechtsanwendung zu bestimmen. [...] Erlaubt und notwendig ist allerdings nur die Unterscheidung zwischen Kunst und Nichtkunst; eine Niveauekontrolle, also eine Differenzierung zwischen "höherer" und "niederer", "guter" und "schlechter" (und deshalb nicht oder weniger schutzwürdiger) Kunst, liefe demgegenüber auf eine verfassungsrechtlich unstatthafte Inhaltskontrolle hinaus.” (citation omitted).

²¹¹ BVerfG 24 February 1971 (*Mephisto*); paraphrased from German, “Der Lebensbereich "Kunst" ist durch die vom Wesen der Kunst geprägten, ihr allein eigenen Strukturmerkmale zu bestimmen. Von ihnen hat die Auslegung des Kunstbegriffs der Verfassung auszugehen. Das Wesentliche der künstlerischen Betätigung ist die freie schöpferische Gestaltung, in der Eindrücke, Erfahrungen, Erlebnisse des Künstlers durch das Medium einer bestimmten Formensprache zu unmittelbarer Anschauung gebracht werden. Alle künstlerische Tätigkeit ist ein Ineinander von bewußten und unbewußten Vorgängen, die rational nicht aufzulösen sind. Beim künstlerischen Schaffen wirken Intuition, Phantasie und Kunstverstand zusammen; es ist primär nicht Mitteilung, sondern Ausdruck und zwar unmittelbarster Ausdruck der individuellen Persönlichkeit des Künstlers.”

BVerfG further explained how it understands the relationship between art and reality by holding that

‘even if the artist is dealing with processes of real life, will this reality be ‘compressed’ in the artefact. The reality will be loosened from the contexts and laws of the empirical world and it will be placed into a new context, in which not the themes of reality, but the artistic necessities of the expressive creation [das künstlerische Gebot der anschaulichen Gestaltung] will take the foreground. The truth of the individual process can and must in some circumstances be sacrificed in the name of artistic unity.’²¹²

In my opinion, this is an important recognition of transformative process of art. It is fully in line with the theory of bricolage, which I discussed above.²¹³ It means that art must not be judged in the same manner as factual statements as the meaning of art by its very nature is open to a variety possible interpretations.²¹⁴ According to the BVerfG, artistic expression must be interpreted in its totality and it is not permissible to detach elements of the expression and to judge whether they separately would indicate (criminal) liability.

The BVerfG defines definite limits of freedom of artistic expression in similar terms to those of expression on a matter of public interest at the level of “Schmähhkritik”,²¹⁵ i.e. when criticism or comment no longer bears any factual relationship with an issue of public interest connected to the trademark, but rather primarily disparages the trademark at stake.

In sum, while the ECtHR does not define a separate category of artistic expression and thus judges such expression under the general standards, the German Grundgesetz clearly knows a specific category of artistic expression. In defining and judging artistic expression, the BVerfG does, however, not apply entirely different standards; it rather instructs courts to take account of particular nature of artistic expression such as its multi-layered messages and the fact that artistic expression can be interpreted in a multitude of ways.

I think that, this approach of the BVerfG is an important recognition of the particular nature of artistic expression and I do believe that courts, also when judging a conflict between trademark rights and freedom of artistic expression under Article 10 ECHR should take care not to interpret the expression in a singular manner. They should e.g. not focus solely on the fact that an expression causes economic harm. Moreover, the theory of dialogic democracy makes clear that it is important that artists have the freedom to

²¹² *Ibid.*, „Auch wenn der Künstler Vorgänge des realen Lebens schildert, wird diese Wirklichkeit im Kunstwerk ‚verdichtet‘. Die Realität wird aus den Zusammenhängen und Gesetzmäßigkeiten der empirisch-geschichtlichen Wirklichkeit gelöst und in neue Beziehungen gebracht, für die nicht die ‚Realitätsthematik‘, sondern das im Vordergrund steht. Die Wahrheit des einzelnen Vorganges kann und muß unter Umständen der künstlerischen Einheit geopfert werden.“

²¹³ See above section 3.4.2.

²¹⁴ BVerfG 18 July 1984 (Anachronistischer Zug).

²¹⁵ In the *Strauss Karrikaturen* case, the BVerfG saw a prohibition of the expression justified, because the caricatures at issue aimed at dehumanising and disparaging the Bavarian politician Strauss. The politician was depicted as a pig engaging amongst others in sexual activities. They affected the general right of personality (Article 2 GG) of the politician. BVerfG 3 June 1987 (Strauss Karrikatur).

question, contort, or exaggerate the positive (ir)reality that makes up the distinctiveness and repute of trademarks. In order to appropriately protect this freedom, courts need to take differentiated view of the art, not holding it to the standards of factual allegations and accepting that art, in particular when it uses signs, is inherently multi-layered in meaning.

3.5.1.4 *Chilling Effects on Public Discourse*

The previous sections showed that Article 10 ECHR and constitutional rights such as Article 5 GG grant third parties a particularly strong freedom of expression in non-commercial expression and that limitations on expression that contributes to public discourse and that concerns public figures or public symbols is less tolerated.

However, even if national authorities generally grant the appropriate level of protection in cases before them, obstacles to the exercise of the freedom may by themselves create disproportionate impairments. Such obstacles may be the prospect of severe sanctions, significant costs of litigation, a need to litigate to the highest court in order to get their freedom respected,²¹⁶ or a lack of equality of arms between litigants. The uncertain prospect of getting their freedom recognised will deter those who want to use trademarks in public debate or art. Consequently, public debate about trademark right holders, their products, and, as the theory of dialogic democracy showed, on determining meaning in society in general may be stifled. Third parties who may want to speak out or express themselves by using trademarks may chose not to do so. They may withdraw from public debate after receiving a ‘cease and desist’ letter from the trademark right holder.²¹⁷ The effect of obstacles to the exercise of freedom of expression is referred to as or chilling effects on public debate.

The ECtHR has consistently tested such obstacles under Article 10.2 ECHR. In the *Lingens* case, the ECtHR confirmed for instance that a Member State might not require a journalist to prove a value judgement.²¹⁸ In the later *Thorgeir Thorgeirson*, *Jersild*, and *Bladet Tromso* cases, the Court confirmed that sanctions placed on journalists for truthful or exaggerated reporting could seriously hamper the role of the press as a watchdog.²¹⁹ In *Bladet Tromso* case, it held that,

“[t]he most careful scrutiny on the part of the Court is called for when, as in the present case, the measures taken or sanctions imposed by the national authority are capable of discouraging the participation of the press in debates over matters of legitimate public concern.”²²⁰

²¹⁶ E.g. in the *Lila Postkarte* case. BGH 3 February 2005 (*Lila Postkarte*).

²¹⁷ See below section 5.5.3.5.

²¹⁸ ECtHR 8 July 1986 *Lingens v. Austria*, para. 45.

²¹⁹ ECtHR 25 June 1992 *Thorgeirson v. Iceland*, para. 68, “[f]inally, the Court considers that the conviction and sentence were capable of discouraging open discussion of matters of public concern.” ECtHR 23 September 1994 *Jersild v. Denmark*, para. 35, “[t]he punishment of a journalist for assisting in the dissemination of statements made by another person in an interview would seriously hamper the contribution of the press to discussion of matters of public interest and should not be envisaged unless there are particularly strong reasons for doing so.”

²²⁰ ECtHR 20 May 1999 *Bladet Tromso v. Norway*, para. 64. The term chilling effects has been used in the *Pedersen* Case, ECtHR 17 December 2004 *Pedersen and Baadsgaard v. Denmark*, para. 93, “In the instant case, the applicant journalists were each sentenced to twenty day-fines of 400 Danish kroner (DKK), amounting to DKK 8,000 (equivalent to approximately 1,078 euros (EUR)) and ordered to pay

In similar vain, the BVerfG decided in the ‘Bayer Aktionäre’ case that persons, who in good faith publicly make accusations that are based on factual information obtained through the press, may not be required to prove the truth of their accusations.²²¹ In its decision, the BVerfG considered that if such a requirement existed, not only would the individual freedom of expression be paralysed. More importantly, the communication on a general level would be restricted if a person could not use factual information obtained in the press.²²²

The ECtHR’s decision in the *Steel and Morris* case is of particular importance with respect to chilling effects.²²³ In this case, the ECtHR examined inequalities between the parties, unequal division of the burden of proof and severe sanctions can render restrictions on freedom of expression disproportionate under Article 10.2 ECHR.

Steel and Morris campaigned in front of McDonald’s by distributing leaflets that accused McDonalds of causing environmental harm. The multinational McDonald’s sued the campaigners for defamation before a British court. The position of the parties at trial was far from equal. The multinational McDonald’s was not required to prove that he had suffered any financial damages.²²⁴ The defendants on the other hand faced an expensive trial, did not receive legal aid, and they were required to prove the truth of all of their allegations. In the end, they were convicted to pay significant fines.

In its decision, the ECtHR pointed out that an “award of damages for defamation must bear a reasonable relationship of proportionality to the injury to reputation suffered.”²²⁵ In the crucial paragraph of the decision, it held:

“The more general interest in promoting the free circulation of information and ideas about the activities of powerful commercial entities, and the possible “chilling” effect on others are also important factors to be considered in this context, bearing in mind the legitimate and important role that campaign groups can play in stimulating public discussion [...] The lack of procedural fairness and equality therefore gave rise to a breach of Article 10 in the present case.”²²⁶

compensation to the estate of the deceased chief superintendent of DKK 100,000 (equivalent to approximately EUR 13,469) (see paragraphs 33 and 37 above). The Court does not find these penalties excessive in the circumstances or to be of such a kind as to have a “chilling effect” on the exercise of media freedom.”

²²¹ BVerfG 9 October 1991 (Bayer Aktionäre).

²²² *Ibid.*, p. 21. “Würde man dem Einzelnen gleichwohl auch insoweit nachprüfbare Angaben abverlangen, so hätte das zur Folge, daß er herabsetzende Tatsachen, die er der Presse entnommen hat, überhaupt nicht mehr aufgreifen und zur Stützung seiner Meinung anführen dürfte. Damit träte aber nicht nur eine Lähmung der individuellen Meinungsfreiheit ein. Vielmehr würde auch der gesellschaftliche Kommunikationsprozeß verengt, wenn Presseberichte, die ihre meinungsbildende Funktion erfüllen, vom Einzelnen, der sich aufgrund solcher Berichte eine Meinung gebildet hat, nicht mehr verwertet werden dürften, weil er den Beweis für ihre Wahrheit nicht antreten kann. Beides ließe sich mit dem Sinn von Art. 5 Abs. 1 GG nicht vereinbaren.”

²²³ ECtHR 15 February 2005 *Steel and Morris v. The United Kingdom*.

²²⁴ *Ibid.*, para 96. “not only were the plaintiffs large and powerful corporate entities but that, in accordance with the principles of English law, they were not required to, and did not, establish that they had in fact suffered any financial loss as a result of the publication of the “several thousand” copies of the leaflets found by the trial judge to have been distributed.”(citations omitted).

²²⁵ *Ibid.*

²²⁶ *Ibid.*, para. 95 (citations omitted).

In my opinion, the *Steel and Morris* decision clearly demonstrates that also the impact of procedural requirements like the burden of proof and the severity of sanctions must be carefully scrutinised. The lack of the requirement for a trademark right holder to prove the existence of harm, for instance, may, in certain circumstances, itself be a disproportionate restriction on freedom of expression. In this respect, I think that it will also be necessary to scrutinise the impact of the procedural requirements and sanctions contained in the Directive on the enforcement of intellectual property rights as they might put disproportionate limitations on freedom of expression.²²⁷

3.5.2 PURELY COMMERCIAL EXPRESSION

After initial hesitation, the ECtHR has fully accepted that ‘information of a commercial nature’ falls under the *subject matter* of Article 10 ECHR, which, in my view, includes third party use of trademarks in e.g. in comparative advertising, in referential use, or in descriptive use.²²⁸ The Court justifies the protection of commercial expression because it deems advertising to be a means “for the citizen advertising [to discover] the characteristics of services and goods offered to him.”²²⁹

The ECtHR does however not give a clear definition of commercial expression. The Court stresses that freedom of expression applies to everyone and that,

“[no] distinction is made in it according to whether the type of aim pursued is profit-making or not ... and [that] a difference in treatment in this sphere might fall foul of Article 14 [ECHR].”²³⁰

Partial definitions of commercial expression can be found in the case law. In the *Scientology* case, the ECtHR characterised commercial expression as advertisements “of a pure commercial nature.”²³¹ In the *Verein gegen Tierfabrieken* case, it qualified it as expression made in “the regular commercial context in the sense of inciting the public to purchase a particular product.”²³² In *markt intern*, it decided that Article 10 ECHR “does not apply solely to certain types of information or ideas or forms of expression.” It applies also to expression of a commercial nature. Finally, in the *Krone* case, it decided that a plain comparative advertising message of a newspaper company fell under Article 10 ECHR.²³³ These cases show that expression, which does no more than promote the products or services of a traders, does fall under Article 10 ECHR.²³⁴ Consequently, third party trademark use will fall under Article 10 ECHR in almost all cases.

²²⁷ Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (“Enforcement Directive”), OJ L/195, 16.

²²⁸ ECtHR 25 March 1985 *Barthold v. Germany*, para. 42, referring to ‘commercial advertising’; ECtHR 20 November 1989 *markt intern v. Germany*, para 26, stating that Article 10 does not apply solely to certain types of information or ideas or forms of expression but also to ‘information of a commercial nature’; ECtHR 25 August 1998 *Hertel v. Switzerland*, para 47, referring to “commercial matters” and “purely ‘commercial’ statements”; ECtHR 11 December 2003 *Krone Verlag v. Austria*, applying Article 10 ECHR to a purely commercial comparative advertisement. See also *Kabel 2003a*.

²²⁹ ECtHR 12 February 1993 *Casado Coca v. Spain*, para. 51; ECtHR 17 October 2002 *Stambuk v. Germany*, para. 39; ECtHR 11 December 2003 *Krone Verlag v. Austria*, para. 31.

²³⁰ ECtHR 12 February 1993 *Casado Coca v. Spain*, para 35; see also ECtHR 22 May 1990 *Autronic AG v. Switzerland*, para 47.

²³¹ ECommHR 5 May 1979 *X and Church of Scientology v. Sweden*.

²³² ECtHR 28 June 2001 *Verein gegen Tierfabrieken*, para. 70.

²³³ ECtHR 11 December 2003 *Krone Verlag v. Austria*.

²³⁴ Hertig Randall 2006, p. 60.

In German law, Article 5 GG is not the only basis for protecting commercial expression. Article 12 GG, the freedom of profession, and Article 14 GG, the right to property, equally apply to business activities such as advertising. In a number of cases, German appellate courts applied solely Article 12 GG to cases involving advertising.²³⁵

In the 1971 *Jugendgefährdende Schriften* case, the BVerfG held that expression with a commercial aim was protected under Article 5 GG.²³⁶ The case concerned an advertisement for 'ideas', so it was unclear whether the Court considered purely commercial information to be protected as well. In later jurisprudence, the BVerfG protected commercial expression under the freedom of opinion as well as under the freedom of the press.

Commercial expression falls under the freedom of opinion if a relationship with the process of forming opinions exists.²³⁷ The BVerfG applied Article 5 GG for instance to advertising claiming the health benefits of a product.²³⁸ It also applied it to comparative advertising.²³⁹

Commercial expression is also covered if it falls under the freedom of the press and the freedom of broadcasters. These freedoms grant an institutional protection, which includes non-commercial as well as the commercial content of the medium.²⁴⁰ In the *Benetton I* decision, the BVerfG stated,

“The protection provided by Article 5.1(1) of the Basic Law, which, in this context, is embedded in the protection of the freedom of the press, also extends to the expression of opinions for commercial purposes and to nothing other than business advertising that expresses a value judgement and contributes to the formation of opinions. To the extent that the statement of an opinion - a view, a value judgement or a specific perspective - is expressed in an image, such an image also falls under the scope of Article 5.1(1).”²⁴¹

This decision thus shows that Article 5.1 GG extends thus to ‘nothing other than business advertising ... that contributes to the formation of opinions’ about produce or services. Consequently, it can be assumed that Article 5.1 GG covers trademark use in comparative advertising, referential use, and descriptive use.²⁴²

²³⁵ Stiehs 2000, p. 91. See also Ahrens 2004, no. 64 to 124.

²³⁶ BVerfG 22 June 1960 (*Jugendgefährdende Schriften*).

²³⁷ BVerfG 22 January 1997 (*Warnhinweise für Tabakerzeugnisse*).

²³⁸ BVerfG 1 August 2001 (*Therapeutische Äquivalenz*).

²³⁹ Ahrens 2004, Einl F no. 101.

²⁴⁰ BVerfG 18 January 1967 (*Südkurier*), p. 278, „Die Pressefreiheit umfaßt auch den Anzeigenteil“; BVerfG 10 May 1993 (*Chiffreanzeigen*), p. 114, „Das Grundrecht der Pressefreiheit umfaßt, wie das Bundesverfassungsgericht entschieden hat, auch den Anzeigenteil von Presseergebnissen. Wenn die Presse ihren Lesern Anzeigen, ebenso wie Nachrichten oder Leserbriefe im redaktionellen Teil, ohne eigene Stellungnahme zur Kenntnis bringt und die Leser auf diese Weise über die in den Anzeigen enthaltenen wirtschaftlichen Möglichkeiten oder die in ihnen zum Ausdruck gebrachten Meinungen informiert, so gehört dies zu den herkömmlichen und typischen Presseaufgaben. Nicht unberücksichtigt bleiben darf auch die Bedeutung des Anzeigenteils für die Erfüllung der Kommunikationsaufgabe der Presse sowie für die Erhaltung ihrer wirtschaftlichen Grundlagen als wesentlicher Voraussetzung ihrer Unabhängigkeit. Ebenso wie im Bereich des redaktionellen Teils kann schließlich auch im Bereich des Anzeigenteils die Vertrauenswürdigkeit der Presse davon abhängen, daß staatliche Eingriffe nicht zu besorgen sind.“ BGH 24 Juni 2004 (*Fernsehfee*).

²⁴¹ BVerfG 12 December 2000 (*Benetton I*), p. 172 (citations omitted, underline added).

²⁴² Article 5.1 GG covers advertising on billboards, busses, tricolors, or in sports facilities. Stiehs 2000, p. 103; Drettmann 1984, p. 116.

Both the ECtHR and the BVerfG grant a *lower level of protection* to expression with a purely commercial aim.²⁴³ As the discussion on the rationales of freedom of commercial expression showed, this differentiation in treatment can be justified because of the information asymmetry between traders and consumers, and because of an increased likelihood of harm to consumers and other traders that can be caused by commercial expression.

Already in the first (partly) commercial expression decision, *Scientology*, the Court held that ‘commercial ideas’ should receive lesser protection than other expression.²⁴⁴ In the words of the Court, commercial expression,

“may sometimes be restricted, especially to prevent unfair competition and untruthful or misleading advertising. In some contexts, the publication of even objective, truthful advertisements might be restricted in order to ensure respect for the rights of others or owing to the special circumstances of particular business activities and professions.”²⁴⁵

In *Demuth v. Switzerland*, it confirmed that states have a larger margin of appreciation in cases concerning commercial expression.²⁴⁶ The standard of review is that the Court’s role is “confined to ascertaining whether the measures taken at national level are justifiable in principle and proportionate.”²⁴⁷

In my opinion, this is the appropriate test to apply in relation to the grant and continuance of trademark rights.

3.5.3 MIXED-EXPRESSION

It is essential that expression containing both commercial and non-commercial elements is judged correctly, as commercial expression receives lower protection than non-commercial expression under both Article 10 ECHR and Article 5 GG. In many cases, this will be no problem as expression will be either clearly commercial or non-commercial. Difficulties arise however, if trademarks are used in art or cultural expression, expression in commercial news media, or films, as such expression will often carry both commercial and non-commercial elements. Similarly, political messages that entail trademarks may be made on or in the context of a commercial medium, e.g. campaigns in paid advertising messages on television or on campaign posters that are also sold. Furthermore, some companies prefer registering part of cultural heritage, like famous names, melodies, or parts of paintings, as trademarks and the ‘cultural industries’ use trademarks in order to generate profits, i.e. on merchandise of museums or product placement in films.²⁴⁸ If such mixed expression were to be qualified as purely commercial, only a low level of protection would be available to a third party trademark

²⁴³ BVerfG 26 February 1969 (Blinkfür).

²⁴⁴ ECommHR 5 May 1979 *X and Church of Scientology v. Sweden*, para. 73.

²⁴⁵ ECtHR 17 October 2002 *Stambuk v. Germany*, para. 39.

²⁴⁶ ECtHR 5 November 2002 *Demuth v. Switzerland*, para. 42.

²⁴⁷ ECtHR 11 December 2003 *Krone Verlag v. Austria*, para 30, ECtHR 12 February 1993 *Casado Coca v. Spain*, para 50; ECtHR 23 June 1994 *Jacobowski v. Germany*, para. 26.

²⁴⁸ In relation to cultural merchandise and the possible impairment of expressive diversity, see section 3.2.1.

user and quite a range of culturally, socially, or politically relevant expression may be suppressed.

In the following discussion, I will consider a number of criteria that may play a role in differentiating commercial from non-commercial expression. These are the medium, the technique used, i.e. advertising, whether an expression falls under national unfair competition of trademark law, or the motives of a speaker. In my opinion, none of these criteria taken by itself can be decisive in determining whether an expression is commercial. It is therefore important that courts, when assessing mixed expression, carefully consider whether the expression can be interpreted in multiple manners.

3.5.3.1 *The ECtHR*

While the *medium of expression* may provide an indication for distinguishing between commercial and non-commercial expression, it will often not be decisive. Indeed, the press and broadcasters, which receive the highest protection under Article 10 ECHR are mostly commercial media, i.e. they operate for profit. Likewise, theatre performances, the performances of comedians or even expression communicated via t-shirts, posters, post cards and the like may be of a partly commercial character, e.g. many campaigns print their slogans and criticism on posters or t-shirts that they subsequently sell. From the viewpoint of freedom of expression, it is crucial to examine the content of the expression and to grant a high level of protection if that content is non-commercial even if it is contained in or on a commercial medium.

Similarly, *advertisements* can contain expression that must receive heightened protection. Paid advertisements are usually purely commercial. Sometimes, however, the nature of the goods or services or the non-commercial aim of the advertiser should be decisive for granting a higher level of protection. In the *Open Door* case, the ECtHR held a ban on the advertisement on the availability of abortion services outside of Ireland, where abortion is forbidden, to violate Article 10 ECHR. In this case, it did not rule on the commercial or non-commercial character of the expression, but it simply granted heightened protection.²⁴⁹ In *Murphy v. Ireland*, paid religious advertising was treated as non-commercial expression.²⁵⁰ The *Verein gegen Tierfabriken* case concerned the refusal by the Swiss public service broadcaster to air a paid television advertisement, which protested against industrialised pig farming. The refusal was based on a general ban on political advertisements on Swiss public service TV. The Court classified the advertisement as political expression and held the refusal to be in violation of Article 10 ECHR.²⁵¹

In a case involving an advertising ban for veterinarians, the ECtHR considered a number of criteria to determine whether mixed expression should receive a high or low

²⁴⁹ ECtHR 29 October 1992 *Open Door v. Ireland*.

²⁵⁰ ECtHR 10 July 2003 *Murphy v. Ireland*.

²⁵¹ ECtHR 28 June 2001 *Verein gegen Tierfabriken*. “70. ... the applicant association's film fell outside the regular commercial context in the sense of inciting the public to purchase a particular product. Rather, it reflected controversial opinions pertaining to modern society in general. The Swiss authorities themselves regarded the content of the applicant association's commercial as being “political”... 71. As a result, in the present case the extent of the margin of appreciation is reduced, since what is at stake is not a given individual's purely “commercial” interests, but his participation in a debate affecting the general interest.” (references omitted). See further Kabel 2002.

level of protection. Dr. Barthold, a German vet, had been sanctioned by a veterinarian council based on a total advertising ban for vets. He had given an unpaid interview to a local newspaper, in which he voiced his concern about the absence of veterinary services opened during the night in Hamburg. He also mentioned that his own clinic was the only facility opened at night in the region of Hamburg.

The Hanseatic Court applied a very broad criterion for determining commerciality under German unfair competition law and found that Barthold's interview did qualify as commercial because, "an intent to act for the purposes of commercial competition" according to that law exists "as long as that intent has not been entirely overridden by other motives."²⁵²

According to the ECHR, a prohibition based on such a broad definition of commerciality was not in accordance with Article 10 ECHR.²⁵³ In particular, the Court expressed its concern that such prohibitions would discourage members of the liberal professionals to engage in discussion on matters of public interest. In its judgement, the Court considered a number of criteria to be important in the classification of this mixed expression. First, Barthold had not himself paid for the interview. Second, he had not exerted any influence on the text of the interview. And third, in the crucial part of the judgement, the ECtHR considered the effect of the expression and the motive of Barthold. It held:

"It may well be that these illustrations had the effect of giving publicity to Dr. Barthold's own clinic, thereby providing a source of complaint for his fellow veterinary surgeons, but in the particular circumstances this effect proved to be altogether secondary having regard to the principal content of the article and to the nature of the issue being put to the public at large.[...]."²⁵⁴

Accordingly, the case shows that courts must examine factors such as the influence of the speaker on a publication, payment for an advertisement, the (commercial) intent of the speaker, and the effect of the expression on the public. If the intent is not solely to generate profit, and if the expression touches upon a matter of public interest, higher protection must be granted.

The *Barthold* case further shows that a particular problem exists with the application of definitions contained in unfair competition law or trademark law to mixed expression as these definitions of commerciality do not correspond to that of freedom of expression jurisprudence. Courts must therefore be careful not to rely solely on definitions given by trademark law.

In principle, the ECtHR instructs courts to examine the expression falling under Article 10 ECHR independently from the definitions of national unfair competition law, trademark law or media law. A number of decisions, however, show the trouble of appropriately classifying mixed expression that falls under national unfair competition law or media law.

A media law case, in which the ECommHR did not enter into an independent examination of the expression, was *NOS v. the Netherlands*. In this case, the ECommHR did not deem admissible the claim against a conviction of a Dutch public service

²⁵² ECtHR 25 March 1985 *Barthold v. Germany*, para. 58.

²⁵³ See also ECtHR 17 October 2002 *Stambuk v. Germany*.

²⁵⁴ *Ibid.*, para. 58.

broadcaster for disrespecting an advertising ban. The broadcaster had showed trademarks of fast food companies in a critical youth program about food, but had not intended to advertise the trademark nor had it received any remuneration from the fast-food company.²⁵⁵ The ECommHR chose to grant a wide margin of appreciation to the Netherlands, which meant that in its review it did not independently assess the commerciality of the expression. Consequently, expression that was, in my opinion, clearly of public interest did not receive the heightened protection that would have been appropriate.

A similar problem arose in the *markt intern* case, where the ECtHR upheld the conviction of an industry sector organisation, that itself was not a direct competitor of the claimant, for the publication of a critical newsletter. Markt intern had been convicted by the German BGH under German unfair competition law.

The facts of the case presented a mix of commercial and non-commercial elements. The ECommHR, which ruled on the admissibility of the case, first considered that

“it cannot be bound by the domestic qualification of the statements concerned as acts of competition in the sense that they would fall outside the scope of Article 10 para. 1 (Art. 10-1) of the Convention.”²⁵⁶

Consequently, it reconsidered the facts in depth. It considered that markt intern, should receive a high level of protection because Article 10 ECHR “also protects publications which favour particular political or social groups or which promote specific interests.” According to the Commission, the publication was similar to a publication of the press even though markt intern was a (partisan) interest group.²⁵⁷ It further found that the statement was truthful and of an editorial character and that it was not an advertisement. Therefore, the Commission ruled that the prohibition of the expression by the BGH went further than necessary in a democratic society and decided that the case was admissible.

The ECtHR did not follow the decision of the ECommHR and chose not to review the facts in equal depth. It rather held that in this case the national courts were entitled to a wide margin of appreciation, which “is essential in commercial matters and, in particular, in an area as complex and fluctuating as that of unfair competition.” The Court stated furthermore that,

“[i]n a market economy an undertaking which seeks to set up a business inevitably exposes itself to close scrutiny of its practices by its competitors. Its commercial strategy and the manner in which it honours its commitments may give rise to criticism on the part of consumers and the specialised press. In order to carry out this task, the specialised press must be able to disclose facts which could be of interest to its readers and thereby contribute to the openness of business activities.”²⁵⁸

Yet, despite this acknowledgement the ECtHR found that markt intern acted with commercial intent. While *markt intern* “was not itself a competitor in relation to the Club [...] it intended - legitimately - to protect the interests of chemists and beauty product

²⁵⁵ ECommHR 13 November 1993 *NOS v. the Netherlands*.

²⁵⁶ ECommHR 18 December 1987 *markt intern v. Germany*, para. 191.

²⁵⁷ *Ibid.*, para. 228.

²⁵⁸ ECtHR 20 November 1989 *markt intern v. Germany*, para. 35.

retailers.”²⁵⁹ According to the Court, the German courts had therefore not gone further than its margin of appreciation when deciding that the expression was to be prohibited.

The *NOS* and *markt intern* rulings show that courts may struggle to classify mixed expression appropriately if it falls under an overbroad definition of unfair competition law. In contrast, the above-discussed *Barthold* cases contain the recognition of the fact that a court must indeed judge the commerciality of mixed expression separately from the classification of unfair competition law.²⁶⁰ This was confirmed in the later *Hertel* case.

The *Hertel* case concerned a Swiss hobby scientist’s sanction for a publication in a lay scientist magazine. Hertel had conducted research on the negative effects of microwave ovens and found what he believed to be cancer related cell deformation. He offered his research results for publication to the research Journal Franz Weber, which published the findings in an exaggerated manner and illustrated the issue, which contained the article with a depiction of Death on the front page. The Swiss courts sanctioned both the Journal and the scientist for a violation of Swiss unfair competition law as the publication harmed the interests of microwave oven producers. The ECtHR did not accept the Swiss court’s classification under unfair competition law as relevant for its own determination under Article 10 ECHR. It held that,

“[i]t is [...] necessary to reduce the extent of the margin of appreciation when what is at stake is not a given individual’s purely “commercial” statements, but his participation in a debate affecting the general interest, for example, over public health; in the instant case, it cannot be denied that such a debate existed”.²⁶¹

It therefore granted a high level of protection to the expression and it carefully scrutinised the restriction of Hertel’s freedom of expression. Similar to the *Barthold* case, the Court found that Hertel was not himself responsible for the exaggerated statement and that the expression was on a matter of public interest. In addition, it found that the microwave oven producers, who had sued Hertel, had not established a drop in sales due to the article. There was thus a lack of actual harm. In the critical passage of the judgement, it held that,

“The effect of the injunction was thus partly to censor the applicant’s work and substantially to reduce his ability to put forward in public views which have their place in a public debate whose existence cannot be denied. It matters little that his opinion is a minority one and may appear to be devoid of merit since, in a sphere in which it is unlikely that any certainty exists, it would be particularly unreasonable to restrict freedom of expression only to generally accepted ideas.”²⁶²

In addition to instructing courts to determine the level of protection under Article 10 ECHR separately from the definitions of unfair competition law or trademark law, the Court does thus grant high level of protection also to the minority views like that of the hobby scientist Hertel.²⁶³

²⁵⁹ *Ibid.*, para. 36.

²⁶⁰ ECtHR 25 August 1998 *Hertel v. Switzerland*, para. 47.

²⁶¹ *Ibid.*, para. 8.

²⁶² *Ibid.*, para. 50.

²⁶³ It may however be rightly criticised that the Court did not address the scope of the underlying provision of Swiss unfair competition law. Kabel 1998.

In sum, the jurisprudence of the ECtHR shows, that the medium employed or the commercial format such as paid advertising or definitions of commerciality contained in national unfair competition, media or trademark laws must not be decisive in determining the right level of protection for mixed expression. In order to appropriately judge mixed expression, a detailed consideration of all facts is necessary.²⁶⁴ In particular, the ECtHR examines whether the speaker had an influence on a publication, whether his motives were purely or predominantly commercial and most importantly, or whether the expression contributed to a debate on a matter of public interest.

3.5.3.2 *The BVerfG*

German jurisprudence relies strongly on the motives of the speaker when mixed expression is at stake. In addition, it demands of courts to respect multiple possibilities of interpretation of mixed expression.

Already in the *Lüth* case, the BVerfG held that the assessment of the motives of a speaker are crucial.²⁶⁵ In 1950, German journalist Lüth started a campaign against the publication of a new movie by the German director Veit Harlan. Lüth campaigned for a boycott because Harlan had been the director of anti-Semitic propaganda films of the Nazi regime. A German court ordered Lüth to cease his campaign, applying Section 826 of the German Civil Code, a provision that prohibits the intentional causation of harm in a manner that contravenes generally accepted principles of morals (*guten Sitten*).

The BVerfG found the lower court's decision to be unconstitutional, holding that *Lüth's* motives were not of a commercial or competitive nature. Rather, Lüth's concern was to indicate that Germany was not dealing lightly with persons that had played a role in the National Socialist regime. Therefore, *Lüth* was granted strong protection under Article 5.1 GG.

In a later case, involving a call for boycott, the BVerfG held that,

‘if the aim of a speaker is to cater to social political or cultural interests of the public, the protection of Article 5.1 GG will apply, even if private and economic interests of others are affected. This is also the case, if the parties are competitors.’²⁶⁶

The two *Benetton* decisions of the BVerfG involved an advertising campaign of the clothing company Benetton using photographs that dealt with environmental, health, and social issues. One commercial was showing a duck in oil slick, another a person's naked behind carrying a tattoo with the text ‘H.I.V. positive’; a third advertisement was showing a person dying of AIDS. In the two decisions, the BVerfG established far-reaching protection for mixed expression contained in paid advertisements that have the

²⁶⁴ See also the dissenting Opinion by Judge Martens, *Ibid.*; Kabel 1990; Dommering 1990.

²⁶⁵ BVerfG 15 January 1958 (*Lüth*).

²⁶⁶ BVerfG 15 November 1982 (*Boykottaufruf*); paraphrased from German, “Wesentlich sind zunächst die Motive und, damit zusammenhängend, das Ziel und der Zweck der Aufforderung. Findet diese ihren Grund nicht in eigenen Interessen wirtschaftlicher Art, sondern in der Sorge um politische, wirtschaftliche, soziale oder kulturelle Belange der Allgemeinheit, dient sie der Einwirkung auf die öffentliche Meinung, dann spricht dies dafür, daß die Aufforderung durch Art. 5 Abs. 1 GG geschützt ist, auch wenn dadurch private und namentlich wirtschaftliche Interessen beeinträchtigt werden. Dies kann selbst dann gelten, wenn der Verrufer zu dem Boykottierten in einem Konkurrenzverhältnis steht.“

clear motive to stimulate the sale of goods. It found that must even such advertisements must sometimes be granted heightened protection, if the expression may contribute to a debate that is of public interest. The BVerfG specifically instructs courts to carefully examine expression that carries multiple layers of meaning.²⁶⁷

In order to determine the relevant level of protection the Court looked at all elements of the expression including the aim, the form and, in particular, the various interpretations that recipients may give to the expression. It held that a court may not choose to focus only on one side of the message but needs to take a differentiated view of the meaning of the expression.²⁶⁸

According to the BVerfG in the case concerning the H.I.V. tattoo, the motive of the advertisement was undoubtedly to further the sales of Benetton's products. However, the expression simultaneously concerned a matter of great public interest, i.e. the stimulation of a debate about the position of H.I.V. positive people in German society. In the eyes of the Court, the latter element carried the decisive weight. Even though the commercial may have appeared to many people as shocking, frightening, or as an unethical form of commercial exploitation of suffering, it gave rise to a debate on the treatment of AIDS patients in society.

Moreover, the BVerfG considered that advertising constitutes such an important part of overall communication today, that also in commercial advertisements it must be

²⁶⁷ BVerfG 12 December 2000 (Benetton I); BVerfG 11 March 2003 (Benetton II).

²⁶⁸ BVerfG 11 March 2003 (Benetton II), "Grundlage für die Bewertung jeder Meinungsäußerung ist die Ermittlung ihres Sinns. Dabei kommt es nicht auf nach außen nicht erkennbare Absichten des Urhebers der Äußerung an, sondern auf die Sichtweise eines verständigen Empfängers unter Berücksichtigung der für ihn wahrnehmbaren, den Sinn der Äußerung mitbestimmenden Umstände. Wie bestimmte Minder- oder Mehrheiten von Rezipienten die Äußerung tatsächlich verstehen, kann ein Argument, muss aber nicht entscheidend sein. Ist der Sinn einer Äußerung umstritten, so ist es nicht Aufgabe des Bundesverfassungsgerichts, eine von den Fachgerichten unter Beachtung der grundrechtlichen Anforderungen ermittelte Deutung durch eine andere zu ersetzen. Zu diesen Anforderungen gehört indessen, dass der Kontext berücksichtigt und der Äußerung kein zur Verurteilung führender Sinn zugeschrieben wird, den sie objektiv nicht haben kann. Umgekehrt dürfen ihr keine entlastenden Aussagegehalte abgesprochen werden, die sie objektiv hat. Bei mehrdeutigen Äußerungen müssen sich die Gerichte im Bewusstsein der Mehrdeutigkeit mit den verschiedenen Deutungsmöglichkeiten auseinander setzen und für die gefundene Lösung nachvollziehbare Gründe angeben.

Neben den Aussagegehalt hat der Bundesgerichtshof bei seiner Auslegung den Aussagezweck gestellt. Er legt dar, die Anzeige diene ungeachtet ihres sozialkritischen Aussagegehalts dazu, die Aufmerksamkeit der Öffentlichkeit absatzfördernd auf das werbende Unternehmen zu lenken. Dabei handelt es sich entgegen der Auffassung der Beschwerdeführerin nicht um eine alternative Deutung der Anzeige als Meinungsäußerung. Der Aufmerksamkeitswerbezweck als solcher ist keine Meinungsäußerung im Sinne des Art. 5 Abs. 1 Satz 1 GG. Es liegt eine sozialkritische Meinungsäußerung vor, die zugleich einen eigennützigen Werbezweck verfolgt.

Da der Werbezweck zum Kontext der sozialkritischen Botschaft gehört, kann er deren Deutung beeinflussen. Insoweit ist dem Bundesgerichtshof zu folgen. Sozialkritik und Werbezweck schließen einander hier nicht aus. Der sozialkritische Gehalt der Anzeige und der auf Aufmerksamkeit für das Unternehmen abzielende Aspekt bestehen nebeneinander, ohne einander zu widersprechen. Die Annahme, es sei eigentlich nur das eine oder das andere gewollt, findet in der Anzeige und ihrem Kontext keine Stütze. Dem steht nicht entgegen, dass die Anzeige von Teilen der Bevölkerung möglicherweise nur mit ihrem Aufmerksamkeitswerbeaspekt wahrgenommen wird oder dass andere den Werbehinweis übersehen. Der zugleich fremd- und eigennützige Zweck der Anzeige ist ungewohnt und kann als irritierend empfunden werden. Das mag dazu verleiten, den sozialkritischen Gehalt zu ignorieren oder als pseudokritisch abzutun. Die Meinungsfreiheit gebietet indessen, eine Sichtweise einzunehmen, die so differenziert ist wie die zu bewertende Aussage selbst. Das hat der Bundesgerichtshof getan, indem er festgestellt hat, dass die Anzeige ungeachtet ihres Werbezwecks als Sozialkritik verstanden werden kann." (Citations omitted).

possible to address issues of social concern. Accordingly, the BVerfG granted the expression higher protection and held the lower court's decision to be unconstitutional.²⁶⁹

In my opinion, German jurisprudence, and in particular the *Benetton* cases provide a good model of how to judge mixed expression. Mixed expression is indeed often multi-layered, and if third party trademark use in mixed expression contributes on a matter of public interest, heightened protection should apply. The existence of a motive to promote one's own goods or services must not in all cases lead to lowered protection. Moreover, the principles of tolerance and broadmindedness that underlie Article 10 ECHR demand that even minority opinions that are partly commercial are strongly protected.

In cases that are unclear, I think that, it would be best to grant heightened protection.²⁷⁰ Indeed, a restrictive approach, which favours prohibition in case of commerciality, bears the risk that unfair competition law or trademark law could be used to censor public debate.

3.6 CONCLUSION

In chapter 3, I examined whether and how freedom of non-commercial and commercial expression grants third parties protection in a conflict with trademark rights. I started by introducing the provisions protecting freedom of expression in section 3.2, and thereafter I discussed how freedom of expression can be invoked in a conflict with trademark rights (section 3.3). In section 3.4, I analysed the rationales that justify freedom of expression third party trademark users and in section 3.5, I examined the varying level of protection that must be granted to such third parties.

The analysis in section 3.3 showed that Member States of the ECHR are under an obligation to ensure that the exercise of trademarks right will not contravene Article 10 ECHR and that they have a positive obligation under Article 10 ECHR to guarantee that the exercise of trademark rights will not overly impair expressive diversity. Internally, states have discretion as to how to achieve this result; at the very minimum, courts as protectors of freedom of expression of last resort, must ensure compliance with Article 10 ECHR. I argued that reliance on courts' ability to achieve a balance alone is insufficient and that it is crucial to integrate solutions to the conflict with Article 10 ECHR within trademark law. The best respect for freedom of expression is achieved and the least chilling effects are caused, when trademark law itself provides clear limitations and room for balancing with third party freedom of expression. This can be achieved at various levels. First, legislators should structure trademark law in a manner that it does not disproportionately restrict the freedom of expression of third parties. Second, also trademark registering authorities should interpret open norms of trademark law in accordance with freedom of expression, to the extent this is permitted. Third, individuals in the Member States of the ECHR can invoke Article 10 ECHR before national courts in a conflict involving trademark rights and courts, as protectors of freedom of expression of

²⁶⁹ BVerfG 11 March 2003 (*Benetton II*).

²⁷⁰ Compare Barendt 2005a, p. 398; Hertig Randall 2006, p. 72.

last resort, must ensure the protection of Article 10 ECHR. This is also referred to as indirect horizontal effect vis-à-vis trademark law. Courts can balance freedom of expression and trademark rights in two manners. First, they can balance the two within the framework of trademark law itself, by interpreting 'open' provisions of trademark law in light of freedom of expression. Second, if internal balancing does not lead to the required result or if it is excluded, as in the case of Article 5.3 GG, courts can balance freedom of expression and trademark rights externally in a human rights framework. This means that trademark rights as protected by Article 1 1st AP ECHR, i.e. the right to protection of property, will be balanced against Article 10 ECHR.

As the application of freedom of expression in conflicts with rights granted under private law is rejected by some scholars, I argued that such an application is warranted and needed. Present day trademark law essentially lacks the fine-tuned solutions to many of the problems that have been created by the extension of trademark rights and by the increases in the social, cultural, and political importance of trademarks. As some trademarks have become symbols that represent social, cultural, or political phenomena, but trademark law has remained market-centred, the arising social, cultural, or political concerns are not integrated in the structure of trademark law. Therefore, freedom of expression and the jurisprudence pertaining to it may provide in many cases more appropriate balancing mechanisms than trademark law. I argued that trademark law must be supplemented by the specific proportionality tests contained in freedom of expression and its jurisprudence.

In section 3.4, I discussed several rationales for the protection of freedom of expression. Next to the classical rationales of discovering truth, the democracy rationale and the self-fulfilment rationale, I discussed the theory of dialogic democracy, which provides a convincing additional rationale for freedom of non-commercial expression of third parties to use and change the meaning of trademarks of social, cultural, and political importance. Such a freedom must entail not only the possibility of a person to speak; it must also, or in particular, protect the choice for using a particular trademark in expression. Moreover, I argued that this freedom should be strong in dialogic media, such as the Internet.

In the same section, I examined the rationale for a freedom of expression of traders to impart purely commercial expression. The rationale lies in the utility of such expression to citizens in their economic dealings, though the rationale also indicates that the protection of such expression must be of a lower level than that of non-commercial expression.

The discussion in section 3.5 showed that the level of protection under Article 10 ECHR and Article 5 GG is not of equal strength in all cases. A general dividing line as regards the strength of protection can be found between commercial and non-commercial expression. Strong protection must be granted to non-commercial trademark use that is of public interest. The rationale of discovering truth and the democracy rationale justify strong protection for third party trademark use that contributes to public debate, even if it is exaggerated, oppositional, or even potentially wrong. Equally, strong protection should be granted if expression criticises or aims at controlling dominant views, entities, or persons in society.

The jurisprudence of the ECtHR and the BVerfG shows that strong protection is granted to third party trademark use that is of public interest. In addition, the courts grant

strong protection to certain groups, like the press and campaign groups, because they fulfil an important role in a democracy. Furthermore, the analysis showed, that value judgements are granted greater protection than factual allegations.

According to the ECHR, expression that contributes to a debate on a matter of public interest may 'shock offend or disturb'. I argued that, in addition, third parties using trademarks in expression that contributes to public discourse must be granted the freedom to seek a great level of attention for their expression. In this respect, I deem it essential that, as the German BVerfG stated already in 1968,

'it is the legitimate aim of any expression, which contributes to the forming of opinions, to gain attention. Therefore, all sorts of speech that leaves an impression or strong expressions must be tolerated.'²⁷¹

In section 3.5.1.2, I assessed the heightened protection that is given to expression about public figures, i.e. public figures are figures that are the focus of public interest because they hold positions of political, social, or economic power, influence or importance. I proposed that an analogy should be made between public figures and expression that involves trademarks as 'public symbols'. These are trademarks, which no longer just indicate the characteristics of the reputation of goods and services, but rather have become representations of social, cultural, and political power and influence. Following the democracy rationale, freedom of expression to criticise and control must include the right to criticise and control the symbols of such power and influence. In addition, the theory of dialogic democracy explains that there is an ongoing struggle of individuals and groups to influence or recode the meaning of such trademarks, which is referred to as a struggle about 'meaning making'. I argued that the ability to influence the meaning of such signs is important for the self-fulfilment of individuals, as well as for the self-direction of groups in society, and that, therefore, the freedom of expression of third parties should extend to influencing the meaning of trademarks.

Freedom of artistic expression may take a particularly important role with regard to trademark use. Artistic expression using trademarks is important for the self-fulfilment of artists and, as the theory of dialogic democracy explains, it may play an important role in the struggle about meaning making in society. I argued that the choice of an artist for a particular trademark must be strongly protected and that freedom of expression must protect trademark use by individuals and groups that tries to influence the meaning of trademarks. I also argued that this freedom should be strong in dialogic media, such as the Internet.

As artistic expression often engages in recoding (i.e. changing or transforming) the meaning of trademarks, contorts the positive image created by the trademark right holder, changes the context, or exaggerates, I argued that the particular value of a freedom of artistic expression would lie in a particular respect for the multi-layered meaning created by artistic expression. Third parties using trademarks in artistic expression must be able to contort the exaggerated positivism that surrounds certain trademarks.

²⁷¹ BVerfG 6 November 1968 (GEMA), p. 286, „Da es der Sinn jeder zur Meinungsbildung beitragenden öffentlichen Äußerung ist, Aufmerksamkeit zu erregen, sind angesichts der heutigen Reizüberflutung aller Art einprägsame, auch starke Formulierungen hinzunehmen.“

The analysis in section 3.5.1.3 showed that the ECtHR does not protect artistic expression as a separate category. It grants strong protection only if the expression is of public interest. In one case, the Court held that,

“satire is a form of artistic expression and social commentary and, by its inherent features of exaggeration and distortion of reality, naturally aims to provoke and agitate. Accordingly, any interference with an artist's right to such expression must be examined with particular care.”²⁷²

In other cases, it permitted far-reaching restrictions of artistic expression. I indicated that the ECtHR might not sufficiently recognise the multi-layered form of communication of artists and the role of artistic expression in a democratic society.

In contrast, Article 5.3 of the German Grundgesetz specifically protects the freedom of artists. The BVerfG obliges German courts to act with particular care in judging the multi-layered meaning of artistic expression. It requires them to consider various possibilities of interpretation when weighing artistic expression against the interests of others.

In my opinion, such an approach is to be preferred and it would be fully in line with the principles of ‘pluralism, tolerance and broadmindedness’, which underlie Article 10 ECHR. These principles demand that diverse and minority views receive strong protection and they demand that courts do not limit their assessment to one possible interpretation of an expression. This broadminded form of interpretation is of particular importance for an effective protection of artistic expression.

A broadminded approach is also required when judging mixed expression, i.e. expression that contains both commercial and non-commercial elements. Third party trademark use may often fall into this category. In section 3.5.3, I examined jurisprudence relating to mixed expression and I argued that it is important that courts correctly judge mixed expression and that they only lower protection if the expression is of a purely commercial nature. The jurisprudence of the ECtHR and the BVerfG contains a number of criteria for the classification of mixed expression. Criteria such as the medium used, the fact that expression is contained in a paid advertisement, or the fact that expression falls under the subject matter of unfair competition or trademark law can be no more than indications that an expression is commercial. In addition, courts need to assess the motive of the speaker, and whether or not the expression contributes to a debate on a matter of public interest.

Overall, the analysis showed that freedom of non-commercial and mixed expression that is of public interest must prevail over trademark rights, even if a degree of economic harm is present. A court must weigh all the relevant facts in a case and take a nuanced position about the meaning of an expression. A limit of the freedom can be imposed in particular when use of a trademark does not address an issue of public interest which is connected to the trademark, but rather primarily disparages the trademark.

A further concern with regard to third party trademark use in non-commercial and mixed expression is the fact that disproportionate sanctions or obstacles to the exercise of

²⁷² ECtHR 25 January 2007 *Vereinigung Bildender Künstler v. Austria*, para. 26.

freedom of expression posed by trademark law and procedural law may cause potential participants to public discourse to abstain from comment or criticism. This is referred to as the imposition of chilling effects on public discourse. Such chilling effects can be created by an inequality between parties to a particular case, an unequal distribution of proof, lack of legal assistance, the threat of high sanctions, or the disproportionate costs of litigation.

Certain obstacles may themselves result in violation of freedom of expression. For instance, the lack of a requirement for a trademark right holder to prove the existence of harm may be a disproportionate restriction on freedom of expression.

Finally, freedom of (purely) commercial expression is protected for a similar reason to that entailed in the search cost rationale, i.e. because it can provide vital information to consumers. The freedom includes third party trademark use in comparative advertising, referential use or descriptive use. Both, the discussion on the rationales for granting a freedom of commercial expression and the discussion of the jurisprudence showed that a lower level of protection than that granted for non-commercial expression and mixed expression that is of public interest does apply in the case of purely commercial expression. According to the ECtHR, the low level of protection applies if the expression takes place in “the regular commercial context inciting the public to purchase a particular product”²⁷³ and as long as it does not contain an element that is of public interest. I argued that such lowered protection is warranted, since commercial expression can more easily cause harm to consumers and other traders. According to the ECHR, the particular level of protection granted to freedom of commercial expression is satisfied, if a restriction of the freedom of commercial expression of a third party posed by e.g. a trademark right is “justifiable in principle and proportionate.”²⁷⁴

²⁷³ ECtHR 28 June 2001 *Verein gegen Tierfabriken*, para. 57.

²⁷⁴ ECtHR 11 December 2003 *Krone Verlag v. Austria*, para. 30; ECtHR 12 February 1993 *Casado Coca v. Spain*, para. 50; ECtHR 23 June 1994 *Jacobowski v. Germany*, para. 26.

4 Balancing the Grant and Revocation of Trademark Rights with Freedom of Expression

4.1 INTRODUCTION

4.1.1 INTRODUCTION

In this chapter, I will discuss the first stage of balancing, i.e. the balancing of the provision regulating the grant and revocation of trademark rights with the freedom of expression third parties. European trademark law contains grounds for refusal, invalidity, or revocation of the registration of trademarks, which regulate the grant and revocation of trademark rights under the TMDir and TMReg. Registering authorities, and courts reviewing their decisions, are obliged to interpret these grounds in light of a number of public interests, which are market and competition centred and do not specifically aim at protecting freedom of expression¹

Article 10 ECHR obliges states to ensure that the exercise of trademark rights will cause no disproportionate limitations of freedom of expression. In this chapter, I focus on the role, which registering authorities and courts can play in considering the impact on freedom of expression when they decide upon registering or revoking trademarks. They can interpret the relevant grounds for refusal, invalidity, and revocation in a manner that no rights come into/or are in existence that are likely to be exercised in a manner that will impair of the freedom of expression of third parties disproportionately. As this chapter will show, they can achieve this in the same way as they consider market-centred public interests, i.e. by also considering a public interest representing the interests of those parties that may be affected in their freedom of expression.

This public interest stemming from freedom of expression has two distinct aspects (I will therefore refer to it as “two-fold public interest”). The first aspect is the public interest stemming from the freedom of commercial expression of third party traders to use prospectively trademarked signs in order to inform consumers about products and services as well as the interest of consumers to receive such information. The second aspect is the public interest of the freedom of expression of third parties to use the prospectively trademarked signs in a non-commercial manner as well as the interests of the recipients of such expression, as well as a more general interest in not impairing expressive diversity.

A number of the existing grounds for refusal, invalidity and revocation have already partly the (unintended) effect of protecting the public interest stemming from freedom of expression. Therefore, I will analyse whether these existing grounds for refusal, invalidity

¹ For instance, the ground for refusal of distinctiveness protects the public interest of consumers to orient themselves on the market by means of distinctive signs. The ground for refusal of non-descriptiveness protects the public interest of third party traders to use descriptive signs. ECJ 18 June 2002 *Philips*, para. 77; ECJ 8 April 2003 *Linde*, para. 71; ECJ 6 May 2003 *Libertel*, para. 51; ECJ 12 February 2004 (*BIOMILD*), para. 34.

and revocation as defined by European trademark law and jurisprudence can be interpreted in a manner to ensure that no trademark rights come into or are in existence, whose exercise would very likely cause a disproportionate impairment of freedom of expression.

4.1.2 THE PUBLIC INTEREST STEMMING FROM FREEDOM OF EXPRESSION

Before providing the outline of the chapter, I deem it necessary to further introduce the two sides of the public interest stemming from freedom of expression.

Freedom of commercial expression is granted to traders because a free flow of commercial information provides information benefits to consumers, or as the ECtHR states, “for the public, advertising is a means of discovering the characteristics of services and goods offered to them.”² The public interest stemming from freedom of commercial expression is thus a congruent interest of both traders as providers and of consumers as recipients of commercial expression.

With respect to trademark rights, freedom of commercial expression protects the interest of third party traders to use descriptive, generic, as well as laudatory signs that generally describe goods or services. *Descriptive signs* are signs that describe characteristics of a good or service. Examples are ‘Park n’ Fly’ for airport parking facilities,³ or geographic names like ‘Chiemsee’ for typical products from that area.⁴ *Generic signs* are signs that describe the genus or sort of a good or service like ‘APPLE’ for apples or ‘BSS’, known in specialist circles as the indication for optometric salt solutions.⁵ *Generally descriptive laudatory signs* are signs that advertise products like ‘BRAVO’⁶, ‘BONUS’⁷, or slogans like ‘Best buy’ for consumer goods; they also provide information to consumers. Such signs identify particular characteristics, the genus, or particularly positive sides of goods or services. Trademark rights in these signs may impair the communication between traders and consumers, as it may be inefficient, tedious, or even impossible for third party traders to find other signs that can communicate the same meaning to consumers. Consumers may be faced with a lack of appropriate information that efficiently describes alternative products.

Trademark law already contains grounds for refusal that limit the grant and revocation of trademark rights that impair the communication between traders and consumers, i.e. the grounds for refusal of descriptiveness, customariness and non-distinctiveness and the ground for revocation for signs that have become common names in trade. I will examine whether these grounds can be interpreted in a manner to ensure that no trademark rights come into or are in existence, whose exercise would very likely contravene the freedom of commercial expression of third party traders as granted by Article 10 ECHR.⁸

² ECtHR 11 March 2004 *Krone Verlag v. Austria*, para. 31; ECtHR 17 October 2002 *Stambuk v. Germany*, para. 39, stating that “for the citizen, advertising is a means of discovering the characteristics of services and goods offered to him.”

³ U.S. Supreme Court 8 January 1985 *Park 'N Fly*.

⁴ The Chiemsee, situated in Bavaria, is the largest lake in Germany. The sign “Chiemsee” which may be descriptive for surf-wear was the issue of contention in the Windsurfing Chiemsee case. ECJ 4 May 1999 *Windsurfing Chiemsee*.

⁵ CFI 5 March 2003 *Alcon* (‘BSS’).

⁶ ECJ 4 October 2001 *Merz & Krell* (‘Bravo’), para. 2.

⁷ BGH 23. October 1997 (‘Bonus’).

⁸ ECtHR 11 March 2004 *Krone Verlag v. Austria*, para. 30; ECtHR 24 February 1994 *Casado Coca v. Spain*, para. 50; ECtHR 23 June 1994 *Jacobowski v. Germany*, para. 26.

The public interest stemming from the *freedom of non-commercial expression* consist of an interest of third parties to use particular signs with a social, cultural, or political meaning, the congruent interest of the audience to receive such expression, and an overall interest in protecting *expressive diversity*. In particular, trademark rights over ‘signs of high social, cultural or political value’ in relation to ‘expressive goods and services’ may be exercised in a manner that the freedom of non-commercial expression will be impaired.⁹ I shall first give my own definition of terms and, thereafter, I will elaborate on the public interest.

Signs of high social, cultural or political value can be the names or pictures of living or deceased historic persons, or the names of political, cultural, or religious organisations, (parts of) cultural heritage, e.g. parts of paintings when they describe the goods or services.

Expressive goods are goods like newspapers, books, and other print publications, but also T-shirts, key rings, stickers, or posters. For examples, almost all major Dutch political parties have registered their names as trademarks for T-shirts or posters.

Expressive services are services related to public discourse such media services, cultural services, or even major events like football championships.

The effect of granting trademark rights in signs of high social, cultural, or political value on freedom of expression becomes apparent when viewed in light of the theory of dialogic democracy, which explains that these signs are part of an ongoing social dialogue.¹⁰ The central theme of this dialogue is the change of meaning embodied in dominant social, cultural and political signs, including certain trademarks, i.e. a process of ‘meaning making’. Freedom of expression plays an important role in ensuring that individuals and groups can take part in this process of meaning making.

The grant of trademark rights in signs of high social, cultural, or political value may impair the process of meaning making because such rights may be exercised in a manner that hinders third parties to participate in social dialogue and it may diminish expressive diversity in general. If expressive slogans like ‘DENK VOORUIT’ (*transl.* ‘think ahead’) for awareness campaigns and public information services,¹¹ ‘There’s no F in Justice’¹² for T-shirts or ‘Been in there for 9 months’ or ‘Lief!’ (*transl.* ‘Sweet!’)¹³ for baby clothing, or ‘Yes we can’ for expressive goods can be registered as trademarks, no third party can, in principle, use identical signs in relation to the identical goods or services, or similar signs in relation to identical or similar goods or services if a likelihood of confusion is caused.¹⁴ Equally, if historical names, like Da Vinci, Michelangelo, Mona Lisa,¹⁵ or

⁹ E.g. services in class 41 pertain to education; providing of training; entertainment; sporting and cultural activities.

¹⁰ Elkin-Koren 1995, p. 400. See section 3.4.2.

¹¹ Benelux trademark registration No. 0812103; Rb Amsterdam 22 December 2006 *The Netherlands v. Greenpeace*.

¹² Hearing Officer of the UK Trademark Office 21 June 2007 (‘THERE AIN’T NO F IN JUSTICE’).

¹³ Hof Den Haag 30 September 2008 (‘Lief!’).

¹⁴ See above section 2.4.2.1. The meaning of ‘use in relation to goods and services’ has been significantly broadened by the ECJ in its rulings in *Arsenal, O2* and *l’Oréal*. ECJ 12 November 2002 *Arsenal Football Club*, ECJ 12 June 2008 *O2*, ECJ 18 June 2009 *l’Oréal*.

Johann Sebastian Bach¹⁶ and names or pictures of socially relevant figures like Michael Schumacher¹⁷, Elvis Presley,¹⁸ or Obama become subject to trademark rights for expressive goods or services, third parties will be precluded from using identical signs in relation to the identical goods or services, or similar signs in relation to identical or similar goods or services if a likelihood of confusion is caused. This may impair the freedom of expression of third parties and it may impair expressive diversity as such signs can express viewpoints of consumers or an affiliation of consumers, i.e. if they are printed on T-shirts, they may become speech.

One favourable circumstance for the grant of trademark rights in signs of high social, cultural, or political value is that trademark registration under European trademark law, is based on an attributive system, which means that trademarks can be registered even when they have not yet been used in trade and their distinctiveness has not been established in trade.¹⁹ The licensing and merchandising industry strives on trademark rights that are registered before the signs are used in trade. For instance, organising countries of major events such as the FIFA soccer world championships or the Olympic Games register the names and symbols of these major events in order generate licensing revenues and the same holds true for the producers of many movies, who obtain trademark rights to generated merchandising revenues. Likewise, the trademark rights are used in merchandising of fictional and real characters such as ‘Elvis Presley’ or the German fictional character ‘Der kleine Eisbär’.²⁰

Moreover, while there is, with good reason, no service class for political services (trademark rights are not meant to be used for e.g. political parties, but rather to indicate trade origin), the absence of a requirement of use in trade before registration, makes the grant of trademark rights in political signs possible. In the Netherlands for instance, political parties and government entities have acquired trademark rights, which would allow them to prohibit third parties from using their names on e.g. T-shirts. Moreover, Article 2.20.1.d BVIE grants them the right to prohibit free riding, blurring, or tarnishment of their trademarks (i.e. names) in relation to all uses, even outside of trade. Although such rights are rarely invoked, they have the potential to cause chilling effects on public discourse.²¹

¹⁵ Hof Leeuwarden 12 June 1996 (‘Route 66’); HR 5 December 1997 (‘Route 66’); Van Woensel 2007, p. 303; Tsoutsanis 2005.

¹⁶ OLG Dresden 4 April 2000 (‘Bach’ I-III).

¹⁷ BPatG 29 April 1998 (portrait of Michael Schumacher).

¹⁸ High Court of Justice - Chancery Division 18 March 1997 Elvis Presley. ‘Elvis Presley’ is registered as a Community trademark by Elvis Presley Enterprises amongst others for all kinds of merchandise. (CTM Reg. No. 001408897).

¹⁹ According to Article 10 TMDir and 50.1.a TMReg, trademark rights lapse (only) after five years of non-use. Consequently, trademark rights are granted even before trademarks have proven their utility as indicators for of product source or product characteristics. In section 2.4.1, I argued that the rationales of trademark law would require that trademark rights be granted only for trademarks that have proven their distinctiveness. The grant of trademark rights before establishing distinctiveness through use in trade allows the exclusion of third parties without any counter-weighing social benefits and may thus is not justified by the rationales of the rationales of trademark rights.

²⁰ “Character merchandising can be defined as the adaptation or secondary exploitation, by the creator of a fictional character or by a real person or by one or several authorized third parties, of the essential personality features (such as the name, image or appearance) of a character in relation to various goods and/or services with a view to creating in prospective customers a desire to acquire those goods and/or to use those services because of the customers’ affinity with that character.” WIPO Report, Character Merchandising WO/INF/108, p. 6; Ruijsenaars *diss.* 1997.

²¹ Benelux Trademark Registration no. 0801798 (logo of the socialist workers’ party PvDA); Benelux Trademark Registration no. 0575391 (logo of the liberals VVD).

At present, the grounds for refusal and revocation do not take account of the public interest stemming from freedom of non-commercial expression, yet they may have the (unintended) effect to protect this public interest. I will, therefore, examine whether the existing grounds for refusal and revocation can be interpreted in a manner to ensure that no trademark rights come into or are in existence that are likely to be exercised in a manner that will infringe the freedom of non-commercial expression of third parties or that will severely impair expressive diversity.

At this point, I also want to point out to the reader that the public interest in the protection of expressive diversity differs from the interest to preserve cultural heritage, which has been highlighted by some scholars.

The public interest in the protection of cultural heritage is an interest to stop the ‘depletion’ of cultural heritage that is caused by its commercialisation. The preservation of cultural heritage, it seems to me, requires that the meaning of signs is not altered, or at least not in an extreme fashion. It is an interest in fixing the meaning of that heritage.²² An example may be the registration of famous melodies like Beethoven’s *Für Elise* as a trademark.²³

In my opinion, the public interest in protecting expressive diversity stemming from Article 10 ECHR, although sometimes being congruent, would not entail the protection of a status quo, in which the meaning of cultural heritage is fixed and commercialisation is forestalled. Rather, the interest lies in the protection the ability of individuals and groups in *using* and *changing* the meaning of signs of high social, cultural and political value (whether partly commercially or entirely non-commercially), also in such manners that deviate from the fixed or traditional meaning which makes up cultural heritage.

4.1.3 OUTLINE

As I already indicated, in this chapter, I will examine relevant grounds for refusal that may be used to protect the two-fold public interest stemming from freedom of expression.

In section 4.2.1, I will start by analysing the kind of obligation, which rests on registering authorities, who are required to perform when assessing the grounds for refusal and revocation. Since the ECJ already requires them to carry out a stringent and full assessment under the existing grounds for refusal, I will argue that they can as well integrate into the assessment the protection of the two-fold public interest stemming from freedom of expression.

In sections 4.2.2 to 4.2.5, I will assess three grounds for refusal, first, of signs which are understood are descriptive of (characteristics of) the goods and services; second, of signs that have become customary; and, third, of signs that are devoid of any distinctive character for the particular goods or services.

From the perspective of freedom of expression, the *ground for refusal of descriptiveness (I)* is of the greatest importance, as it protects the public interest of keeping descriptive signs available for other traders. In section 4.2.2, I will analyse criteria developed in the jurisprudence of the ECJ, and I will argue that the ground for refusal as interpreted by these criteria protects, to some degree, the public interest

²² Assaf 2009; Assaf 2008; Loughlan 2000.

²³ ECJ 27 November 2003 *Shield Mark* (the melody of ‘Für Elise’ composed by Ludwig van Beethoven).

stemming from freedom of expression, because it ensures that a large number of descriptive and generic signs remain available for third parties. Moreover, I will explore whether the notion of descriptiveness may need to be extended to a small degree in order to fully take account of the two-fold interest stemming from freedom of expression.

In section 4.2.3, I will examine the *ground for refusal of customariness (II)*, which at present plays only a subsidiary role in jurisprudence, since most of the signs that are customary are also descriptive and/or non-distinctive.

In section 4.2.4, I will examine the *ground for refusal of non-distinctiveness (III)*, which ensures that only signs that are capable of distinguishing a product source are registered. It is interpreted in light of the public interest of consumers to orient themselves on markets by using distinctive signs. Thereby it ensures the capability of signs to distinguish. I will show, that registering authorities and courts can, and in fact do interpret the ground for refusal in a manner to allow other interests than pure ‘capability to distinguish’ to be protected. In particular, they also protect the public interest in the availability of signs to third parties. I will examine whether this interpretative protection of availability offers a means to protect the two-fold public interest stemming from freedom of expression.

In section 4.2.5, I will deal with the exception to the three grounds for refusal, i.e. the provision on *acquired distinctiveness* allowing for the registration of originally descriptive, customary, or non-distinctive signs once they have gained the capability to distinguish. This exception applies once signs have gained the capability to distinguish, but it does not take adequate account of the need to keep certain signs available despite their capability to distinguish. Signs that have acquired distinctiveness (or secondary meaning) in most cases still maintain their original or primary descriptive, customary, or non-distinctive meaning. There may thus be a risk that, upon the grant of rights, third parties are prohibited from using the signs to express the original or primary meaning.

In section 4.2.6, I will first discuss the relatively open grounds for *refusal of bad faith*, which may, hypothetically, allow for the consideration of the public interest protected by freedom of expression. Second, I will consider several grounds for refusal relating to public order. These are the ‘catch-all’ ground for refusal of signs that are contrary to public order and generally accepted principles of morals, the grounds for refusal of the registration of state emblems, of other official emblems and a ground for refusal contained in the TMDir on the registration of ‘signs of high symbolic value’. I will show that these grounds have little potential to ensure the protection of the public interest springing from freedom of expression.

Finally, in section 4.3, I will assess the ground for *revocation of trademarks that ‘have become a common name in trade’*. Such trademarks may be revoked *ex nunc* when over time a trademark becomes the common name for a good or service, i.e. when it becomes generic. Examples are ‘vaseline’ or ‘insuline’ in the Netherlands, ‘hoover’ in the United Kingdom for vacuum cleaners, ‘xeroxing’ in the United States for photocopying, and possibly ‘googling’ for Internet searches.

4.2 THE GRANT OF TRADEMARK RIGHTS AND THE GROUNDS FOR REFUSAL

4.2.1 A 'STRINGENT AND FULL' ASSESSMENT AT THE TIME OF REGISTRATION

When a registering authority tests a sign against absolute grounds for refusal, it must carry out a stringent and full assessment.²⁴ The fact that registering authorities already carry out such stringent and full assessments makes it possible for them to include their assessment the protection of the two-fold public interest stemming from freedom of expression.

Weighing the protection of third party interests against trademark rights can be achieved at two stages. First, in a more absolute manner at the stage of granting trademark rights or revoking them, and second when a judge weighs the conflicting interests in individual cases of conflict. In the first stage, a registering authority, weighing the interests of the applicant against the perceived public interest, carries out an abstract assessment. Hypothetically, a judge in the second stage could carry out a more concrete balancing of interests, in particular when applying Article 6.1.b TMDir and Article 12.1.b TMRReg:

Limitation of the effects of a [Community] trade mark

1. The trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade, (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.²⁵

Some authors have suggested that the relatively abstract assessment carried out by registering authorities must not be too stringent given the possibility of later concrete balancing.²⁶ What is more, the Explanatory Memorandum of the amending protocol of the Benelux Trademark Act of 2 December 1992 (the predecessor of the BVIE) explicitly stated that the registering authority should carry out a *careful* assessment, refusing only applications, which *manifestly cannot be registered*.²⁷ Similarly, the European Commission in its written observations in the 2003 *Libertel* case claimed that,

“there should be a minimal review of the grounds for refusal in Article 3 of the Directive at the time when the application for registration is considered, on the basis that the risk that operators might appropriate certain signs which ought to remain available is neutralised by the limits which Article 6 imposes at the stage when advantage is taken of the effects of the registered mark.”²⁸

²⁴ ECJ 6 May 2003 *Libertel*, para. 59.

²⁵ For the further examination of this provision see section 5.5.

²⁶ Fezer 2001, § 8 no. 122 and 128. Handler 2005.

²⁷ *Memorie van Toelichting bij het Protocol houdende wijziging van de Eenvormige Beneluxwet op de merken*, 2 December 1992.

²⁸ As quoted in ECJ 6 May 2003 *Libertel*, para. 58. Similarly, in his opinion to the 2001 *Baby-Dry* case AG Jacobs specifically stressed that the argument of “monopolisation of language” should play no role in the assessment under Article 7.1.c TMRReg. This article seeks to filter out descriptive trademarks in the interest of legal certainty and not so much in the public interest of avoiding a monopoly of language. Such a monopoly of language, if it were to exist, would be adequately taken care of by the Article 12 TMRReg. In his words “just as the owner of the Vittel trade mark cannot prohibit another producer from stating in good

In contrast to these arguments, the European Court of Justice held that a later possibility of balancing under Articles 6.1.b TMDir or 12.1.b TMReg, must not be used as an argument to legitimise a lenient assessment of the grounds for refusal by registering authorities:

“Article 6(1)(b) of the Directive, to which the national court refers in its questions, does not run counter to what has been stated as to the objective of Article 3(1)(c), nor does it have a decisive bearing on the interpretation of that provision. Indeed, Article 6(1)(b), which aims, *inter alia*, to resolve the problems posed by registration of a mark consisting wholly or partly of a geographical name, does not confer on third parties the right to use the name as a trade mark but merely guarantees their right to use it descriptively, that is to say, as an indication of geographical origin, provided that it is used in accordance with honest practices in industrial and commercial matters.”²⁹

Furthermore, the ECJ stated that a lenient registration policy “is incompatible with the scheme of the Directive, which is founded on review prior to registration, not an *a posteriori* review.”³⁰ In particular, the specificity of the provisions on refusal and the range of remedies available against a refusal to register as well as the need for legal certainty of right holders point to the fact that the examination carried out by the registering authority “must be a *stringent and full examination*, in order to prevent trade marks from being improperly registered.”³¹ A “practice of a trade mark registration authority which concentrates solely on refusing to register manifestly inadmissible marks is incompatible with Article 3 of the Directive.”³²

In my opinion, this position of the ECJ on the obligation of registering authorities are important, because they clarify that these authorities are responsible for the protection of all public interests, which the relevant provisions seek to protect. The critical point that I want to make here is that the fact that registering authorities already carry out full and stringent assessments makes it easier for them to include the assessment related to the protection of the twofold public interest stemming from freedom of expression.

That being said, on a practical level and despite the clear statements by the ECJ, questions may be placed with regard to the capability of registering offices to carry out stringent and full examinations. The OHIM has received approximately 90.000 applications in 2007 alone, the German DPMA 76.165, and the BOIP 24.641. This large number of applications can cause a strain in resources, which may find its reflection on a less than ‘full and stringent’ assessment by the registering authorities. Indeed, certain resource problems of registration offices were acknowledged by AG *Colomer* in his opinion to the *Adidas v. Marca* case. In reference to the German commentary by *Ströbele* and *Hacker*, he stated that

faith that its water is bottled at Vittel, nor could Procter & Gamble prevent a rival from claiming that its diapers keep your baby dry. AG Jacobs 5 April 2001 (‘Baby-Dry’), para. 48, 77 and 78.

²⁹ ECJ 4 May 1999 *Windsurfung Chiemsee*, para. 28.

³⁰ ECJ 6 May 2003 *Libertel*, para 59.

³¹ ECJ 6 May 2003 *Libertel*, para 59. Likewise, in the *Postkantoor* case the ECJ held that “the examination of the grounds for refusal [...] must be thorough and full”, ECJ 12 February 2004 (‘Postkantoor’), para. 123; ECJ 21 October 2004 *Erpo Möbelwerk* (‘DAS PRINZIP DER BEQUEMLICHKEIT’), para. 45.

³² ECJ 12 February 2004 (‘Postkantoor’), para. 126.

“[i]t has been rightly suggested that the large number of trade mark applications has resulted in the erroneous registration of generic or descriptive signs, due to the speed with which applications must be handled.”³³

Probably in response to these problems, the ECJ in its decision in the *Adidas v. Marca* case explicitly introduced considerations relating to the public interest also in relation to Article 6.1.b TMDir.³⁴ While the AG stated that the general interest must be taken into account, “by means of the requirement of availability,”³⁵ the ECJ explained that Article 6.1.b TMDir “seeks to reconcile the fundamental interests of trade mark protection with those of free movement of goods and freedom to provide services in the common market,” and confirmed that this article “gives expression to the requirement of availability.”³⁶ Specifically, Article 6.1.b TMDir “seeks to ensure that all economic operators have the opportunity to use descriptive indications.”³⁷

In this respect, I think that while the introduction of public interest considerations into the limitation of the effects of trademark rights may help to alleviate problems that are caused by a strain on the resources of registering authorities, it must, however, not have a bearing on the stringency of the assessment carried out at the point of registration. That assessment must, in as far as possible, take account of affected public interests, including that stemming from the freedom of expression.

4.2.2 GROUND FOR REFUSAL I: DESCRIPTIVENESS

Article 3.1.c TMDir and Article 7.1.c TMReg contain an absolute ground for refusal of the registration of purely descriptive signs,³⁸ which states that,

“trademarks shall not be registered if they ‘consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin, or the time of production of the goods or of rendering of the service, or other characteristics of the goods.’”

This provision safeguards the *availability* of signs, thereby protecting the public interest of third party traders. According to the ECJ, “the signs and indications descriptive of the categories of goods or services for which registration is sought may be freely used by all”.³⁹ ‘All’ has to be understood as ‘all traders’, as,

³³ ECJ 21 October 2004 *Erpo Möbelwerk* (‘DAS PRINZIP DER BEQUEMLICHKEIT’), footnote 45.

³⁴ ECJ 10 April 2008 *Adidas v. Marca II* (three vs. two stripes on clothing).

³⁵ AG Colomer 16 January 2008 *Adidas v. Marca II*, para. 78.

³⁶ ECJ 10 April 2008 *Adidas v. Marca II*, para. 45.

³⁷ *Ibid.*, 46.

³⁸ Likewise, this provision can be invoked in invalidation proceedings. Article 3.1.c TMDir resp. Article 51.1.a TMReg.

³⁹ ECJ 4 May 1999 *Windsurfing Chiemsee*, para. 25. The case revolved around the geographic name of the largest German lake, the “Chiemsee”. The company Windsurfing Chiemsee had filed a trademark application to register the geographic sign “Chiemsee” for sports products including T-shirts. A competitor, who used the same sign in a different graphic layout, but also for T-shirts, opposed the filing. The *Landesgericht München* posed preliminary questions to the ECJ, asking whether, since the lake is a popular location for all sorts of water sports, there was a need to keep the name “Chiemsee” free to use for other market parties. On the need to keep free or available see furthermore ECJ 8 April 2003 *Linde*, para. 73; in the context of Article 7.1.c TMReg see ECJ 23 October 2003 (‘Doublemint’), para. 31.

“[t]o allow one trader to monopolise a term which may serve to designate a product's characteristics would be to accord him an unfair advantage over competitors who have a legitimate interest in being able to use the term descriptively.”⁴⁰

Seen from the perspective of freedom of expression, this ground for refusal is one of the most important limitations of the grant of trademark rights. It applies to descriptive signs as well as to signs that ‘designate the kind’, i.e. generic signs.⁴¹ The public interest, which underlies Articles 3.1.c TMDir 7.1.c TMReg is equal to one aspect of the two-fold public interest protected by freedom of expression, i.e. that of the freedom of commercial expression of third party traders to communicate with consumers by means of descriptive signs.

Moreover, the ground for refusal ensures that expressive signs or signs of high social, cultural, or political value may not be subject of trademark rights if they *describe* characteristics of the goods and services. For instance, the sign ‘BACH’ has been considered descriptive for cultural activities such as festivals;⁴² the name ‘Mozart’ has been refused registration for ‘pastry and confectionery, chocolate products and sugar confectionery,’ because for the public in Austria and Germany, the name is descriptive for such goods.⁴³

In chapter 2,⁴⁴ I stressed that since trademark rights may be granted before actual use in trade, the justification for the rights may be weakened and that, in the assessment of the grounds for refusal, the lack or weakness of justification should be taken into account. In relation to the ground for refusal of descriptiveness, I argued that economic efficiency is best served if the ground for refusal of descriptiveness is not interpreted too restrictively and that also signs that are ‘indirectly descriptive’ should be refused registration. By this, I meant signs that are not just those that describe directly ‘characteristics of the goods or services’ themselves but also those that describe circumstances surrounding the goods and services, such as the consumers of goods or that may be understood as exclamations of the users, e.g. the sign ‘New Born Baby’ for baby dolls,⁴⁵ ‘Kinder’ (trans. ‘children’) for chocolate or ‘Lief!’ (transl. ‘Sweet!’) for baby clothing.⁴⁶

In the following paragraphs, I will assess whether such arguments also apply when seen from the perspective of freedom of expression. I will, first, examine the criteria on

⁴⁰ AG 11 March 2004 *Sat.1* (‘Sat.2’), para 22. AG Jacobs further stated that “Such reasoning can be transposed to Article 7(1)(d) and (e), respectively for terms which have become customary for a product and for shapes which are in some way closely bound up with its nature”, making reference to ECJ 18 June 2002 *Philips*, paras. 78 to 80.

⁴¹ Articles 3.1.d TMDir and 7.1.d TMReg contain a ground for refusal of signs that have become customary. This ground for refusal is likewise applied to generic terms. AG Colomer explained the position of generic signs in European trademark law in his opinion to the *Philips v. Remington* case, “Subparagraphs (c) and (d) of Article 3(1) exclude from registration certain signs on account of their generic nature (inasmuch as they serve to designate the kind, quality, intended purpose, value, geographical origin, or the time of production of the goods) or because they have become customary. They contain, therefore, a partial legal definition of the concept of distinctive character.” AG Colomer 23 January 2001 *Philips*, para. 14.

⁴² OLG Dresden 4 April 2000 (‘Bach’ I-III).

⁴³ CFI 9 July 2008 *Reber v. OHIM* (‘Mozart’), para. 99.

⁴⁴ Section 2.4.1.2.

⁴⁵ AG Jacobs 19 February 2004 *Zapf Creations* (‘NEW BORN BABY’).

⁴⁶ BenCJ 19 January 1981 (‘Kinder’); Hof Den Haag 30 September 2008 (‘Lief!’).

the assessment of this ground for refusal developed by the ECJ and CFI. In paragraph 4.2.2.2, I will examine whether the notions of descriptiveness and availability need to be extended in order to fully take into account the two-fold public interest stemming from freedom of expression.

4.2.2.1 *Criteria Found in the Jurisprudence of ECJ and CFI*

Descriptiveness is a matter of degree. Some signs describe a characteristic of a good or service directly, e.g. the word ‘yellow’ for Bananas, while other signs are descriptive in an indirect manner because they may not describe the product itself, but circumstances of the use of goods or services, e.g. the German word ‘Kinder’ (*transl.* ‘children’) for chocolate. Children are no direct characteristics of the chocolate itself, but are consumers of chocolate. There are also signs that ‘evoke’ or ‘suggest’ characteristics of goods or services rather than describing them, e.g. ‘VITALITE’ for baby-food.⁴⁷ Moreover, certain signs have multiple or ambiguous meanings whereby only one meaning may be descriptive, while another can be distinctive. To make matters even more complicated, trademarks may be combinations of descriptive parts or they may be descriptive signs of a foreign language.

Since judging descriptiveness in relation to signs may thus not be a simple affair, the ECJ and CFI have developed a number of rules for the interpretation of the ground for refusal. Thereby, they have chosen not to subsume all degrees of descriptiveness under the ground for refusal of descriptiveness.

First, the ground for refusal only applies if a sign has “a sufficiently direct and specific relationship” with a characteristic of a good or service.⁴⁸ In addition, the relevant public must ‘immediately and without further reflection’⁴⁹ make a ‘definite and direct association’ between the goods or services and the descriptive meaning of the sign.⁵⁰

Second, in further interpreting these criteria, the ECJ first took a rather restrictive route by stating that only those signs should be excluded from registration, that are “the usual way of designating the relevant goods or services”⁵¹ and that it must be asked whether a word combination “may be viewed as a normal way of referring to the goods.”⁵² The result of such a restrictive interpretation is that all signs that are not *usually* or *normally* descriptive can still be subject to trademark rights. In my opinion, this would mean that

⁴⁷ CFI 31 January 2001 (‘VITALITE’).

⁴⁸ CFI 20 July 2004 (‘LIMO’), para. 30; CFI 20 March 2002 (‘CARCARD’), para. 28; CFI 6 November 2007 (‘VOM URSPRUNG HER VOLLKOMMEN’), para. 31; CFI 16 March 2006 (‘WEISSE SEITEN’), para. 91.

⁴⁹ First held in CFI 31 January 2001 (‘Doublemint’) para. 30; confirmed in CFI 31 January 2001 (‘Cine Action’ & ‘Cine Comedy’), both cases para. 27; CFI 7 June 2001 *DKV v. OHIM* (‘EuroHealth’), para. 27.

⁵⁰ CFI 7 June 2001 *DKV v. OHIM* (‘EuroHealth’), para. 27; CFI 27 February 2002 (‘STREAMSERVE’), para. 40; CFI 22 June 2005 (‘PAPERLAB’), para. 25; CFI, In the *Lokthread* case the CFI summarised the test as follows: “Consequently, for a sign to fall within the scope of the prohibition in that provision, it must suggest a sufficiently direct and concrete link to the goods or services in question to enable the public concerned immediately, and without further thought, to perceive a description of the goods and services in question or of one of their characteristics.” CFI 12 June 2007 (‘LOKTHREAD’), para. 29. Similarly, German jurisprudence requires that there exists a ‘*konkretes Freihaltebedürfnis*’, i.e. a concrete need to leave free. Fezer 2001, p. 482.

⁵¹ ECJ 20 September 2001 (‘Baby-Dry’), para. 37.

⁵² ECJ 20 September 2001 (‘Baby-Dry’), para. 42.

the language (and imagery) that could be used by third parties could be severely decimated to only the most normal and ordinary descriptions, which would put a disproportionate burden on third parties' freedom of expression. Thankfully, in later jurisprudence, the ECJ revised its decision and extended the scope of ground for refusal, by holding that,

“it is not necessary that the signs and indications composing the mark that are referred to in that article actually be in use at the time of the application for registration in a way that is descriptive of goods or services such as those in relation to which the application is filed, or of characteristics of those goods or services. It is sufficient, as the wording of that provision itself indicates, that such signs and indications could be used for such purposes. A sign must therefore be refused registration under that provision if at least one of its possible meanings designates a characteristic of the goods or services concerned.”⁵³

Third, a sign does not need to be descriptive of ‘essential’ characteristics of goods and services and it does not matter whether synonyms are available. The criterion of ‘essential’ characteristics was introduced by the ECJ in the *Baby-Dry* case. There the ECJ held that,

“The signs and indications referred to in Article 7(1)(c) of Regulation No 40/94 are thus only those which may serve in normal usage from a consumer's point of view to designate, either directly or by reference to one of their essential characteristics, goods or services such as those in respect of which registration is sought.”⁵⁴

The ECJ rejected this interpretation in the *Postkantoor* case. In its decision, the ECJ first held “[t]hat public interest requires that *all* (italic WS) signs or indications which may serve to designate characteristics of the goods or services in respect of which registration is sought remain freely available to all undertakings in order that they may use them when describing the same characteristics of their own goods.”⁵⁵ Then the Court specifically held that “[i]t is [...] irrelevant whether the characteristics of the goods or services which may be the subject of the description are commercially essential or merely ancillary.”⁵⁶ Such a reading would not be in line with Article 3.1.c TMDir, which does not speak about essential characteristics. In restating the public interest underlying Article 3.1.c TMDir and 7.1.c TMReg, the ECJ added that,

⁵³ ECJ 23 October 2003 (*‘Doublemint’*), para. 32. The CFI had previously held that “that the term DOUBLEMINT, when applied to the goods referred to in the application for registration, has an ambiguous and suggestive meaning which is open to various interpretations. The multiplicity of possible semantic combinations therefore precludes the consumer from remembering one of them in particular. Accordingly, the term at issue does not enable the public concerned immediately and without further reflection to detect the description of a characteristic of the goods in question.” CFI 31 January 2001 (*‘Doublemint’*), para. 30. The decision of the ECJ was confirmed in ECJ 12 February 2004 (*‘Postkantoor’*), para. 97; CFI 16 March 2006 (*‘WEISSE SEITEN’*), para. 92.

⁵⁴ ECJ 20 September 2001 (*‘Baby-Dry’*), para. 39.

⁵⁵ ECJ 12 February 2004 (*‘Postkantoor’*), para. 55.

⁵⁶ ECJ 12 February 2004 (*‘Postkantoor’*), para. 102.

“any undertaking must be able freely to use such signs and indications to describe any characteristic whatsoever of its own goods, irrespective of how significant the characteristic may be commercially.”⁵⁷

In addition, it held that it is irrelevant whether there are synonyms⁵⁸ or “other, more usual, signs or indications for designating the same characteristics”⁵⁹ of the goods or services. In the *Postkantoor* case, the ECJ clarified that,

“[a]lthough Article 3(1)(c) of the Directive provides that, if the ground for refusal set out there is to apply, the mark must consist exclusively of signs or indications which may serve to designate characteristics of the goods or services concerned, it does not require that those signs or indications should be the only way of designating such characteristics.”⁶⁰

I think that, this interpretation quite forcefully enlarges the ground for refusal of descriptiveness to keep free any description of a characteristic, which should be available to any undertaking. This is also in line with freedom of expression, because it helps to forestall a lack of freely available descriptive signs.

Fourth, from the viewpoint of freedom of expression it is of interest that signs that consist of descriptive parts cannot be registered too easily. Initially, the ECJ held that ‘syntactically unusual juxtaposition’ or a ‘lexical invention’ was sufficient to exclude the ground for refusal of descriptiveness.⁶¹ In the later *Postkantoor* case, the ECJ revised its decision and held that signs like ‘Postkantoor’ (*transl.* ‘post office’) for postal services may only be registered, if a sign that is composed of descriptive parts is more distinctive than the sum of the descriptive parts.⁶² The impression of the whole of a sign composed of descriptive elements must be ‘sufficiently far removed from that produced by the simple combination of those elements.’⁶³ For instance, the sign ‘Twist & Pour’ for ‘hand held plastic containers sold as an integral part of a liquid paint containing, storage and

⁵⁷ *Ibid.*, para 102.

⁵⁸ *Ibid.*, para. 101. ECJ 12 February 2004 (‘BIOMILD’), para. 25; see also Handler 2005, p. 311.

⁵⁹ ECJ 12 February 2004 (‘Postkantoor’), para. 57.

⁶⁰ *Ibid.*, para. 57.

⁶¹ ECJ 20 September 2001 (‘Baby-Dry’), para. 40, stating that, “[a]ny perceptible difference between the combination of words submitted for registration and the terms used in the common parlance of the relevant class of consumers to designate the goods or services or their essential characteristics is apt to confer distinctive character on the word combination enabling it to be registered as a trade mark.”

⁶² ECJ 12 February 2004 (‘Postkantoor’), para. 98, stating that, “[a]s a general rule, a mere combination of elements, each of which is descriptive of characteristics of the goods or services in respect of which registration is sought, itself remains descriptive of those characteristics for the purposes of Article 3(1)(c) of the Directive. Merely bringing those elements together without introducing any unusual variations, in particular as to syntax or meaning, cannot result in anything other than a mark consisting exclusively of signs or indications which may serve, in trade, to designate characteristics of the goods or services concerned.”

⁶³ ECJ 12 February 2004 (‘Postkantoor’), para. 99; confirmed in ECJ 12 February 2004 (‘BIOMILD’), para. 40. See also AG Colomer 31 January 2002 (‘Postkantoor’), para 70. Stating that “a perceptible difference arises where, as a result of the unusual or imaginative nature of the word combination, the neologism itself is more important than the sum of the terms of which it is composed. As regards meaning, a difference will be perceptible provided that whatever is evoked by the composite sign is not identical to the sum of that which is suggested by the descriptive components.”

pouring device’⁶⁴, the sign ‘Robounits’ for conveyor belts were refused registration,⁶⁵ and ‘weisse Seiten’ (*transl.* ‘white pages’) for paper and artist’s material.⁶⁶ The rule also applies to slogans, like “Vom Ursprung her Vollkommen” (*transl.* “Perfect from origin” or “perfect from the start”), which was denied registration based on Article 7.1.c TMRg.⁶⁷ Registration of the slogan was sought amongst others for beers, non-alcoholic drinks, fruit drinks, and mineral water.⁶⁸ The CFI considered that,

“[w]ith regard to mineral waters, the perfect state of the source water used is decisive in determining the quality of the drink, both as regards the taste and as regards health. So far as fruit juices, beers and other alcoholic drinks are concerned, the origin of their ingredients is also a factor of great significance in determining the quality of those products.”⁶⁹

It concluded that the slogan was directly and clearly descriptive.⁷⁰ I think that, this rule is of great importance because it ensures that the rules on descriptiveness cannot be circumvented by applying for the registration of composite signs.

Fifth, the ECJ recognises that the grant of trademark rights in geographically descriptive signs raises particular concerns for other traders who may want to use these terms. Indeed,

“the registration of a geographical name as a trade mark would occupy the ground much more completely than would that of a mark comprising descriptive elements,”⁷¹

⁶⁴ CFI 12 June 2007 (‘Twist & Pour’). In the *Twist & Pour* case, the CFI decided that the sign ‘Twist & Pour’ for ‘hand held plastic containers sold as an integral part of a liquid paint containing, storage and pouring device’ had to be refused registration, because the sign was descriptive. In paragraph 54, the CFI held that: “[t]aken as a whole, the word mark directly describes the action in particular of opening a container with a cap which has to be turned before the liquid contents can be poured [...] The use of the terms ‘twist’ and ‘pour’ therefore highlights a particularly important characteristic of the product concerned, namely its extremely straightforward method of use. As the Board of Appeal rightly stated, ‘[i]t would be difficult to think of a clearer, more direct way of telling consumers that all they have to do is twist the lid and pour the contents than by printing the words TWIST AND POUR on the side of the box.’”

⁶⁵ CFI 26 November 2003 (‘ROBOTUNITS’). The CFI considered that the sign ‘Robotunits’ is descriptive for “Profiles of metal, guide rails of metal, shaped static elements, shaped connecting elements, within Class 6; Guides for machines, straight-line and longitudinal guides, pressure cylinders, linear cylinders with various types of drive system, shaped pneumatic elements, within Class 7; Conveyor belts, striking systems with position controls, within Class 9”. According to the CFI, “the sign ROBOTUNITS taken as a whole may serve to designate one of the possible intended purposes of all the goods covered by the application for registration. Furthermore, the fact that this sign includes the word robot must be regarded as designating one intended purpose of those goods which the target public is liable to take into account when making a choice and which accordingly constitutes an essential characteristic thereof. The applicant itself admitted in its written pleadings and at the hearing that the goods in respect of which registration of the sign is sought might possibly also be used in connection with computers or robots. Therefore there is a sufficiently direct and concrete connection between the sign ROBOTUNITS and those goods, from the point of view of the target public.” At para. 44.

⁶⁶ CFI 16 March 2006 (‘WEISSE SEITEN’), para. 98 and 102.

⁶⁷ CFI 6 November 2007 (‘VOM URSPRUNG HER VOLLKOMMEN’).

⁶⁸ *Ibid.*, para. 3. The goods applied for were: “beers; mineral and aerated waters and other non-alcoholic drinks; fruit drinks and fruit juices; syrups and other preparations for making beverages; mixtures of these drinks”, falling within class 32; ‘alcoholic beverages (except beers)’, falling within class 33.”

⁶⁹ CFI 6 November 2007 (‘VOM URSPRUNG HER VOLLKOMMEN’), para 37.

⁷⁰ *Ibid.*, para 38.

⁷¹ AG Jacobs 5 April 2001 (‘Baby-Dry’), para 80.

as it is almost impossible to substitute a geographically descriptive term by another term pointing to the same origin. In similar vain, according to the Guidelines of the German Trademark Office geographically descriptive signs, including abbreviations or images thereof, can usually not be registered as trademarks.⁷² In my opinion, this more stringent approach adequately protects the freedom of commercial expression of third parties.

Sixth, the rule of descriptiveness equally applies to those signs of foreign languages that can be understood by consumers in the relevant territory.⁷³ For instance, many consumers in the Benelux or Germany will know English well enough to understand a descriptive meaning of a sign. They may however not understand descriptive meaning of Finnish or Latvian terms. From the perspective of freedom of expression, it is important that those meanings that can be understood in a descriptive manner do not become subject to trademark rights.

The ECJ addressed this problem in the *Matratzen Concord* case.⁷⁴ The case revolved around an action for invalidation of a Spanish national trademark right in the German word ‘Matratzen’ (transl. mattresses) for mattresses. In its decision, the ECJ held that the ground for refusal or invalidity of descriptiveness did not apply “unless the relevant parties in the Member State in which registration is sought are capable of identifying the meaning of the term.”⁷⁵

It seems to me that, this interpretation has the effect of taking account of the public interest stemming from the freedom of commercial expression of third party traders, since as soon as the relevant consumers understand the meaning a sign in a foreign language to be descriptive, registration will be refused.

Finally, a very important rule is that for a finding of descriptiveness it is not required that *real, current or serious* need to keep a sign free exists. In the *Windsurfing Chiemsee* case, the *Landesgericht München* asked the ECJ specifically whether the German interpretation of the ‘Freihaltebedürfnis’, which recognised only a *real, current or serious* need of specifically identifiable competitors, was in line with the Trademark Directive. The ECJ rejected the restrictive German interpretation. It stated that “the application of Article 3(1)(c) of the Directive does not depend on there being a real, current or serious need to leave a sign or indication free (‘Freihaltebedürfnis’) under German case-law”.⁷⁶ Rather, when interpreting this ground for refusal also future developments must be taken into account. In its decision, it stated that Article 3.1.c TMDir,

“applies to geographical names which are liable to be used *in future* by the undertakings concerned as an indication of the geographical origin of that category of goods. Where there is currently no association in the mind of the relevant class of persons between the geographical name and the category of goods in question, the

⁷² Deutsches Patent und Markenamt, Richtlinien 2005, § 5.6.

⁷³ The registration of Community trademarks must be rejected, if they are descriptive in *one* of the official languages of a Member State of the European Union. This follows from Article 7.2 TMRReg, which states that a ground of refusal, “shall apply notwithstanding that the grounds of non-registrability obtain in only part of the Community.”

⁷⁴ ECJ 9 March 2006 (‘MATRATZEN’).

⁷⁵ *Ibid.*, para. 32.

⁷⁶ ECJ 4 May 1999 *Windsurfing Chiemsee*, para. 35.

competent authority must assess whether it is reasonable to assume that such a name is, in the mind of the relevant class of persons, capable of designating the geographical origin of that category of goods;

— in making that assessment, particular consideration should be given to the degree of familiarity amongst the relevant class of persons with the geographical name in question, with the characteristics of the place designated by that name, and with the category of goods concerned;

— it is not necessary for the goods to be manufactured in the geographical location in order for them to be associated with it.⁷⁷

From the perspective of freedom of expression, this ruling is important because it ensures that signs, which may become descriptive in future, will not become the subject of trademark rights. In practice, a caveat to this rule certainly is that it will prove difficult for registering authorities, like the OHIM in Alicante, to anticipate future descriptiveness of a sign in one of the languages spoken in the Member States of the European Union.

4.2.2.2 Extending the Notion of Descriptiveness even Further

The criteria discussed above show that directly descriptive terms must be refused registration. In order to take full account of the twofold public interest stemming from freedom of expression, however, the notion of descriptiveness may have to be extended to, what I want to refer to as, 'indirectly descriptive signs'. By this, I mean, first, signs that do not just describe directly 'characteristics of the goods or services' themselves, but also signs that describe circumstances surrounding the goods and services, such as the consumers of these goods, or that may be understood as exclamations on the part of the users, e.g. the sign 'New Born Baby' for baby dolls, 'Kinder' (trans. 'children') for chocolate or 'Lief!' (transl. 'Sweet!') for baby clothing. Second, I mean the key connotations of a sign of high social, cultural, or political importance if they describe, albeit not in a direct manner, the features of expressive goods or services.

To start with, I think that the criteria discussed above, i.e. (i) that descriptiveness does not need to concern essential characteristics, (ii) that is sufficient if only one of the various meanings of a sign is descriptive, and (iii) that it does not matter whether synonyms are available, already indicate that many indirectly descriptive signs or partly descriptive signs with multiple or amorphous meanings should be refused registration. Indeed, according to the criteria discussed above 'indirectly' descriptive signs are refused registration. The indirectly descriptive sign 'NEW BORN BABY' for dolls, for instance, was refused registration. Zapf Creations applied to register a Community trademark in the sign 'NEW BORN BABY' for dolls and, in my opinion, the indirect descriptiveness lies in the fact that dolls are not themselves new born babies, but they represent new born babies. The OHIM had refused registration under the ground for refusal of descriptiveness. On appeal, the CFI ruled that,

⁷⁷ *Ibid.*, para. 37.

“a mark, which is descriptive of what the goods represent, cannot be considered to be descriptive of the toy itself, other than insofar as consumers conflate the toy with what it represents.”⁷⁸

The OHIM appealed, but the trademark application was withdrawn after the AG Jacobs had filed his opinion. The AG opined that,

“where an essential characteristic of a product is to represent something else, a term consisting exclusively of elements which represent that something else may not be registered as a trade mark.”⁷⁹

Similarly, the German Bundesgerichtshof ruled that the sign ‘Kinder’ was purely descriptive of the consumers of chocolate and that the ground for refusal of descriptiveness thus applied.⁸⁰

However, the CFI does not refuse all indirectly descriptive signs. In relation to the sign ‘FUN’ for motor vehicles, it held for instance that this sign “is too vague, uncertain and subjective to confer descriptive character on that word in relation to those goods.”⁸¹ Likewise, the jurisprudence of the ECJ and the BGH, Benelux jurisprudence seems to allow the registration of indirectly descriptive signs, probably because Benelux registration practice has traditionally been lenient. Before the implementation of the TMDir Benelux courts showed a willingness to grant trademark rights in indirectly descriptive signs, which was understandable, since Benelux law did not know a specific ground for refusal of descriptiveness. In 1981, the Benelux Court of Justice ruled that the sign ‘Kinder’ (*transl.* children) was not descriptive for chocolate products because the sign referred to only to the consumers of the goods and not to the distinction of the goods.⁸² The interpretation of the Benelux Court of Justice was confirmed by the Dutch Hoge Raad in the *Juicy Fruit* case.⁸³

Also after the implementation of the TMDir, Benelux courts seem to allow for the registration of indirectly descriptive signs. For instance, the Brussels Court of Appeals held that the sign ‘summer skin’ for a Benelux trademark relating to cosmetic products was not descriptive because the meaning of the sign related to a desired effect of the goods rather than to a characteristics of the goods themselves.⁸⁴ Likewise, the Regional High Court Brussels found that the term ‘SoftPerfection’ was not descriptive for shaving equipment.⁸⁵ It held that although the average Benelux consumer would accurately translate the term, the part of the sign ‘soft’ was not descriptive, because it did not provide consumers with *direct information* relating an *objective and concrete property* of the goods. In addition, the laudatory part of the sign ‘perfection’ was not descriptive for

⁷⁸ CFI 3 October 2001 *Zapf Creations* (‘NEW BORN BABY’), para. 26.

⁷⁹ AG Jacobs 19 February 2004 *Zapf Creations* (‘NEW BORN BABY’).

⁸⁰ BGH (Kinder I). See also BGH 20 September 2007 (Kinder II- ‘Kinderzeit’); BGH 20 September 2007 (Kinder II - ‘Kinder Kram’).

⁸¹ CFI 2 December 2008 (‘FUN’), para. 35.

⁸² BenCJ 19 January 1981 (‘Kinder’). The decision was based on the old Benelux trademark law, which contained only a provision on non-distinctiveness and no special provision on descriptiveness. Nevertheless, the Benelux Court of Justice applied the provision on descriptiveness contained in the Paris Convention. See further Spoor 1991.

⁸³ Hoge Raad 5 June 1981 (‘Juicy Fruit’).

⁸⁴ Hof van Beroep Brussel 22 April 2008 (‘Summer Skin’).

⁸⁵ Hof van Beroep Brussel 11 March 2008 (‘SoftPerfection’).

lack of direct or concrete relation to the goods. According to the Court, the composed neologism ‘SoftPerfection’ was sufficiently distinctive and not descriptive.

Similarly, in the *move to cure* case⁸⁶ the Regional High Court Brussels decided that in relation to an application for a Benelux trademark, the English sign “move to cure” was not descriptive for recreational, sportive and medical services. The Court considered that, although the average Benelux consumer would understand and translate the meaning of the sign accurately, use of the English language could in principle not be considered a specific use of a sign in relation to the services. The Court furthermore held that ‘movement’ was usually unrelated to medical services and thus not descriptive thereof, that the word ‘cure’ may be translated in a number of ways,⁸⁷ and that composition of the whole sign can be considered more than the sum of its parts. In sum, the Court found that no ‘unmistakeable’ relation existed between the sign ‘move to cure’ and the services rendered. Fortunately, this decision was overturned by the Belgian Supreme Court.⁸⁸

In my view, the extension of the ground for refusal of descriptiveness to indirectly descriptive signs as “Kinder” or “New Born Baby” is a necessary restriction of the grant of trademark rights. The interpretation of the CFI and some Benelux courts can be problematic, as when trademark rights are granted over indirectly descriptive signs, a lack of availability of signs to inform consumers can arise. From the perspective of freedom of expression, it would be important that trademark rights in signs that describe the representation of goods or services or circumstances relating to the production or consumption thereof are refused, as the exercise of such rights may restrict the freedom of commercial expression in a manner, which may not be justifiable in principle or proportionate.⁸⁹

Similar concerns may arise with respect to laudatory signs like ‘BONUS’ for fertilizers,⁹⁰ or ‘Bravo’ for writing implements,⁹¹ which at present do not fall under the ground for refusal of descriptiveness,⁹² as they do not directly and specifically create a link in consumers’ minds about a descriptive characteristic of a product or service. Rather, they generally advertise the positive nature of the goods or services. Under German jurisprudence, for instance, signs that describe a modality of sale or that describe an additional property that differs from the good or service itself, will not fall under the ground for refusal of descriptiveness.⁹³

In my opinion, laudatory signs may however generally describe characteristics of goods and laudatory signs are part of a common advertising language that third parties’ freedom of expression may be impaired and market communication impaired, if trademark rights were granted in such laudatory signs. Therefore, the ground for refusal for descriptiveness should be extended to those laudatory signs that are descriptive.

⁸⁶ Hof van Beroep Brussel 30 May 2005 (‘move to cure’).

⁸⁷ *Ibid.*

⁸⁸ Hof van Cassatie (Belgium) 17 April 2008 (‘Move to Cure’).

⁸⁹ See also Dinwoodie 2007 arguing for the adoption of linguistic concepts in trademark law.

⁹⁰ BGH 28 February 2002 (‘Bonus’ II).

⁹¹ ECJ 4 October 2001 *Merz & Krell* (‘Bravo’).

⁹² As I shall describe below, laudatory signs will only be refused registration if they are non-distinctive. See below section 4.2.4.2.

⁹³ BGH 28 February 2002 (‘Bonus’ II).

From the perspective of freedom of non-commercial expression, it is important that particular care is taken if signs of high social, cultural, or political value that are (indirectly) descriptive of expressive goods and services are registered. I want to mention one specific example of such indirectly descriptive signs.

Chocolate bunnies in gold and silver wrapping are indirectly descriptive for Easter in a number of countries, as they are the are used in a specific custom, i.e. of giving chocolate bunnies as presents to children on Easter Sunday, often hiding them in house or garden. These bunnies are thus an expression or representation of culture and tradition in at least Germany and Austria. Since citizens are not in the habit of making their own Easter bunnies, they depend on the Easter bunnies, which they can purchase, for expressing this tradition.



CTM No. 001698885 - The Lindt Goldhase.

The Swiss chocolate producer Lindt has successfully obtained a Community trademark in the three-dimensional shape of the Easter bunny depicted above. What Lindt gains from this registration is an exclusive right under Article 7.1.b TMRReg to prohibit third parties from using similar signs (i.e. similar to the shape and distinctive features),⁹⁴ if such use causes a likelihood of confusion. Such a likelihood of confusion may however easily be present, as Lindt is the market leader and consumers may soon believe that all similar chocolate bunnies originate from or are licensed by Lindt.⁹⁵ Consequently, third party producers are barred from selling similar chocolate bunnies. Yet, traditionally the Easter bunnies involved in the tradition have the same or a similar shape and makeup. Through enforcing this right against similar signs, Lindt may thus be on route to becoming the exclusive producer of a traditional cultural item.

I think that the grant of this trademark right to Lindt impairs not only the freedom of competition of third party traders; it also impairs expressive diversity and the freedom of cultural expression of citizens. Care must thus be taken in granting trademark rights in such culturally (indirectly) descriptive signs that represent a custom.

⁹⁴ ECJ 11 June 2009 *Lindt v. Hauswirth* (Goldhase), para. 19, “After registration of the three-dimensional mark at issue, Lindt & Sprüngli began to take legal proceedings against manufacturers who, to its knowledge, were manufacturing products so similar to the bunny protected by that mark that there was a likelihood of confusion.”

⁹⁵ BGH 26 October 2006 (Goldhase).

If no solution for this problem can be found at the level of the scope of the right - and as we will see in chapter 5, the limitations do not apply to such cases - it may be necessary to apply the ground for refusal of descriptiveness broadly and to refuse the registration of such signs of high social, cultural, or political value.⁹⁶

4.2.3 GROUND FOR REFUSAL II: CUSTOMARINESS

In the discussion of the ground for refusal of customariness, I can be brief. From the perspective of freedom of expression, it is important that customary signs remain free to use. All traders need to be able to use these signs in order to communicate efficiently with consumers.

Customary terms are often the designation of products and services in ordinary, everyday language, which is must be free to use by everyone in publications and in particular in dictionaries. Articles 3.1.d TMDir and 7.1.d TMReg contain a specific ground for refusal for signs that have become customary, but this ground for refusal takes a less prominent role, because the ground for refusal overlaps with the ground for refusal of descriptiveness and non-distinctiveness.⁹⁷

The ground for refusal also does not cover those laudatory signs that are often used in trade. Such frequent use is not a sufficient condition for customariness.⁹⁸ The registration of laudatory signs such as 'Bravo',⁹⁹ for example, will not be refused under the ground for refusal of customariness. As the analysis in the subsequent section will show, such signs may however fall under the ground for refusal of non-distinctiveness.

Moreover, as section 4.3 will show, trademark rights can be revoked if signs become a common name in trade customary after registration. That ground for revocation seems of more importance to the protection of freedom of expression than the ground of refusal of customariness.

4.2.4 GROUND FOR REFUSAL III: NON-DISTINCTIVENESS

As explained above,¹⁰⁰ distinctiveness does not need to be actually proven in trade. Rather, the distinctiveness of a trademark is assessed in relation to the goods and services

⁹⁶ Section 5.5; see also ECJ 11 June 2009 *Lindt v. Hauswirth* (Goldhase).

⁹⁷ According to the ECJ, the public interest that lies behind this ground for refusal is equal to that underlying Article 7.1.c TMDir, i.e. that these signs may be freely used by all. ECJ 16 September 2004 *Sat.1* ('Sat.2'), paras. 21 and 23. In addition, signs, which have become customary, are considered "not capable of distinguishing the services of one undertaking from those of other undertakings" and are therefore unable to fulfil the essential function of a trademark. ECJ 4 October 2001 *Merz & Krell* ('Bravo'), para. 37; CFI 5 March 2003 *Alcon* ('BSS'), para. 40; CFI 16 March 2006 ('WEISSE SEITEN'), para. 52.

In the *Weisse Seiten* case, which revolved around the designation 'weisse Seiten' (white pages) for telephone books, it was held that a generic designation for printed materials can at the same time be a generic designation for the electronic version of those printed materials. Therefore, the absolute ground for refusal of customariness applied to goods in Class 16, i.e. printed matter, reference works, classified directories, and goods in Class 9, i.e. tapes, discs, CD-ROMs.

⁹⁸ ECJ 16 September 2004 *Sat.1* ('Sat.2'), para. 44. "[t]he frequent use of trade marks consisting of a word and a number in the telecommunications sector indicates that that type of combination cannot be considered to be devoid, in principle, of distinctive character." However, such frequent use can be an indication for descriptiveness under Article 3.1.c TMDir and Article 7.1.c TMReg. In paragraph 36 of the *Sat.1 v OHIM* decision, the ECJ held that the, "criterion according to which trade marks which are capable of being commonly used, in trade, for the presentation of the goods or services in question may not be registered...is relevant in the context of Article 7(1)(c) of the regulation."

⁹⁹ ECJ 4 October 2001 *Merz & Krell* ('Bravo'), para. 32.

¹⁰⁰ Section 2.4.1.2.

for, which registration is sought.¹⁰¹ In this abstract assessment, the ECJ sets the requirement of distinctiveness rather low; as only signs that are ‘devoid of any distinctive character’ must be refused registration it deems a minimum degree of distinctiveness of a sign to be sufficient to exclude this ground for refusal.¹⁰²

Nevertheless, the ground for refusal of non-distinctiveness may help to limit the grant of trademark rights that are likely to be exercised in a manner that will impair the freedom of expression of third parties. It partly has the effect of protecting the two-fold public interest stemming from freedom of expression, because it protects the public interest of *consumers* who need to be able to use trademarks to orient themselves in their economic dealings.¹⁰³ Thereby, it safeguards the *capability* of signs to distinguish the source of a product or service. It does however not protect the need for the *availability* of a sign to third parties. In principle, under this ground for refusal, laudatory signs, expressive signs, and signs of high social, cultural and political importance are registrable. Only if a registering authority finds that consumers would perceive e.g. a laudatory sign to be a praise of goods rather than to be distinctive of a particular source or if they would perceive a slogan on a T-shirt as the expression of an opinion rather than a distinctive sign, then these signs are refused registration. Equally, if consumers perceive a sign of high social, cultural or political value as predominantly expressive of a cultural, social, or political message or phenomenon, rather than as an indication of source, then trademark rights are refused under this ground.

In this section, I will first examine the possibilities for interpreting the ground for refusal of non-distinctiveness in a manner to protect the public interest stemming from freedom of expression. Subsequently, it will consider jurisprudence relating to laudatory signs and slogans, and with regard to signs of high social, cultural, or political value.

4.2.4.1 *Room for Interpretation in line with Freedom of Expression*

The assessment of the ground for refusal of non-distinctiveness revolves around the question whether consumers of a good or service would perceive a sign to be an indication of a particular source. This *perception* of the consumer leaves room for interpreting the ground for refusal of non-distinctiveness in the light of the two-fold public interest protected by freedom of expression. The *consumer* is a legal concept that allows for variations in assessment.¹⁰⁴ The ground for refusal of non-distinctiveness must be assessed “by reference to the perception of the relevant public,”¹⁰⁵ which consists of

¹⁰¹ If the sign is composed of various parts, the sign must be assessed as a whole and not separately in respect of its individual parts.

E.g. ECJ 16 September 2004 *SAT.1* (‘Sat.2’), para. 35.

¹⁰² ECJ 24 November 2004 *Henkel*, para. 42; CFI 27 February 2000 (‘Eurocool’), para. 39; CFI 6 March 2003 (‘Calendre’), para. 33.

¹⁰³ ECJ 16 September 2004 *Sat.1* (‘Sat.2’), para. 27, “the public interest underlying Article 7(1)(b) of the regulation is, manifestly, indissociable from the essential function of a trade mark...”, which enables consumers to, “identif[y] the origin of the goods or services, thus [to] enabl[e] the consumer who acquired them to repeat the experience, if it proves to be positive, or to avoid it, if it proves to be negative, on the occasion of a subsequent acquisition.” CFI 5 March 2003 *Alcon* (‘BSS’), para. 48.

¹⁰⁴ *Kabel 2005b*.

¹⁰⁵ ECJ 12 February 2004 (‘Postkantoor’), para 31, “when the competent authority examines a trade mark application and, for that purpose, must determine, inter alia, whether or not the mark is devoid of any

standard consumers that are “reasonably well informed and reasonably observant and circumspect.”¹⁰⁶ According to the ECJ and CFI, the perception of this consumer does however vary according to the kind of goods or services that are at stake and according to the kind of sign that is used.¹⁰⁷ In relation to some signs, the ECJ and CFI employ a legal presumption of a lower level of consumer attentiveness. They consider for instance that,

“average consumers are not in the habit of making assumptions about the origin of products on the basis of their shape or the shape of their packaging in the absence of any graphic or word element.”¹⁰⁸

Consequently, the ECJ held that “only a [shape-]mark which departs significantly from the norm or customs of the sector and thereby fulfils its essential function of indicating origin is not devoid of any distinctive character for the purposes of Article 7(1)(b) of Regulation No 40/94.”¹⁰⁹ For instance, pencil-shaped loudspeakers of Bang and Olufsen were considered not to be devoid of any distinctive character, because they deviated sufficiently from the commercial norm of box-shaped loudspeakers.¹¹⁰

A similar interpretation is used with regard to advertising slogans, which are deemed unlikely to distinguish goods or services. In my opinion, registrations should also be refused for expressive signs or signs such as ‘I love X’ or ‘Sweet!’ or signs of high social, cultural, or political value on expressive goods and services clothing. As I will argue below, consumers are not in the habit of distinguishing product source of T-shirts when an expressive slogan or the name of famous person or a political party. They may rather think of the person or organisation than of a product source.

Via this interpretative route, the protection of the public interest stemming from freedom of non-commercial expression could be partly accommodated. Yet, this interpretative route will have a limited effect, because, the assessment under the ground for refusal of non-distinctiveness examines whether consumers *do* view signs to be distinctive and not whether there is a need on the part of third parties to use a particular sign. I think that, the protection of freedom of expression may demand that certain signs are refused protection *even though* they possess a certain degree of distinctiveness, i.e. a full recognition of the public interest to keep signs available so that the freedom of expression of third parties and expressive diversity in general will not be disproportionately impaired.

The ECJ does not seem to allow for such a transportation of an ‘alien’ public interest into the ground for refusal of non-distinctiveness, for the two reasons. First, minimal

distinctive character, whether or not it is descriptive of the characteristics of the goods or services concerned and whether or not it has become generic, it cannot carry out the examination in the abstract.” At para. 56, “the competent authority must, under Article 3(1)(c) of the Directive, determine whether a trade mark for which registration is sought currently represents, *in the mind of the relevant class of persons*, a description of the characteristics of the goods or services concerned or whether it is reasonable to assume that that might be the case in the future.” Fezer 2001, p. 388, speaks of *concrete* distinctiveness, as opposed to the abstract distinctiveness under § 3.1 MarkenG (resp. Article 2 TMDir and Article 4 TMReg).

¹⁰⁶ ECJ 16 July 1998 *Gut Springenheide*; ECJ 12 February 2004 (*Postkantoor*), para. 34; held also in ECJ 8 April 2003 *Linde*, para. 41; ECJ 6 May 2003 *Libertel*, paras. 46 and 75; ECJ 29 April 2004 *Henkel*, para. 35. CFI 5 March 2003 *Alcon* (*‘BSS’*), para. 38; CFI 16 March 2006 (*‘WEISSE SEITEN’*), para. 50. ECJ 22 June 1999 *Lloyd Schuhfabrik Meyer*, paragraph 26; and CFI 27 February 2000 (*‘Eurocool’*), para. 47.

¹⁰⁷ ECJ 22 June 1999 *Lloyd Schuhfabrik Meyer*.

¹⁰⁸ ECJ 7 October 2004 *Mag Instruments*, para. 30.

¹⁰⁹ ECJ 12 January 2006 *Deutsche SiSi-Werke*, para. 31; ECJ 22 June 2006 *August Storck KG v OHIM*, para. 28; ECJ 29 April 2004 *Henkel*, para. 37.

¹¹⁰ CFI 10 October 2007 *Bang & Olufsen v OHIM*.

distinctiveness is sufficient, and second the assessment is of a factual and not normative character. Moreover, the ECJ specifically held that each ground for refusal protects a specific public interest:¹¹¹

“[t]he various grounds for refusal must be interpreted in the light of the general interest underlying each of them. The general interest taken into consideration when examining each of those grounds for refusal may, or even must, reflect different considerations, according to the ground for refusal in question.”¹¹²

That being said, the practice of registering authorities, national courts, and even the ECJ itself shows that other public interest are, in fact, transported into the assessment of non-distinctiveness. For one, it is recognised by the ECJ and the CFI that there is an overlap between the grounds for refusal.¹¹³ Moreover, in the case of colour marks, the ECJ has itself filled in the lack of an appropriate ground for refusal by the open interpretation of the ground for refusal of non-distinctiveness. The expansion of the subject matter of trademark rights to colours affects the public interest of third party traders. The spectrum of distinctive colours is limited, but an appropriate ground for refusal to consider the public interest of third party traders is lacking. The TMDir and TMReg contain specific grounds for refusal for shapes, but not for colours. Accordingly, the ECJ assesses the need for the availability of colours under the ground for refusal of distinctiveness. In its *Libertel* decision, the ECJ held that

“in assessing the potential distinctiveness of a given colour as a trade mark [...] regard must be had to the general interest in not unduly restricting the availability of colours for the other traders who offer for sale goods or services of the same type as those in respect of which registration is sought.”¹¹⁴

¹¹¹ ECJ 18 June 2002 *Philips*, para. 77, “The various grounds for refusing registration set out in Article 3 of the Directive must be interpreted in the light of the public interest underlying each of them.” Identical also ECJ 8 April 2003 *Linde*, para. 71; ECJ 6 May 2003 *Libertel*, para. 51; ECJ 12 February 2004 (*BIOMILD*), para. 34.

¹¹² ECJ 15 September 2005 *BioID AG v. OHIM* (*BioID*), para. 59. See also ECJ 21 October 2004 *Erpo Möbelwerk* (*DAS PRINZIP DER BEQUEMLICHKEIT*), para. 40; ECJ 29 April 2004 *Henkel*, para. 45 and 46; ECJ 16 September 2004 *Sat.1* (*Sat.2*), para. 25; ECJ 4 May 1999 *Windsurfing Chiemsee*, para. 25; ECJ 18 June 2002 *Philips*, para. 77.

¹¹³ In, the *Twist & Pour* case, the CFI stated that, “there is a clear overlap between the scope of the grounds for refusal set out in Article 7(1)(b) to (d) [...] In particular, it is clear from the case-law that a word mark which is descriptive of characteristics of goods or services within the meaning of Article 7(1)(c) of Regulation No 40/94 is, on that account, necessarily devoid of any distinctive character with regard to the same goods or services within the meaning of Article 7(1)(b) of the regulation.” CFI 12 June 2007 (*Twist & Pour*), para. 39. Affirmed, ECJ 12 February 2004 (*Postkantoor*), paras. 67, 85 and 86; ECJ 12 February 2004 (*BIOMILD*), para. 19.

On the overlap between the ground of descriptiveness and non-distinctiveness see ECJ 20 September 2001 (*Baby-Dry*), para. 37, “[T]he purpose of the prohibition of registration of purely descriptive signs or indications as trade marks is [...] to prevent registration as trade marks of signs or indications which, because they are no different from the usual way of designating the relevant goods or services or their characteristics, could not fulfil the function of identifying the undertaking that markets them and are thus devoid of the distinctive character needed for that function.” In similar terms, the ECJ described the overlap between distinctiveness and customariness. ECJ 4 October 2001 *Merz & Krell* (*Bravo*), para. 35.

¹¹⁴ ECJ 6 May 2003 *Libertel*, para. 60. Critical Gielen 2003, wondering where in the Trademark Directive this interpretation can be found. See also Geilen *et al.* 2007, p. 217; VanHaute 2007.

The ECJ later limited this interpretation solely to colours because of the specifically limited availability of colours and the low distinctiveness of colours.¹¹⁵

In my opinion, this example of colours shows that the ECJ itself recognises a need to safeguard the protection of other public interests under the ground of non-distinctiveness if the other grounds for refusal do not grant sufficient protection. Equal concerns are present when the registration of laudatory signs or signs of high social, cultural and political value is concerned. As the assessment in the following two paragraphs will show, some courts have indeed protected other public interests under the ground for refusal of non-distinctiveness, where such signs were at stake.

4.2.4.2 *Laudatory Signs & Slogans*

As I explained in section 4.2.2, most laudatory signs and slogans cannot be refused registration under the ground for refusal of descriptiveness, because they are not directly descriptive of characteristics of goods and services, nor will they fall under the ground for refusal of customariness. In some cases, the ECJ and CFI as well as the German BGH have held that laudatory signs will fall foul of the ground for refusal of non-distinctiveness, as consumers will not perceive signs that advertise product qualities as indications of source.¹¹⁶ The German BPatG even considers the ground for refusal explicitly in light of the criterion of availability.

According to the ECJ, distinctiveness of a slogan needs to be higher than distinctiveness of other signs,¹¹⁷ if a slogan emphasises a general positive quality of a good or service. Examples are the sign 'LIVE RICHLY' for financial services, 'BEST BUY' for personal computers, 'DAS PRINZIP DER BEQUEMLICHKEIT' (*approx. transl.* 'The principle of comfort') for furniture, 'MEHR FÜR IHR GELD' (*transl.* 'more for your money') for consumer products.

In relation to the slogan 'LIVE RICHLY' for financial services, the ECJ held that "awareness can be relatively low when it comes to promotional indications, which well-informed consumers do not see as decisive."¹¹⁸ Also the *Erpo Möbelwerk* case in relation to the slogan 'DAS PRINZIP DER BEQUEMLICHKEIT' (*approx. transl.* 'The principle of comfort'), the ECJ held that "average consumers are not in the habit of making

¹¹⁵ ECJ 16 September 2004 *Sat.1* ('Sat.2'), para. 26 and 27; ECJ 15 September 2005 *BioID AG v. OHIM* ('BioID'), para. 61 and 62, "the fact that the trade mark applied for is likely to be commonly used in trade [...] although relevant in relation to Article 7(1)(c) of Regulation No 40/94, is not the yardstick by which Article 7(1)(b) must be interpreted."

In the *Sat.1 v. OHIM* case, Advocate General Jacobs played down the need for the consideration of the interests of in respect of Article 3.1.b TMDir, stating that, "[t]he *Libertel* judgment speaks not of keeping signs available to be 'freely used by all' but rather of 'not unduly restricting' their availability. It does so, moreover, in the specific context of signs of which there is a limited range, the number of colours which the average consumer is capable of distinguishing being limited." AG 11 March 2004 *Sat.1* ('Sat.2'), para. 26. This led him to conclude that the public to keep signs available to be 'freely used by all' does not generally apply to Article 3.1.b TMDir. *Ibid.*, para. 28.

¹¹⁶ In addition, some laudatory signs and advertising slogans are considered to fall under the ground for refusal of descriptiveness under Article 3.1.c TMDir and 7.1.c. Equally, some laudatory signs or advertising slogans may have become customary in trade and fall under the ground of refusal of Articles 3.1.d TMDir and 7.1.d TMRReg. E.g. ECJ 4 October 2001 *Merz & Krell* ('Bravo'), para. 37.

¹¹⁷ ECJ 21 October 2004 *Erpo Möbelwerk* ('DAS PRINZIP DER BEQUEMLICHKEIT'), paras. 36 and 44.

¹¹⁸ CFI 15 September 2005 ('LIVE RICHLY'), para. 74; CFI 5 December 2002 ('REAL PEOPLE, REAL SOLUTIONS'), para. 24; CFI 3 July 2003 ('BEST BUY'), para. 25.

assumptions about the origin of products on the basis of such slogans.”¹¹⁹ Interestingly, in presuming this different perception of the relevant public the ECJ referred specifically to the cases involving three-dimensional marks, which speak of lowered consumer perception of distinctiveness.¹²⁰

In the *Norma v. OHIM* case in relation to the slogan ‘MEHR FÜR IHR GELD’ (transl. ‘more for your money’) the ECJ held that:

“For a finding that there is no distinctive character, it is sufficient to note that the semantic content of the word mark in question indicates to the consumer a characteristic of the product relating to its market value which, whilst not specific, comes from promotional or advertising information which the relevant public will perceive first and foremost as such, rather than as an indication of the commercial origin of the goods.”¹²¹

Consequently, the slogan ‘MEHR FÜR IHR GELD’ was held to be non-distinctive because there was nothing about the mark “that might, beyond its obvious promotional meaning, enable the relevant public to memorise it easily and instantly as a distinctive trade mark for the goods designated.”¹²² The CFI goes even further by holding that signs that consist of advertising slogans or incitements to purchase and which fulfil “functions other than that of a trade mark in the traditional sense of the term”¹²³ will only be considered distinctive if they:

“may be perceived immediately as an indication of the commercial origin of the goods or services in question, so as to enable the relevant public to distinguish, without any possibility of confusion, the goods or services of the owner of the mark from those of a different commercial origin.”¹²⁴

Similar to the ECJ and CFI, the German Bundesgerichtshof refuses registration under the ground of non-distinctiveness of signs that have a predominantly descriptive

¹¹⁹ ECJ 21 October 2004 *Erpo Möbelwerk* (‘DAS PRINZIP DER BEQUEMLICHKEIT’), para. 35.

¹²⁰ *Ibid.*, para. 34.

¹²¹ CFI 30 June 2004 (‘MEHR FÜR IHR GELD’), para 31; similar CFI 5 December 2002 (‘REAL PEOPLE, REAL SOLUTIONS’), para 28 and ECJ 21 October 2004 *Erpo Möbelwerk* (‘DAS PRINZIP DER BEQUEMLICHKEIT’), para 35, “The possibility cannot be excluded that the case-law mentioned in the foregoing paragraph of this judgment is also relevant to word marks consisting of advertising slogans such as the one at issue in this case. That could be the case in particular if it were established, when assessing the distinctiveness of the trade mark in question, that it served a promotional function consisting, for example, of commending the quality of the product in question and that the importance of that function was not manifestly secondary to its purported function as a trade mark, namely that of guaranteeing the origin of the product.”

¹²² CFI 30 June 2004 (‘MEHR FÜR IHR GELD’), para. 32; CFI 5 December 2002 (‘REAL PEOPLE, REAL SOLUTIONS’), para. 28.

¹²³ CFI 15 September 2005 *Live Richly*, para 66; CFI 3 July 2003 (‘BEST BUY’), paras. 20 and 21.

¹²⁴ *Ibid.*. According to the CFI, the laudatory sign ‘BEST BUY’ was devoid of any distinctive character for goods like personal computers, because the relevant public would understand the sign as “a mere promotional formula or a slogan which indicates that the services in question offer the best buy possible in their category or the best price-quality ratio.” at para. 29. The sign ‘VITALITY’ was held to be devoid of any distinctive character for milk-based food and drinks. According to the CFI, consumers would understand this sign as indicating that the goods in question will further their health rather than as an indication of origin. CFI 17 April 2008 (‘VITALIY’), para. 28. See further CFI 5 December 2002 (‘REAL PEOPLE, REAL SOLUTIONS’); CFI 31 March 2004 (‘LOOKS LIKE GRASS... FEELS LIKE GRASS... PLAYS LIKE GRASS’).

meaning.¹²⁵ Such signs may not directly describe characteristics of goods or services and thus do not fall under the ground for refusal of descriptiveness. However, their meaning may be so generally descriptive or common, that they do not serve as distinctive signs in trade. For instance, the commonly used sign ‘TODAY’ was refused registration for goods that satisfy daily needs, because it lacked distinctiveness pursuant to § 8.2.1 MarkenG. According to the Bundesgerichtshof, consumers would generally understand the sign as indicating that goods were modern rather than as an indication of product source.¹²⁶

The German BPatG, takes this interpretation one leap further as it interprets the distinctiveness of slogans in the light of the public interest to keep signs free for all. For instance, in the *ZEIG DER WELT DEIN SCHÖNSTES LÄCHELN* case (*approx. transl.* ‘show the world your most beautiful smile’) the BPatG reinterpreted the public interest behind the ground for refusal of non-distinctiveness to one of a general ‘Freihaltebedürfnis’ for the benefit of competitors. It held that consumer perception of slogans is too difficult to determine and that instead of making a speculative judgement about consumer’s perceptions, the distinctiveness must be assessed in light of the public interest of third party traders in being able to use slogans, i.e. the *Freihaltebedürfnis*.¹²⁷

In my view, an important aspect of these cases is that they clearly indicate that other grounds for refusal, like that of descriptiveness, do not sufficiently protect the public interest of third parties to keep descriptive and commonly used signs available, an interest that is congruent with the public interest stemming from freedom of commercial expression. As I agree that trademark rights may unduly restrict the public interest of third party traders not only when they are granted on *purely* descriptive or customary signs, but also when they are granted in commonly used or laudatory signs and slogans, I think that courts rightly fill in the lack of appropriate protection under the ground for refusal of non-distinctiveness.

4.2.4.3 Signs of High Social, Cultural, or Political Value

In principle, European trademark law as well as German and Dutch trademark law allow for the registration of expressive statements as well as signs of high cultural, social, or political importance. This openness to register reflects the acceptance of the marketing of famous persons, of character merchandising or the merchandising of cultural objects.

Some courts have, via an interpretation of consumer perception, kept expressive statements and signs of high social, cultural or political value from being registered. Certain signs are considered non-distinctive as they are already be so pervasively used,

¹²⁵ See e.g. BGH 7 June 2001 (‘LOOK’), “Kann einer Wortmarke kein für die fraglichen Waren im Vordergrund stehender beschreibender Begriffsinhalt zugeordnet werden und handelt es sich auch sonst nicht um ein gebräuchliches Wort der deutschen oder einer bekannten Fremdsprache, das vom Verkehr - etwa auch wegen einer entsprechenden Verwendung in der Werbung - stets nur als solches und nicht als Unterscheidungsmittel verstanden wird, so gibt es keinen tatsächlichen Anhalt dafür, daß ihr die vorerwähnte Unterscheidungseignung und damit jegliche Unterscheidungskraft fehlt.” See further BGH 11 May 2000 (‘RATIONAL SOFTWARE CORPORATION’); BGH 1 March 2001 (‘REICH UND SCHÖN’); BGH 17 May 2001 (‘Gute Zeiten - Schlechte Zeiten’).

¹²⁶ BGH 6 November 1997 (‘TODAY’), “Einem Begriff, der in der Werbung seinem Sinngehalt nach als ‘modern’ oder ‘aktuell’ verwendet und vom Verkehr so verstanden wird, fehlt für Waren des täglichen Bedarfs jegliche Unterscheidungskraft im Sinne des § 8 Abs. 2 Nr. 1 MarkenG.”

¹²⁷ BPatG 22 July 2003 (‘ZEIG DER WELT DEIN SCHÖNSTES LÄCHELN’).

that consumers no longer are able to distinguish a single source by means of such names. An example is the portrait of Mona Lisa.¹²⁸ In addition, some names are considered to carry such powerful and specific meanings that overshadow any distinctiveness for particular goods or services. For instance, the ECJ, in the context of an opposition procedure, hinted at the fact that the name Picasso would be devoid of any distinctive character for cars:

“[t]he reputation of the painter Pablo Picasso is such that it is not plausible to consider, in the absence of specific evidence to the contrary, that the sign PICASSO as a mark for motor vehicles may, in the perception of the average consumer, override the name of the painter so that that consumer, confronted with the sign PICASSO in the context of the goods concerned, will henceforth disregard the meaning of the sign as the name of the painter and perceive it principally as a mark, among other marks, of motor vehicles.”¹²⁹

One may think that if consumers do not perceive Picasso as distinctive for cars, they are even less likely to perceive the name distinctive for goods and services that are more related to the artist, e.g. paint. However, apparently one cannot generalise this dictum of the ECJ. The registration practice of the OHIM and German or Benelux trademark authorities demonstrates that names like Picasso can be registered all sorts of goods and services, including expressive goods and merchandise.¹³⁰ The same holds true for ‘Anne Frank’, ‘Elvis Presley’, ‘Frank Zappa’, or ‘Queen Elizabeth 2’.¹³¹

Amongst German courts, there is a broader to prohibit the registration of names of events and the names and portraits of famous persons and characters for merchandise or for expressive services due to lack of distinctiveness.¹³² The leading decision on merchandise is the decision of the BGH about the ‘event’-mark ‘Fussball WM 2006’ for the soccer world championship 2006. In its decision, the BGH found the sign to clearly fall under the ground for refusal of descriptiveness for the organisation of the event but also for fan-articles, musical instruments, printed matter, or data carriers. It considered the sign furthermore devoid of any distinctive character for all other goods.¹³³ Similarly, the BPatG found that a portrait of Marlene Dietrich was devoid of any distinctive character for goods and services that are typically connected to the actress such as fan articles or merchandise.¹³⁴ According to the BPatG, consumers would think of the actress when seeing the picture and not of a specific undertaking marketing the goods.

¹²⁸ BPatG 25 November 1997 (‘Mona Lisa’).

¹²⁹ ECJ 12 January 2006 *Picasso v. Daimler Chrysler AG*, para. 11.

¹³⁰ The name Picasso is for instance registered for numerous goods and services. The Benelux register list 31 Benelux, Community, and International trademark registrations, amongst which one to the Indivision Picasso for ‘paints, varnishes, dyes, lacquers, colourants ...’ or ‘materials for artists, designers and graphic designers.’ CTM Reg no. 003926326, registered to Indivision Picasso.

¹³¹ ‘Queen Elizabeth 2’ has been held distinctive for clothing, and educational or artistic services. OHIM Board of Appeals 29 March 2005 (‘Queen Elizabeth 2’). ‘Elvis Presley’ is registered as a Community trademark by Elvis Presley Enterprises amongst others for all kinds of merchandise. CTM Reg. No. 001408897; ‘Zappa’ is registered by the Zappa Family Trust for recordings as well as merchandise. CTM Reg. No. 001933944. T. Cohen Jehoram, Van Nispen & Huydecooper 2008, p. 124. Ruijsenaars *diss.* 1997.

¹³² See generally Van Woensel 2007, p. 355; Ohly 2008.

¹³³ BGH 27 April 2006 (‘Fussball WM 2006’).

¹³⁴ BPatG 9 November 2005 (Portraitfoto Marlene Dietrich).

Similarly, the German BGH considered that ‘Winnetou’, the name of the fictional hero of a series of immensely popular books of German author Karl May, is understood by the German public as the epitome of a noble Indian chief. It, therefore, found that ‘Winnetou’ is not distinctive for print media and other media services.¹³⁵ The name of the author ‘Karl May’ himself was considered by the BPatG to be non-distinctive for media related goods and services as well as the organisation of cultural events and related services. The BPatG however allowed the registration of the name Karl May for goods and services that were unrelated to the author and his meaning in society.¹³⁶

If fictional characters are less known or do not represent a concrete phenomenon, the BPatG accepts that trademark rights are granted for expressive goods and services.¹³⁷ It did find that fictional names such as ‘Der kleine Eisbär’ (transl. ‘The little polar bear’), the main character of a popular children’s book, or ‘Percy Stuart’, a well-known fictional detective, were not devoid of any distinctive character for media goods and services.¹³⁸

German courts do thus sometimes recognise that consumers may rather think of the relevant person, organisation or event, when seeing famous names in expressive services or on expressive goods.

The practice in the United Kingdom is even more clear-cut, as expressive statements, names, or pictures of famous persons are generally considered non-distinctive for expressive goods. The Registry Practice Amendment Notice¹³⁹ of the United Kingdom Trademark Office, does make specific reference to expressive slogans:

“32.1.11 Statements by/about the user of goods/wearer of clothing

Slogans such as “I ♥ My Boy Friend” or “Here comes Trouble” are often used to decorate goods, particularly clothing – T-shirts, sweatshirts or baseball caps. In this context, consumers are unlikely to perceive this type of slogan as a sign of trade origin. When seen on the front of a T-shirt, a mug, a necklace or a keyring, for example, they are likely to be seen as a personal statement by/about the wearer/user rather than indicating the trade origin of the product. Slogans which are likely to be seen as such will therefore be open to objection under Section 3(1)(b) of the Act. Where it is equally or more plausible that such a slogan is capable of being seen as a fancy trade mark, such as “Lanky Bird”, no objection should be raised on this ground. If the mark is not subsequently used as a trade mark it will become liable to revocation for non-use.”¹⁴⁰

¹³⁵ BGH 12 May 2002 (‘Winnetou’).

¹³⁶ BPatG 23 October 2007 (‘Karl May’).

¹³⁷ BPatG 8 February 2006 (‘Der kleine Eisbär’), “In dem betreffenden Verfahren war jedoch vom Bundespatentgericht festgestellt worden, dass sich der Name ‚Winnetou‘ zum Synonym für einen rechtschaffenen Indianerhäuptling entwickelt habe und sich insoweit als Sachhinweis auf den Inhalt oder Gegenstand der dort beanspruchten, dem Medienbereich zuzurechnenden Waren und Dienstleistungen eigne. Nur deswegen war die Unterscheidungskraft zu verneinen. Bloße Phantasietitel stellen demgegenüber keinen Sachhinweis in diesem Sinne dar.”

¹³⁸ BPatG 8 February 2006 (‘Der kleine Eisbär’). BPatG 5 December 2007 (‘Percy Stuart’). See furthermore BPatG 30 November 2005 (‘GEORG-SIMON-OHM’).

¹³⁹ Registry Practice Amendment Notice 1/06 of the United Kingdom Trademark Office of 5 January 2006.

¹⁴⁰ *Ibid.*, (bold added by WS).

In a case about an application of the slogan “There ain’t no F in justice” for *inter alia* clothing, footwear, and headgear, the hearing officer of the UK Trademark Office stated:

“However, slogans used as trade marks are not always easy to identify as such when used as what appears to be decoration. This is because for many years the public has chosen to put personal statements on their tee-shirts, sweat shirts and baseball caps. ‘Ban the Bomb’, ‘Kiss me Quick’, ‘Stop the Iraq War’ have been seen across tee-shirts, sweat shirts and baseball caps on any high street and, in my view, are unlikely to be seen as indicators of trade origin by the average consumer.”¹⁴¹

In relation to the names and picture of famous persons, Justice Laddie of the High Court of Justice held in the Elvis Presley case, that

“when a man buys poster or a cup bearing an image of a star he is buying a likeness, not a product from a particular source. Similarly the purchaser of any one of the myriad of cheap souvenirs of the Royal Wedding bearing pictures of Prince Charles and Diana Princesses of Wales wants mementoes with likenesses, is likely to be indifferent to the sources.”¹⁴²

In my opinion, the approach by German courts and, in particular, that of the UK trademark office and courts in the United Kingdom would offer a way to protect the public interest stemming from freedom of expression. At the very least, they are a clear indication of legal opinion about the fact that certain signs should *de jure* remain available, i.e. that these signs should be kept free for reasons other than their incapability to serve as a distinctive sign.

One of the most explicit expressions of this legal opinion has been made by the German OLG Dresden in the *Johann Sebastian Bach* case was even completely explicit in expressing this opinion, be it in the interpretation of the scope of a trademark right and not in deciding upon its registrability:

“The name of the famous composer „B.“, who is the object of the trademark right of the plaintiff, is part of the common cultural heritage and possesses, taken by itself, little originality. [...] In a normative sense, it must be considered that [...] there exists a substantial interest of the public in keeping the name and the picture of „J.B.“ free [Freihaltebedürfnis], since, as a world famous figure of society, he is part of the cultural heritage which the public is entitled to enjoy. Therefore the use of his personality features must not be monopolised by one particular trader.”¹⁴³

¹⁴¹ Hearing Officer of the UK Trademark Office 21 June 2007 (‘THERE AIN’T NO F IN JUSTICE’). The case was overturned on appeal, Decision of the Appointed Person 31 March 2008 (‘THERE AIN’T NO F IN JUSTICE’).

¹⁴² High Court of Justice - Chancery Division 18 March 1997 Elvis Presley.

¹⁴³ OLG Dresden 4 April 2000 (‘Bach’ I-III), approximate translation WS, original, „Der Name des berühmten Komponisten „B.“, der den Gegenstand des Markenrechts des Klägers bildet, ist Bestandteil des allgemeinen Kulturgutes und besitzt für sich genommen wenig Originalität. [...] In normativer Hinsicht ist zu berücksichtigen, dass ungeachtet eines fehlenden Produktbezuges i. S. v. § 8 Abs. 2 Nr. 2 MarkenG hinsichtlich der Benutzung des Namens und Bildnisses von „J.B.“ ein erhebliches Freihaltebedürfnis der Allgemeinheit besteht, da er als weltberühmte Person der Zeitgeschichte Teil der Öffentlichkeit

This Court, in assessing the distinctiveness of a sign for the purposes of defining the scope of protection, thus clearly expressed its opinion that there is a public interest to keep famous names available (the ‘Freihaltebedürfnis’) for cultural reasons.

I think that the legal opinion of these courts rightly points to the fact that there is a not sufficiently recognised need to keep certain signs from being registered. The cited decisions refer to cultural reasons or simply to a lack of distinctiveness, but in effect they seem to protect a public interest that is congruent with the interest in the protection of expressive diversity. Yet, I do think that, at present, trying to ensure availability via an interpretation of consumer perception under the ground for refusal of non-distinctiveness offers no safe route for the protection of this public interest for at least three reasons.

First, the assessment of consumer perception is primarily one of a factual nature as the provision of acquired distinctiveness clearly shows (signs that gain distinctiveness over time may be registered).

Second, the ECJ requires of national authorities to register trademarks with a *minimum of distinctiveness*. The decision “There ain’t not F in justice”, for instance, case was overturned on appeal because for a sign to be distinctive “novelty, or imaginativeness or creativity on the part of the proprietor is not a requirement.”¹⁴⁴ Rather a minimum of distinctiveness must be deemed sufficient.

And third, developments in trademark doctrine also point in the opposite direction, i.e. the registration of (cultural) merchandise may rather be made easier than more complicated. At present, distinctiveness is understood as distinctiveness of source. However, following the interpretation of distinctiveness that has been developed under the criterion of ‘likelihood of confusion’ distinctiveness may also be understood as distinctiveness of an affiliation or sponsorship. (A likelihood of confusion is seen to occur when consumers are confused about an association or an economic connection between a trademark and the sign used.¹⁴⁵) If such an interpretation were to be applied in relation to the ground for refusal of non-distinctiveness, and it has been argued that it should,¹⁴⁶ then it may become much easier for trademark applications for signs of high social, cultural or political value to pass muster of the ground for refusal of non-distinctiveness.

In sum, I agree with those courts that have found a need to exist to keep certain signs of high social, cultural, or political value available. This need follows not only from the public interest of consumers in trademarks that are capable to distinguish goods or services, or from a general need to protect cultural heritage; it also follows from Article 10 ECHR, which obliges state authorities to guarantee that trademark rights will not overly impair expressive diversity.

zustehenden kulturellen Erbes ist. Dementsprechend darf die Nutzung seiner Persönlichkeitsmerkmale nicht zugunsten eines einzelnen Markeninhabers monopolisiert werden“; see also BPatG 24 October 2007 (‘Leonardo da Vinci’), „Die Namen historischer Persönlichkeiten sind Teil des kulturellen Erbes der Allgemeinheit. Ein Markencharakter wird ihnen vom Verkehr deshalb in aller Regel nicht zugeordnet. [...] Der Name „Leonardo Da Vinci“ ist wegen fehlender Unterscheidungskraft nicht schutzfähig und deshalb im Register zu löschen.“ See further Van Woensel 2007, p. 380.

¹⁴⁴ Decision of the Appointed Person 31 March 2008 (‘THERE AIN’T NO F IN JUSTICE’).

¹⁴⁵ Section 2.2.3.1.

¹⁴⁶ T. Cohen Jehoram, Van Nispen & Huydecooper 2008, p. 125.

Yet, for the reasons I set out above, I think that the protection of the public interest of keeping signs free (or available) stemming from freedom of expression cannot be safely accommodated by relying on a broad interpretation of the ground for refusal of non-distinctiveness. It may thus be necessary to specifically restrict trademark rights in signs of high social, cultural, or political value under a separate ground for refusal.

4.2.5 LIMITATION OF THE PREVIOUS GROUNDS FOR REFUSAL: ACQUIRED DISTINCTIVENESS

As described above, one common exception to the three grounds for refusal (I-III) is contained in Articles 3.3 TMDir and 7.3 TMReg, which state that the grounds for refusal do not apply, once a mark has acquired distinctive character. This provision on acquired distinctiveness is the law's recognition of the fact that the meaning of signs can change and that they may, over time, become distinctive. This rule may also apply for parts of signs the part "Have a Break..." of the slogan "Have a Break...Have a Kit Kat" which could acquire distinctive character.¹⁴⁷

From the viewpoint of freedom of expression, a possible problem lies in the fact that once signs, which previously have been considered non-distinctive, descriptive, or customary, have acquired distinctiveness their original meaning will exist simultaneously to the distinctive meaning. The risk is that when such signs are registered, the (indirectly) descriptive, customary, expressive, or social, cultural or political meanings of such signs may become inaccessible. The ability to use such meanings will depend largely on the application of the limitations to trademark rights contained in Articles 6 TMDir or 12 TMReg, which allow for descriptive use of trademarks.

In the present sub-section, I will examine how acquired distinctiveness is assessed and in particular what degree of distinctiveness is required and what is considered proof of acquired distinctiveness. In addition, I will consider whether it may be necessary that certain types of signs are *de jure* excluded from acquiring distinctive character. The related discussion on the limitations of trademark rights is contained below in section 5.5.

4.2.5.1 Test and Evidence

According to the ECJ, acquired distinctiveness is based on an overall assessment by the competent authority

“of the evidence that the mark has come to identify the product concerned as originating from a particular undertaking, and thus to distinguish that product from goods of other undertaking,”¹⁴⁸

and it must be “the result of the use of the mark as a trade mark and thus as a result of the nature and effect of it.”¹⁴⁹ The relevant test is to determine concretely¹⁵⁰ whether

¹⁴⁷ ECJ 5 July 2005 ('Have a Break...'), paras. 26 to 29.

¹⁴⁸ ECJ 4 May 1999 *Windsurfing Chiemsee*, para. 49.

¹⁴⁹ ECJ 18 June 2002 *Philips*, para. 64.

¹⁵⁰ ECJ 22 June 2006 *August Storck KG v OHIM*, para. 77.

“on the basis of those factors, the relevant class of persons, or at least a significant proportion thereof, identifies goods as originating from a particular undertaking because of the trade mark.”¹⁵¹

This test must be interpreted in the light of the pre-existing grounds for refusal and in the light of the public interest pertaining to them, because Article 3.3 TMDir and 7.3 TMReg are merely exceptions to the absolute grounds for refusal discussed above and it do not provide an independent right register a trademark.¹⁵² As is the case with the grounds for refusal, also in respect of acquired distinctiveness what matters are “the presumed expectations of an average consumer of the category of goods or services in question, who is reasonably well-informed and reasonably observant and circumspect.”¹⁵³ The public to be considered are all potential customers.¹⁵⁴

The conditions for acquired distinctiveness of a Community trademarks have to be met “in the substantial part of the European Union where it was devoid of any such character under Article 7(1)(b), (c) and (d) of that regulation.”¹⁵⁵ According to the ECJ, the Benelux must be seen as equal to the territory of one Member State,¹⁵⁶ upon which acquired distinctiveness must be proven in the part of the territory on which the ground for refusal exists.¹⁵⁷ In a case where signs are descriptive in only one of the languages, e.g. French, only the territory upon which that language is *spoken* must be taken into account.¹⁵⁸

The evidence required to prove acquired distinctiveness must be concrete and reliable evidence of use of a sign as a trademark.¹⁵⁹ However, the type of evidence seems mainly of a circumstantial nature. It consists mainly of quantitative commercial data and not so much of a qualitative assessment of actual distinctiveness. In the *Windsurfing Chiemsee* case, the ECJ laid out the criteria, which may be used in determining acquired distinctiveness. These are:

¹⁵¹ ECJ 4 May 1999 *Windsurfing Chiemsee*, paras. 51 and 52; ECJ 18 June 2002 *Philips*, paras. 60 and 61; CFI 5 March 2003 *Alcon* (‘BSS’), para. 50;

¹⁵² ECJ 7 September 2006 (‘EUROPOLIS’), para. 21.

¹⁵³ ECJ 18 June 2002 *Philips*, para. 63.

¹⁵⁴ For instance, in the German *Lotto* case, a case about the registration of the word ‘Lotto’ for lottery games, the Bundesgerichtshof confirmed the ruling of a lower German Court that the relevant public should be considered to consist of not just the interested parties, i.e. the regular consumers, but of all parties who could be interested in playing just occasionally. BGH 19 January 2006 (‘LOTTO’), „Das Bundespatentgericht hat entgegen der Auffassung der Rechtsbeschwerde zutreffend angenommen, dass für die Frage der Verkehrsdurchsetzung nicht allein auf die am Lottospiel interessierten Kreise abgestellt werden kann. Denn auch diejenigen Teile des Verkehrs, die sich selbst nicht als an Lotteriespielen interessiert bezeichnen würden, kommen als gelegentliche Teilnehmer derartiger Spiele in Betracht.“

¹⁵⁵ CFI 5 March 2003 *Alcon* (‘BSS’), para 52; CFI 30 March 2000 (‘OPTIONS’), para. 27. It is not sufficient to show that distinctiveness has been acquired in e.g. 10 of the 15 Member States, since Article 7.2 TMReg states that the absolute grounds for refusal apply even 2. Paragraph 1 shall apply even if they exist in only part of the Community. CFI 12 September 2007 *Glaverbel v. OHIM*, para. 39.

¹⁵⁶ ECJ 7 September 2006 (‘EUROPOLIS’), para.19.

¹⁵⁷ *Ibid.*, para. 22.

¹⁵⁸ *Ibid.*, para. 26. The Benelux Court of Justice decided that it is not necessary that also translations of the sign into the other languages of the Benelux have also acquired distinctive character. BenCJ 28 June 2007 (‘EUROPOLIS’), para. 10. *Spoor* concludes that ‘a substantial part of the Benelux’ could mean also only one Benelux country, provided that it has acquired a high level of distinctiveness in that country. *Spoor* 2007.

¹⁵⁹ T. Cohen Jehoram, Van Nispen & Huydecooper 2008, p. 189; ECJ 22 June 2006 *August Storck KG v OHIM*.

1. the market share held by the mark;
2. how intensive, geographically widespread and long-standing use of the mark has been;
3. the amount invested by the undertaking in promoting the mark;
4. the proportion of the relevant class of persons who, because of the mark, identify goods as originating from a particular undertaking;
5. and statements from chambers of commerce and industry or other trade and professional associations.¹⁶⁰

According to the CFI, these five criteria are ‘direct proof’ of the acquisition of distinctiveness. In addition, the CFI recognises as secondary evidence:

6. sales volume;
7. advertising material;
8. duration of use.¹⁶¹

In some areas, the criteria for acquiring distinctiveness of e.g. signs that had become customary are quite stringent. Where a sign demonstrably had become a customary indication, reports of policing and monitoring the use of the signs in an effort to keep distinctiveness are insufficient to show acquired distinctiveness.¹⁶² Data relating to neither turnover nor sums of money spent on advertising by themselves are sufficient evidence of acquired distinctiveness.¹⁶³ Rather what must be demonstrated is that the target public indeed understands a sign as distinctive.¹⁶⁴ Likewise, a high degree of distinctiveness is required for instance

“where a geographical name is very well known[.] [I]t can acquire distinctive character under Article 3(3) of the Directive only if there has been long-standing and intensive use of the mark by the undertaking applying for registration.”¹⁶⁵

It is, in my opinion, worrisome that the ECJ does not require registering authorities to always demand proof of acquired distinctiveness in the form of survey evidence. Of the eight criteria mentioned above, only criterion 4 relates to actual direct evidence of consumer understanding. Moreover, according to the Court,

“[a]s regards the method to be used to assess the distinctive character of a mark in respect of which registration is applied for, Community law does not preclude the competent authority, where it has particular difficulty in that connection, from having recourse, under the conditions laid down by its own national law, to an opinion poll as guidance for its judgment.”¹⁶⁶

I think that, this statement may discourage the use of survey evidence, i.e. the only form of direct evidence of consumer understanding, whereas from the perspective of trademark law’s own rationales as well as that of freedom of expression, an assessment of actual distinctiveness amongst consumers may be necessary. It would be important that

¹⁶⁰ ECJ 4 May 1999 *Windsurfung Chiemsee*, para. 51. See also Article 6 quinquies.C.1 Paris Convention, “(1) In determining whether a mark is eligible for protection, all the factual circumstances must be taken into consideration, particularly the length of time the mark has been in use.”

¹⁶¹ CFI 12 September 2007 *Glaverbel v. OHIM*, para. 44.

¹⁶² CFI 5 March 2003 *Alcon* (‘BSS’).

¹⁶³ *Ibid.*, para. 58.

¹⁶⁴ *Ibid.*, para. 57.

¹⁶⁵ ECJ 4 May 1999 *Windsurfung Chiemsee*, para. 50.

¹⁶⁶ *Ibid.*, para. 53.

such survey evidence is adduced in order to determine whether a sign has actually become distinctive in trade and whether the three vital grounds for refusal (descriptiveness, customariness, and non-distinctiveness) can be set aside.

In this respect, I agree with the German BGH, which requires that the degree of distinctiveness must generally be more than 50% of the relevant public, and that in cases of highly descriptive marks, like “Kinder” (Children) for chocolate products, the a “*nahezu einhellige Verkehrsbekanntheit*” (an almost unanimous understanding of distinctiveness) is necessary.¹⁶⁷

4.2.5.2 *De Jure (Partial) Exclusion from Acquiring Distinctiveness*

If a high degree of acquired distinctiveness needs to be proven by survey evidence, the requirement of *capability* to distinguish will be adequately fulfilled. However, the need to guarantee the *availability* of the original (indirectly) descriptive, customary, expressive, or social, cultural or political meanings will remain since, upon grant of trademark rights, these meanings will remain accessible to third parties only if courts interpret the scope of the trademark rights with a view to keeping the original meanings free, and if the limitations on the exercise of the rights can be applied. I think that this reliance on limitations may be an insufficient safeguard for the public interest stemming from freedom of expression and it may be necessary to curtail the provision on acquired distinctiveness and to exclude certain signs *de jure* from acquiring distinctiveness.

Such an exclusion is not alien to European trademark law since it applies for instance for the grounds for refusal contained in Articles 3.1.e TMDir and 7.1.e TMReg, which state that certain shapes signs that exclusively exist of,

“the shape which results from the nature of the goods themselves, or the shape of goods which is necessary to obtain a technical result, or the shape which gives substantial value to the goods’ may not be registered.”

In comparison, under U.S. trademark law generic signs as well as certain highly descriptive signs (including certain laudatory terms) are *de jure* excluded from gaining secondary meaning:

“The recognition of trademark rights in generic designations could significantly impede competition in the market for the goods or services denominated by the generic term. Competitors denied access to a term that denominates the goods or services to prospective purchasers would be at a distinct disadvantage in communicating information regarding the nature or characteristics of their product. Consumers would be forced either to expend additional time and money investigating the characteristics of competing goods or to pay a premium price to the seller with trademark rights in the accepted generic term. [...]

A seller [...] cannot remove a generic term from the public domain and cast upon competitors the burden of using an alternative name. Success in achieving an association between a generic term and a particular user will not overcome the prohibition against the recognition of trademark rights. In some instances, for example, the public may come to associate a particular product, and hence the name of that product, with its sole or principal producer. Evidence of such an association

¹⁶⁷ BGH (‘Kinder’ I); see also BGH 19 January 2006 (‘LOTTO’)

does not establish source significance for the term itself and will not support an assertion of trademark rights. The existence of [...] de facto secondary meaning, however, does not result in the acquisition of trademark rights. Although the beneficiary of such secondary meaning may be entitled to relief against misrepresentations of source (see Comment d), the public interest in maintaining access to generic terms precludes the recognition of trademark rights. Thus, unless the generic significance of the designation has become virtually obsolete, proof of secondary meaning will not establish trademark rights in a generic term.”¹⁶⁸

In my opinion, the protection of the public interest stemming from freedom of commercial as well as non-commercial expression may require a similar rule under European trademark law, which excludes highly descriptive and generic signs *de jure* from acquiring distinctiveness.

A particular problem in this respect is posed by composite or combined (word and picture) trademarks containing a purely descriptive part.

According to the ECJ, also parts of such composite marks may gain distinctive character.¹⁶⁹ This must however not apply to the descriptive meanings of such signs. I think that it would be a severe restriction of the freedom of expression of third parties if, through use of descriptive signs in composite trademarks, the descriptive signs themselves were to be protected. Article 5.1.b TMDir poses a particular problem in this respect, because it protects trademarks against the use of *similar* signs where there is a likelihood of confusion.

For instance, the chocolate producer Kinder tried to invoke its composite ‘kinder’ trademark right in order to prohibit other parties from using the word ‘kinder’. In the Kinder II decisions, the BGH did not address the specific question whether the descriptive part of the sign Kinder had gained distinctive character. It held however that Ferrero, through its registration of the below ‘kinder’ trademark for chocolate products, had gained no right in the word Kinder as such and that this descriptive sign must remain available for third parties to use in signs such as that the word ‘Kinderzeit’ (*transl.* ‘childhood’) and ‘Kinder Kram’ (‘children’s stuff’) in relation to similar products.¹⁷⁰

Also from the perspective of freedom of expression, it is necessary that the word Kinder is kept available for all third parties. Yet, I think that it is problematic that third parties need to litigate to the highest German Court in order to be able to use a perfectly descriptive term in relation to their goods and services. Such a hurdle to the use of descriptive signs may not be a necessary nor proportionate impairment of the freedom of commercial expression of third parties.

In case of composite trademarks or combined word and picture mark containing a highly descriptive part, it may be necessary either to note on the trademark registration that the descriptive part of a sign is (*de jure*) not capable of becoming a trademark or to deal with the scope of such trademarks in a differentiated manner. In the latter case, the

¹⁶⁸ See Restatement (Third) of Unfair Competition 2007, § 15. McCarthy 2008, § 12:46; *Callmann on Unfair Competition, Trademarks & Monopolies* 2008, § 20:33.

¹⁶⁹ ECJ 5 July 2005 (‘Have a Break...’).

¹⁷⁰ See also BGH 20 September 2007 (Kinder II- ‘Kinderzeit’); BGH 20 September 2007 (Kinder II - ‘Kinder Kram’).

notion of similarity must not extend to the descriptive meaning of such signs. In section 5.5.2.1, I will return to the question of the proper definition of the scope of trademark rights with respect to descriptive signs.

4.2.6 GROUNDS FOR REFUSAL OF BAD FAITH AND PUBLIC ORDER

In addition to the grounds discussed before, European trademark law contains two relatively open grounds for refusal, i.e. bad faith and public order. At first sight, these grounds may provide a place to weigh prospective trademark rights against the public interest protected by freedom of expression. As the examination in the following two paragraphs will show, probably neither of these grounds provides suitable protection.

4.2.6.1 Bad Faith

Bad faith is an absolute ground for refusal under Article 3.2.d of the TMDir, but in practice, bad faith is not applied by registering authorities *ex officio*. Under the BVIE, bad faith is rather invoked as a ground for invalidity by third parties that have a competing interest in using the relevant sign as trade name or in registering it as a trademark.¹⁷¹ Article 51.1.b of the Trademark Regulation lists bad faith as an absolute ground for *invalidity*. The German MarkenG contains a provision on bad faith since an amendment in 2004.¹⁷² The reason for the introduction of this amendment was that the attributive system of trademark registration under the 1995 MarkenG led to a number of cases, wherein private parties registered signs of high cultural value (e.g. the name and picture of Johann Sebastian Bach, the painting of Mona Lisa, or a picture of Marlene Dietrich) as trademarks in order to force licensing fees off other parties needing or wanting to use these signs. The public outcry caused by such ‘abusive’ registrations led legislators to introduce a ground for refusal of bad faith to combat such situations of trademark grabbing.

While the ground for refusal or invalidity of bad faith may help a *specific* individual third party in vindicating his interest to use a sign of high social, cultural, or political value, it does not provide a general protection of the *public* interest stemming from freedom of expression. A similar conclusion has been reached by *Van Woensel*, who, without specifically considering third party freedom of expression, examined the application of the ground of bad faith to signs of high symbolic value in the Benelux in Germany in detail.¹⁷³ He found that the ground of bad faith is only of limited use keeping such signs from being the object of trademark rights.

I agree with this conclusion and I think that, for the following two reasons, the ground is of equally limited use in protecting the public interest stemming from freedom of expression. First, the ground for refusal of bad faith is (certainly under Benelux law) of a relative nature. The ground of bad faith can be invoked only by a third party that is affected in its (competing) interests, which means that it depends on the right holder’s ‘abusive’ behaviour, e.g. the registration of the name ‘Bach’ for amongst others cultural

¹⁷¹ For a comparative study on the provision of bad faith in European trademark law see Tsoutsanis 2005; further T. Cohen Jehoram, Van Nispen & Huydecooper 2008, p. 237 to 254.

¹⁷² On the background to this amendment see Van Woensel 2007, p. 411.

¹⁷³ *Van Woensel* distinguished between trademark grabbing, i.e. the monopolisation of trademarks in order to obstruct a specific trader, trademark speculation, i.e. the monopolisation of trademarks in order to force all others to pay licensing revenues, and mixed forms of these two situations. *Ibid.*, p. 264, 359 and 406.

services in the 2000 Bach year, or registration of the sign ‘Route 66’ in relation to all sorts of services.¹⁷⁴ This means that the third party interest protected will not cover a general interest of availability including the public interest of a range of third parties not to be impaired in their freedom of expression.

Second, the present system of trademark registration does not expressly protect the interest in keeping signs of high social, cultural, or political value available. It is, for instance, not surprising that the Dutch Hoge Raad found in the ‘Route 66’ case that a registration, which profited from a high symbolic value of the sign ‘Route 66’ sign, could not be considered to be made in bad faith. The ground of bad faith does not generally object to the registration of signs “that belong to the public domain.”¹⁷⁵

The ground for refusal of bad faith contained in the German MarkenG could, hypothetically, be used against the occupation of signs of high social, cultural, and political value, as the German legislator, when implementing the ground of bad faith made a statement to that effect.¹⁷⁶ It remains, however to be seen whether courts will interpret the ground of bad faith in light of a general public interest to keep culturally important signs free for all.¹⁷⁷

4.2.6.2 Public Order and Public Policy

While the ground of bad faith will likely not protect the public interest stemming from freedom of expression, the grounds of refusal that protect public order are open enough that they may, hypothetically, provide such protection. However, in the analysis of these grounds for refusal I can be brief. From a dogmatic viewpoint, it is difficult to imagine that restrictions in the name of public order will help to secure freedom of expression, because public order typically secures the authority of the state to determine what should not be expressed. Incidentally, Article 10.2 ECHR therefore lists public policy as a reason to restrict freedom of expression. I do therefore not think that grounds for refusal protecting public policy will not vindicate the public interest protected by freedom of all third parties to use (and transform the meaning) certain signs.

European trademark law contains several specific, as well as one general ground for refusal related to public policy. In my opinion, the specific provisions of public policy which protect the emblems of states, international organizations, or other national entities do not protect freedom of expression.¹⁷⁸ While they have the effect of keeping important political signs from registration as trademarks by unauthorized parties, they merely

¹⁷⁴ OLG Dresden 4 April 2000 (‘Bach’ I-III). Hof Leeuwarden 12 June 1996 (‘Route 66’); HR 5 December 1997 (‘Route 66’); *Ibid.*, p. 303; Tsoutsanis 2005.

¹⁷⁵ HR 5 December 1997 (‘Route 66’).

¹⁷⁶ Van Woensel 2007, p. 407.

¹⁷⁷ *Van Woensel* doubts whether German courts would (dare to) apply the provision in this absolute manner. *Ibid.*, p. 412.

¹⁷⁸ Of the specific provisions, Articles 3.1.h TMDir and 7.1.h TMReg provide a ground for refusal of registration of signs mentioned in Article 6ter Paris Convention, which refers to (parts of) armorial bearings, flags, and other State emblems, absent the approval by the relevant Member States of the Paris Convention, as well as those of international organisations. Pursuant to Article 6ter 1.c Paris Convention, this ground for refusal may be restricted to cases, in which confusion exists. *Ibid.*, p. 281. Articles 3.2.c TMDir and 7.1.i TMReg contain an equal ground for refusal for emblems of other than those mentioned in Article 6ter PC, which may include the emblems of lower governmental authorities. This ground for refusal has been implemented in § 8.2.8 MarkenG, but has not been implemented in the BVIE.

confirm the authority of governments and other authorities to generally control the use of these political signs. Consequently, third parties will not be hindered by trademark rights in using these signs, but they will likely be restricted by administrative or penal law from doing so. The potential freedom which is protected by these grounds for refusal is thus quite relative.

The general ground for refusal of trademarks that are ‘contrary to public policy or to accepted principles of morality’ can be interpreted in a very open manner, but, it equally provides little protection to the freedom of expression of third parties.

Since it deals with morals, the interpretation of this ground for refusal may differ in the various Member States of the European Union. According to Dutch Doctrine, the ground can only be invoked, if a trademark is itself threatening public order. The goods or services, for which the trademark will be used, must not be considered.¹⁷⁹ For instance, the registration of the sign ‘Shiva’ for pornographic magazines, was not considered to be against public order. A religious group had applied for invalidation of the trademark. It did not succeed, because the name ‘Shiva’, taken by itself, was not threatening public order,¹⁸⁰ but it may be applied to refuse registration of signs with an extremely negative character such as a swastika, the names of Dictators or signs that incite hatred.¹⁸¹ The ground for refusal does however not encompass signs of positive value, because the BVIE does not generally object to the registration of trademarks that belong to the ‘public domain’.¹⁸²

The focus of German jurisprudence lies with the prohibition of trademarks that are against general principles of morals and it refuses, amongst others, the registration of signs that are religiously offensive. German doctrine is divided on the question whether also the registration of signs belonging to cultural heritage should be refused.¹⁸³ In principle, however trademark rights over the names and famous pictures of famous (historic) persons will not be prohibited as contrary to public policy or to accepted principles of morality.

Finally, the TMDir contains an optional provision that allows Member States to introduce a ground for refusal if registration is sought for “a sign of high symbolic value, in particular a religious symbol.”¹⁸⁴ This ground for refusal has been added to the Trademark Directive on an initiative of Greece mainly in order to protect the interests of religious communities.¹⁸⁵ It has however not been implemented in Benelux trademark law nor in German trademark law and is therefore not available as a limitation.

In sum, the general provision on public policy and the specific provision on the protection of signs of high symbolic value primarily forestall the *commercial* occupation

¹⁷⁹ T. Cohen Jehoram, Van Nispen & Huydecooper 2008, p. 209.

¹⁸⁰ Hof Amsterdam 30 November 2006 (‘Shiva’). In this decision, freedom of expression was invoked in support of the claim of the trademark right holder, i.e. as a justification to keep the trademark right. As I explained in section 1.4, I am of the opinion that freedom of expression cannot protect such a claim to a trademark right. Freedom of expression is ‘merely’ a freedom; it can never be invoked to gain an exclusive right.

¹⁸¹ Van Woensel 2007, p. 285.

¹⁸² HR 5 December 1997 (‘Route 66’).

¹⁸³ For an overview see Van Woensel 2007, p. 399.

¹⁸⁴ Article 3.2.b TMDir.

¹⁸⁵ Van Woensel 2007, p. 228.

of offensive signs, religious signs, or signs belonging to cultural heritage.¹⁸⁶ It is however not the aim of these provisions to protect the public interest stemming from the freedom of expression, nor can the grounds be interpreted in a manner to accommodate the protection of that interest.

4.3 THE GROUND FOR REVOCATION FOR GENERIC TRADEMARKS

Following the same reasoning as the ground for refusal of customariness, the TMDir and TMReg both determine that registered trademarks, which have become the common name for a product or service, may be struck from the register. Article 12.2 TMDir and Article 51.1.b TMReg state that a trademark may be revoked:

“if, [...] in consequence of acts or inactivity of the proprietor, it has become the common name in the trade for a product or service in respect of which it is registered”

‘Becoming the common name in trade’ is also referred to as ‘becoming generic’. The consequential loss of trademark rights does however not mean that the former owner must stop to use the sign in trade, as it is not considered “appropriate to order cessation of the use of the sign in question.”¹⁸⁷ The consequence of revocation is thus a loss of exclusivity.

The rationale for the loss of rights by revocation is that signs that have become the common name in trade are deemed to lose,

“the capacity to perform the essential function of a trade mark, and in particular that of identifying the origin of the goods or services, thus enabling the consumer who acquired them to repeat the experience, if it proves to be positive, or to avoid it, if it proves to be negative, on the occasion of a subsequent acquisition.”¹⁸⁸

The relevant public to determine whether a mark has become customary “comprise[s] all consumers and end users and, depending on the features of the market concerned, all those in the trade who deal with that product commercially,”¹⁸⁹ which means that this ground for invalidity protects the public interest of third party traders.

In my opinion, it is in most cases reasonable to demand from competitors to refrain from using trademarks generically until such trademarks demonstrably have become a common name in trade. Freedom of commercial expression will not be overly impaired if third parties are prohibited from using signs generically, as long as these signs are still functioning as source indicators. However, as I will show in section 5.5.2.3, in some

¹⁸⁶ *Van Woensel* regards the general ground for refusal as a solution to the problem of monopolisation of signs with great positive symbolic value. Those signs should be refused registration if ‘the general public would deem the grant of (exclusive) trademark rights over such signs unbearable.’ *Ibid.*, p. 290.

¹⁸⁷ ECJ 27 April 2006 *Levi Strauss v. Casucci Spa*, para. 37.

¹⁸⁸ CFI 5 March 2003 *Alcon* (‘BSS’), para. 48.

¹⁸⁹ ECJ 29 April 2004 *Björnekulla*, para. 26.

cases where the information benefit is great and little harm is caused, such use, in particular in a referential or descriptive manner, should be allowed.

That being said, from the perspective of freedom of expression, there exists a strong tension between the obligation provided by trademark law for right holders to ‘police’ their marks and the use of trademarks in a generic context, in particular in non-commercial expression. While, obviously, the pure fact that rights may be lost is a sufficiently strong reason to police the mark, trademark law provides for an additional obligation by stating that trademark rights may be revoked “if, [...] *in consequence of acts or inactivity of the proprietor*, it has become the common name in the trade for a product or service in respect of which it is registered.” In addition, evidence of policing can in fact be considered proof of the fact that a mark has not become the common name in trade. This obligation to police leads to conflicts between third parties who use these terms in a generic manner and right holders.

There are numerous examples of the use of trademarks as generic terms. This may be in a saying like ‘the Rolls-Royce of its class’ or the use of terms like ‘adrenaline’, ‘aspirin’ for pain killers, ‘xeroxing’ for photocopying, ‘freecycle’ in the U.S. for recycling services, or ‘googling’ for searching the Internet. Examples from the Netherlands are ‘msn’em’ for using chat programmes, ‘spa’, ‘spa rood’ or ‘spa blauw’ for mineral water, ‘luxaflex’ for blinds or shutters, ‘vaseline’ for petroleum based jelly, or ‘spinning’ for a type of bicycle fitness.¹⁹⁰ All of these signs were originally trademarks or still are registered trademarks, yet they have also become part of our general vocabulary. As expressed by Judge Kozinsky, the use of these signs is useful and often there is no appropriate synonym for using the said term,

[T]rademarks [may] transcend their identifying purpose. Some trademarks enter our public discourse and become an integral part of our vocabulary. . . . Trademarks often fill in gaps in our vocabulary and add a contemporary flavor to our expressions. Once imbued with such expressive value, the trademark becomes a word in our language and assumes a role outside the bounds of trademark law. Thus, we may find a trademarked word so pervasive and useful that we begin to use it in noncommercial contexts and indeed not as a trademark at all. We may incorporate a trademarked term into our everyday language, either through speech or writing, as a way to convey more than the trademark meaning of the term. In short, we may use a trademark “expressively.”¹⁹¹

One area, where a solution has been found is in the adoption of trademarks as generic terms in dictionaries. As authoritative publications on language, dictionaries have to potential to severely undermine the distinctiveness of trademarks by ‘declaring’ them to be generic terms. In an effort to aid right holders but to allow publishers to report truthfully on developments in language, Article 10 TMReg provides that:

If the reproduction of a Community trade mark in a dictionary, encyclopaedia or similar reference work gives the impression that it constitutes the generic name of the goods or services for which the trade mark is registered, the publisher of the

¹⁹⁰ Rb. Den Haag 29 April 2008 (‘Spinning’, ‘Spinner’).

¹⁹¹ U.S. Court of Appeals, Ninth Circuit 24 July 2002 *Mattel v. MCA*, “How else do you say that something’s ‘the Rolls Royce of its class’? What else is a quick fix, but a Band-Aid?”.

work shall, at the request of the proprietor of the Community trade mark, ensure that the reproduction of the trade mark at the latest in the next edition of the publication is accompanied by an indication that it is a registered trade mark.

The biggest Dutch dictionary ‘Van Dale’ has adopted an official policy on the matter. The publisher will not itself do research on the question whether a term is a trademark. However, upon request of a right holder the publisher will use the term ‘merk’ (*transl.* ‘trademark’) next to the word in the dictionary.¹⁹² The German Duden adheres to a similar policy.¹⁹³

I think that, the requirement and practice that publishers indicate that a term is registered as a trademark is a proportionate impairment of the freedom of expression of the publisher, as it strikes a compromise between the need of right holders to safeguard the distinctiveness of their trademarks while ensuring that development of language is not hindered.

However, no solution exists for other sorts of publications, which can easily become the aim of policing campaigns.¹⁹⁴ Legal action against the generic use of trademarks in publications may significantly impede freedom of expression and, in particular, the obligation provided by trademark law to police against the use of trademarks in a generic seems to be a disproportionate limitation of freedom of expression, as it contributes to the creation of chilling effects. In my opinion, the law must, in this respect, show a clearer respect for third party freedom of expression to use trademarks that have become the common name in for a good or service in common language. It will probably not be necessary to strike such terms from the register (as long as they function as source indicators) however, the obligation to police should be removed and appropriate limitations of trademark rights must exist. I will return to the question of limitations in section 5.5.3.2.

4.4 CONCLUSION

In this chapter, I dealt with the first stage of balancing, i.e. the balancing of the grant and revocation of trademark rights with a *public interest* of third parties that may be affected in their freedom of commercial or non-commercial expression. As this public interest of freedom of expression has two aspects, I have referred to it as a ‘two-fold public interest’. The first aspect is the freedom of commercial expression of third party traders to use trademarks in a descriptive or otherwise informative manner in order to inform consumers about their own goods and services. The second aspect relates to trademark rights in signs of high social, cultural, or political value for expressive goods or services, e.g. a trademark right in the name Elvis Presley for the organisation of festivals, shows, or merchandise. Such rights may grant the right holder far-reaching control over the representation of the idol ‘Elvis’ in the public sphere, and thereby they

¹⁹² <http://vraagbaak.vandale.nl/merknamen.html> (accessed 7 July 2009).

¹⁹³ Email conversation of 9 May 2008 with Bibliographisches Institut & F. A. Brockhaus AG.

¹⁹⁴ U.S. Court of Appeals, Ninth Circuit, 26 September 2007 *Freecycle Network, Inc. v. Tim Oey*.

may impair *expressive diversity*, which may affect the freedom of non-commercial expression of society at large.

I specifically analysed whether the existing grounds for refusal, invalidity and revocation as defined by European trademark law and jurisprudence can be interpreted in a manner to ensure that no trademark rights come into or are in existence, whose exercise would very likely cause a disproportionate impairment of freedom of expression.

In section 4.2, I examined relevant grounds for refusal of registration that regulate the *grant* of trademark rights under European trademark law and their interpretation through European and national courts. I started out by explaining that authorities are obliged to interpret the provisions of trademark law in accordance with freedom of expression and that this can be facilitated because the ECJ already requires authorities to carry out a stringent and full assessment under the existing grounds for refusal in light of certain public interests that have been defined by the ECJ.

The examination showed that the *ground for refusal of descriptiveness (I)* already protects the public interest of keeping signs available for other traders, and I pointed out that this is a similar interest to the public interest stemming from freedom of expression. I analysed criteria developed in the jurisprudence of the ECJ, which showed that descriptiveness under the ground for refusal must be of a direct nature, but that it does not need to concern essential characteristics, that it does not matter whether synonyms are available that a sign must be refused registration if only one of its many meanings is descriptive. I argued that, while these criteria have the effect of protecting to some degree the public interest stemming from freedom of expression, the notion of descriptiveness may have to be extended to some degree in order to take full account of the two-fold public interest stemming from freedom of expression. This extension should concern, what I referred to as, 'indirectly descriptive signs'. By this, I mean, firstly, signs that do not just describe directly 'characteristics of the goods or services' themselves, but also signs that describe circumstances surrounding the goods and services, such as the consumers of these goods, or that may be understood as exclamations on the part of the users, e.g. the sign 'New Born Baby' for baby dolls, 'Kinder' (trans. 'children') for chocolate or 'Lief!' (transl. 'Sweet!') for baby clothing. Secondly, I mean the key connotations of a sign of high social, cultural, or political importance if they describe, albeit not in a direct manner, the features of expressive goods or services.

The analysis showed that, *the ground for refusal of customariness (II)*, plays, at present, only a subsidiary role in jurisprudence, since most of the signs that are customary are also descriptive and/or non-distinctive.

The ground for refusal of non-distinctiveness (III) protects the public interest of consumers to use trademarks in order to orient themselves in markets by restricting the registration of signs that are devoid of any distinctive character; put differently, it is used to assess the *de facto* capability of a sign to distinguish. Various courts, including the ECJ, have also used this ground to restrict the *de jure* capability of a sign to distinguish, so that it remains available for others, i.e. courts have found that certain signs are *not allowed to be used* to distinguish goods and services. Those courts have done this either implicitly by holding that consumers will not recognise a certain sign as distinctive, or sometimes explicitly by holding that such signs must be kept available for normative reasons. German courts have, for instance, used the ground for refusal of non-distinctiveness to prohibit the grant of trademark right in certain images or names of

famous people on merchandise. I argued that such interpretations are a clear indication of the *opinio juris* to the fact that the existing grounds for refusal are insufficient to protect interests that remain otherwise unprotected. In addition, that this approach could be used to safeguard the public interest stemming from freedom of non-commercial expression, i.e. that of protecting expressive diversity. However, the analysis showed that the current interpretation of this ground for refusal set by the ECJ expressly forbids registering authorities and courts to transplant an ‘alien’ public interest into the assessment of non-distinctiveness. Moreover, according to the ECJ a minimum of distinctiveness is sufficient to conclude that a sign is distinctive. Therefore, I concluded that registering authorities and courts might, at present, actually not be allowed to use the ground of non-distinctiveness for, implicitly or explicitly, safeguarding other public interests, such as that stemming from freedom of expression. Consequently, I indicated that it may be necessary to specifically restrict trademark rights in expressive statements and signs of high social, cultural, or political value under a separate ground for refusal.

The provision on acquired distinctiveness allows for the registration of signs once they gain the capability to distinguish. This provision focuses on the capability of signs to distinguish, but it does not take adequate account of the need to keep signs available. The problem is that signs, which have acquired distinctiveness (or *secondary* meaning), in most cases maintain their original or *primary* descriptive, customary, or non-distinctive meaning. The risk is that once trademarks in these signs are registered, the original meaning will remain in existence, while right holders may prohibit third parties from using these signs to refer to their original meanings. Third parties can be placed in a position whereby they need to rely on the application of the narrowly construed limitations of trademark rights in order to use these terms. I argued that in case of highly descriptive (especially when they are contained in composite signs), generic, or important social, cultural, or political signs the grant of trademark rights due to acquired distinctiveness may lead to a disproportionate impairment of freedom of expression. Hence, I argued that, it may have to be considered to exclude such signs *de jure* from gaining secondary meaning.

I further examined the grounds for refusal and invalidity of bad faith and grounds relating to public policy. Invoking the ground of invalidity of bad faith may provide a means to an *individually* affected third party to vindicate its freedom of expression. However, the ground is fact-specific and depends on the *kind of use* made of a sign by the right holder. Consequently, I concluded that the ground for refusal of bad faith will not contribute to the protection of freedom of expression.

I, equally, argued that the grounds for refusal connected that prohibit the grant of trademark rights contrary to public policy or generally accepted principles of morals will not protect the public interest stemming from freedom of expression. While these grounds are open enough to allow for this protection, these provisions aim at *prohibiting use of a sign* in general and they can, in my opinion, thus not be used to safeguard the expressive use of signs.

Finally, I examined the ground for revocation for signs that have become a common name in trade, which entails the necessary recognition of the fact that many trademarks may become the common name for certain goods or services. This ground has the effect of protecting the public interest stemming from the freedom of commercial expression of

traders. However, in its current form, it forces right holders to 'police' against their trademarks becoming generic. This means that trademark right holders may be forced to invoke their trademark rights also against third parties, who use the trademarks generically in non-commercial or mixed expression, e.g. in news reports or other publications. This may result in chilling effects that could amount to a disproportionate limitation of freedom of non-commercial expression.

5 Balancing the Scope of Trademark Rights with Freedom of Expression

5.1 INTRODUCTION

5.1.1 INTRODUCTION

In the previous chapter, I dealt with the first stage of balancing, i.e. with the grant and revocation of trademark rights to be balanced with a public interest stemming from freedom of expression. In this chapter, I will examine the second stage of balancing, i.e. balancing the scope of trademark rights with freedom of expression. As I argued in chapter 3, it is crucial to bring the considerations of Article 10 ECHR within trademark law, as the best respect for freedom of expression is achieved and the least chilling effects are caused, when trademark law itself provides clear limitations and room for balancing with third party freedom of expression.¹ Therefore, I will concentrate, in this chapter, on examining various constitutive criteria and limitations of trademark rights with a view to identifying appropriate places for weighing freedom of expression with trademark rights and to providing an evaluation of the need for amendment. Thereby, I will examine whether the criteria defining the scope of trademark rights as set by European trademark law, i.e. the constitutive criteria as well as the limitations, can be interpreted in a manner that ensures that the exercise of trademark rights will not cause a disproportionate impairment of freedom of expression.

The *freedom of commercial expression* of third party traders protects their ability to provide information to consumers and the corresponding interests of consumers to receive information. As I explained in chapter 2, the scope of trademark law is already structured in such a manner as to avoid severe impairment of communication in trade. It limits the scope of trademark rights to “use in relation to goods and services”, both under Article 5.1 and 5.2 TMDir, and it contains limitations that allow for referential and descriptive use by third parties (Article 6.1 TMDir). In addition, the Directive on Misleading and Comparative Advertising² has made room for trademark use in comparative advertising. However, the criteria defining the scope of trademark rights have been gradually expanded in jurisprudence, and limitations are interpreted restrictively. This means that trademark rights may impair the communication between third party traders and consumers to the extent that they infringe their freedom of

¹ The analysis of section 3.3 showed that courts can balance trademark rights within trademark law by interpreting the open provisions, i.e. those provisions that allow for interpretation in light of Article 10 ECHR. If such balancing is of no avail or if it is no option, they may also resort to external balancing, thereby openly balancing trademark rights as protected by Article 1 of the 1st Additional Protocol to the ECHR, i.e. the right to property, against Article 10 ECHR.¹ In my opinion, such external balancing must always remain an option.

² Directive 2006/114/EC, on Comparative and Misleading Advertising (“CompaAdvDir”).

commercial expression, which is the case, when the restrictions caused by the exercise of trademark rights are not *justifiable in principle and proportionate*.³

Freedom of commercial expression may be infringed when trademark rights prohibit third parties from using trademarks in a manner that makes efficient communication with consumers very difficult or impossible, in particular, when it prohibits trademark use as referential indications, as descriptive indications of trademark use in comparative advertising.

Referential use of a trademark is important for (unlicensed) traders, who may need to use the trademarks of e.g. a car company, referentially in order to communicate to consumers what they are selling or repairing,⁴ or for third party traders using e.g. the Gillette logo on the packaging of replacement razor heads in order to inform consumers that these razor heads can be used on a *Gillette Sensor*TM holder.⁵ Such references in trade are essential for traders in spare or supplemental parts, as well as for newcomers and for smaller traders in general. Without such references, it may be quite difficult or even impossible for them to indicate to consumers the destination of their products.

Third parties will need to use trademarks *descriptively* in two differing manners. First, third parties will need to use e.g. the geographically descriptive indication Spa for juices to indicate that goods originate in Spa, Belgium, despite the existence of the trademark right in the sign Spa for mineral water. In this case, the sign itself has an ordinary (non-trademark) descriptive meaning that needs to be accessible. In particular, this type of descriptive use will be hindered, if trademarks rights are granted in weak or partly descriptive signs. In the discussion about this type of descriptive use, I will thus also relate to the analysis of chapter 4, where I showed that the ground for refusal of descriptiveness restricts the grant of trademark rights over descriptive signs, but that in light of freedom of commercial expression this ground for refusal may have to be extended to cover ‘indirectly descriptive signs.’⁶ The second type of descriptive use is use in order to inform consumers that e.g. “Our product uses the X® standard.” In this case, the use made by the trademark is descriptive, while only the trademark meaning of the sign is used (and not its eventual ordinary descriptive meaning).

Trademark use in *comparative advertising* may be important for an efficient comparison of goods and services. For example, a competitor in a telecommunications market may need to refer to the market leader or his products in comparative advertising,⁷ in order to let consumers know about the alternative choice of services that he is offering. Equally, price comparisons are impossible without using the trademarks of competitors.

Freedom of non-commercial expression, which includes forms of mixed expression, may be impaired by trademark rights if third parties are hindered in using trademarks in

³ ECtHR 11 December 2003 *Krone Verlag v. Austria*, para. 30 ; ECtHR, ECtHR 12 February 1993 *Casado Coca v. Spain*, para. 50; ECtHR 23 June 1994 *Jacobowski v. Germany*, para. 26.

⁴ ECJ 23 February 1999 *BMW*.

⁵ ECJ 17 March 2005 *Gillette*.

⁶ I defined ‘indirectly descriptive signs’ as signs that are not just those that describe directly ‘characteristics of the goods or services’ themselves but also those that describe circumstances surrounding the goods and services, such as the consumers of goods or that may be understood as exclamations of the users, e.g. the sign ‘New Born Baby’ for baby dolls, ‘Kinder’ (trans. ‘children’) for chocolate or ‘Lief!’ (transl. ‘Sweet!’) for baby clothing.

⁷ E.g. Hof Arnhem 20 March 2007 *UPC v. KPN*.

expression that is of public interest, in e.g. art and cultural bricolage,⁸ news,⁹ commentary,¹⁰ or criticism.¹¹ The analysis in chapter 2 has shown that trademark rights have been extended in such a manner as to cover most forms of mixed expression, that European trademark law contains few limitations which would allow for the balancing of trademark rights with the freedom of non-commercial and mixed expression of third parties, and that none of the existing limitations specifically aims at providing such a space for balancing.

Under Article 10 ECHR, states must respect and protect freedom of expression, which, as I argued, means that state authorities should interpret trademark law in accordance with that Article. This implies a balancing process, whereby appropriate weight is given to the freedom of expression of a third party, but it does not mean that that freedom is absolute. On the one hand, participants in public discourse do have a right to express themselves efficiently, strongly, and in a manner that catches attention,¹² as, under Article 10 ECHR, also opinions that *shock, offend and disturb*¹³ are protected, a fact which is a recognition of the value of oppositional expression and dissent in the public discourse in democratic societies.¹⁴ On the other hand, not all forms of harm must be tolerated. There needs to be, for instance, sufficient reason for using a trademark in an expression that causes harm.

Overall, the restrictions placed by the exercise of trademark rights on the freedom of non-commercial expression must follow a pressing social need and must not “*reach further than necessary to achieve the stated aim*”.¹⁵

Freedom of non-commercial expression of third parties is strong, in particular, if a trademark is a ‘public symbol’, i.e. if it has become a sign of social, cultural, or political importance, since, in that case, the meaning embodied in such a sign can play a key role in social, cultural, and political discourse. There are many forms of such use; in some, the public interest components are strong, in others, they may be weak and commercial motives may play a great role. In this introduction, I want to mention just a few typical examples.

Third parties may use trademark use in *political or social commentary*, e.g. on critical websites or in campaigns and protests. Greenpeace and other environmental organisations that seek to raise awareness about the environmental impact of the policies of companies like Shell and Esso¹⁶ typically target those trademarks that carry the highest rate of

⁸ BGH 3 February 2005 (Lila Postkarte).

⁹ Pres. Rb. Amsterdam 18 December 1981 *Philips v. Haagse Post*; Rb. Amsterdam 8 January 1975 *Shell v. Vrij Nederland*.

¹⁰ BGH 3 February 2005 (Lila Postkarte).

¹¹ E.g. LG Hamburg 10 June 2002 (www.stoppesso.de); Kammergericht Berlin 23 October 2001 (‘www.Oil-of-elf.de’); Cour d’Appel de Paris 16 November 2005 (E\$SO); Cour d’Appel de Paris 30 April 2003 *Assoc. Le Réseau Voltaire pour la liberté d’expression v. Sté Gervais Danone* (www.jeboycottedanone.fr); Cour de Cassation 8 April 2008 (Areva); Rb. ‘s-Gravenhage, 21 June 2005, *InHolland v. Kaasjager* (www.injeholland.nl).

¹² ECtHR 7 December 1976 *Handyside v. The United Kingdom*; BVerfG 6 November 1968 (GEMA), p. 286: „Da es der Sinn jeder zur Meinungsbildung beitragenden öffentlichen Äußerung ist, Aufmerksamkeit zu erregen, sind angesichts der heutigen Reizüberflutung aller Art einprägsame, auch starke Formulierungen hinzunehmen.“

¹³ ECtHR 7 December 1976 *Handyside v. The United Kingdom*, para. 49.

¹⁴ Netanel 2005.

¹⁵ See section 3.2.1.

¹⁶ LG Hamburg 10 June 2002 (www.stoppesso.de); Kammergericht Berlin 23 October 2001 (‘www.Oil-of-elf.de’); Cour d’Appel de Paris 16 November 2005 (E\$SO).

recognition, i.e. logos, and sometimes they alter these trademarks in order to raise awareness about the ‘mal-practices’ of the respective trademark right holders. The fact that these trademarks are simultaneously the main carriers of reputation of a company creates a large potential for conflict.

In *art, commentary, or parody*, the choice for a particular trademark is often essential, as far from just identifying a source, a trademark may also often represent a social phenomenon or social or cultural meanings which a third party would not be able to efficiently bring to the forum of (artistic) dialogue if the use of the particular sign were to be restricted. Trademarks, like signs generally, serve as a “shortcut from mind to mind”¹⁷, and, as I set out in section 3.4.2, by using and altering the meaning of certain signs, persons can take part in the process of social, cultural or political ‘meaning-making’. A famous example of such use in art are the Campbell Soup Can paintings of Andy Warhol.¹⁸ Depending on the viewpoint taken, these paintings are an expression of the individuality of the artist or they may be seen as providing commentary on mass production or on advertising techniques, both of which deserve strong protection under Article 10 ECHR.

A further important requirement in the balancing process is that courts, when assessing the meaning of third party trademark use in non-commercial or mixed expression, should be careful to consider *various possible interpretations* of the expression. Indeed, third party trademark use in non-commercial or mixed expression, e.g. in the Campbell soup can example, may often be interpreted in very different manners, as trademarks are idiosyncratic and can thus be used to transmit highly compressed (commercial and non-commercial) information and connotations. Only if courts are open-minded about a diversity of interpretations will it be possible that the interests of persons and groups to take part in the process of social, cultural or political meaning making are fully protected.

Moreover, legislators and courts should consider that the far-reaching nature of existing trademark rights and strong enforcement mechanisms can produce a significant secondary impact on freedom of non-commercial expression, i.e. they may produce chilling effects on those that want to participate in public discourse and on those that want to express themselves.

5.1.2 OUTLINE

In this chapter, I will follow the structure of trademark law by individually discussing several constitutive criteria of the scope of protection of trademark rights as well as their limitations. In this context, I want to point out to the reader that I will not discuss individual cases in their entirety, but will rather refer to different aspects of a single case in various parts of the chapter.

In section 5.2, I will start by examining the criterion of ‘use in the course of trade’. It sets an outer boundary to the scope of protection of trademark rights by limiting it to the commercial sphere. I will inquire whether this criterion can accommodate the need for heightened protection of non-commercial and mixed expression under Article 10 ECHR, by keeping such expression beyond the reach of trademark rights.

In section 5.3 (on identity protection and protection against confusing use), I will discuss criteria relating to the absolute protection of trademarks against the use of

¹⁷ U. S. Supreme Court, *West Virginia State Bd. of Educ. v. Barnette*.

¹⁸ This was for instance cited also by Advocate General Colomer opinion in the *Arsenal v. Reed* case. AG Colomer 13 June 2002 *Arsenal Football Club*, para. 63.

identical signs on identical goods, as well as criteria relating to the prohibition of confusing use. In particular, I will examine whether Article 5.1 TMDir allows for balancing with freedom of commercial expression, in particular, by allowing for referential use, use in comparative advertising, and descriptive use and whether it takes any account of the freedom of non-commercial expression of third parties or of the interest of society in expressive diversity.

In section 5.4 (on the protection of distinctive character and repute), I will examine a number of criteria used in Article 5.2 TMDir, which is the main provision that protects the distinctive character and repute of trademarks. In particular, I will focus on the criterion of ‘use in relation to goods and services’, which is interpreted differently than the same criterion contained in Article 5.1 TMDir. Moreover, I will examine the definitions of taking advantage, blurring, and tarnishment and I will examine the impact on freedom of expression caused by Article 2.20.1.d BVIE, the only national provision which fully implements Article 5.5 TMDir.

Finally, in section 5.5 (dealing with balancing under the limitations to the scope of trademark rights), I will analyse whether the limitations of trademark rights provide adequate room for balancing. In the analysis, I will, first, show that the limitations must not be limited only to such cases in which a third party use can demonstrate absolute necessity of the use. Such an interpretation would not be proportionate under Article 10 ECHR, as it completely reverses the proportionality test under that Article (section 5.6.1). Second, I will turn to the balancing between freedom of commercial expression and trademark rights (section 5.5.2). Third, I will analyse in depth the balancing of trademark rights with freedom of non-commercial and mixed expression (section 5.5.3). In that section, I will also propose solutions for the problems that are indicated, i.e. I will discuss possible additional limitations to be introduced. In sub-section 5.5.3.1, I will turn to the assessment of the commerciality in mixed expression and the question of whether a non-commercial use exception would properly remove disproportionate impairments of Article 10 ECHR. Furthermore, I will explore the balancing of rights in cases where a third party uses newly developed meanings and whether there is room for the balancing of the interest of citizens in expressive diversity (sub-section 5.5.3.2). In section 5.5.3.3, I will explore cases, in which trademarks are used and transformed in processes of social, cultural or political meaning making. Moreover, I will explore whether a parody exception would provide adequate room for balancing in such situations. In section 5.5.3.4, I will discuss general considerations relating to the balancing of harm with freedom of expression, and in section 5.5.3.5, I will take a final look at the chilling effects caused by trademark law and trademark litigation.

5.2 LIMITATION OF TRADEMARK RIGHTS TO USE IN THE COURSE OF TRADE

Under European trademark law, the criterion of ‘use in the course of trade’ is the key criterion that limits the scope of trademark rights to the commercial sphere. This criterion applies to Article 5.1 TMDir and Article 5.2 TMDir; the criterion is however absent from Article 5.5 TMDir, a provision that can be implemented at the discretion of EU Member States and which has only been implemented in Benelux law. Amongst others, this lack of the criterion of use in the course of trade makes Article 5.5 TMDir, which I will

discuss separately in section 5.5, one of the most problematic provisions of European trademark rights.

As I explained in section 3.5, under Article 10 ECHR, freedom of expression, be it non-commercial or mixed expression, must be protected strongly when it contributes to public discourse or when it is of public interest, in contrast to purely commercial expression that receives lower protection. This means that, from the perspective of freedom of expression, the scope of trademark rights should be interpreted in a manner that their prohibitions on third party use differentiates between non-commercial and commercial expression. It is not in line with Article 10 ECHR that third parties, who use trademarks in such expression, should be subject to the same strict standards as those that use them in a purely commercial manner. In fact, the prohibition of the use of trademarks in (truthful) public discourse or art may require a special justification, which the rationales of trademark rights may not offer as they show that trademark rights are justified only when they apply to trade.¹⁹ Moreover, trademark rights that extend too far into the political, social, or artistic sphere, they may cause chilling effects because they may stifle expression in that sphere. Consequently, criteria that effectively limit the scope of trademark rights to purely commercial expression can play a vital role in ensuring that trademark rights will cause no disproportionate impairment of freedom of non-commercial and mixed expression.

The question now is whether the criterion of ‘use in the course of trade’ currently limits trademark rights to commercial expression and whether it can be interpreted in a manner to facilitate such a limitation, as under Article 10 ECHR and Article 5 GG courts are obliged to interpret the criterion in line with freedom of expression.²⁰ If that limitation cannot be achieved under the criterion of ‘use in the course of trade’, courts must ensure otherwise that non-commercial and mixed expression receives the correct level of protection under Article 10 ECHR.

In this section, I will examine the current interpretation of the criterion of ‘use in the course of trade’ in the jurisprudence of the ECJ and CFI, in German jurisprudence and doctrine and in Dutch jurisprudence and doctrine.

5.2.1 JURISPRUDENCE OF THE ECJ

The ECJ interprets the criterion of ‘use in the course of trade’ as use that,

“takes place in the context of commercial activity with a view to economic advantage and not as a private matter.”²¹

In the scarce European jurisprudence on the matter, it has so far only been clarified that the use of a trademarked term to designate a scientific research project must be considered use outside of trade if the researcher or the research entity itself does not directly seek to gain an economic advantage. In the *Galileo* case, which revolved around use by the European Commission of the trademarked term ‘Galileo’ for a project to create a European satellite navigation system, the CFI held that despite the Commission’s own

¹⁹ See above section 2.3.

²⁰ See above section 3.3.

²¹ ECJ 12 November 2002 *Arsenal Football Club*, para. 40; confirmed in CFI 10 April 2003 *Travelex v. Commission*, para. 93 and CFI 10 May 2006 *Galileo v. European Commission*, para. 114.

efforts to make the Galileo project a financial and commercial success, the Commission itself was “not offering goods or services on the market,” and that,

“[b]y using the word ‘Galileo’ in the context of the research, development and deployment phases of the project, which precede the economic operational phase proper, the Commission is not seeking to obtain an economic advantage over other operators, given that there are no operators in competition with it in that field.”²²

In my opinion, this decision provides two crucial limitations to the criterion of ‘use in the course of trade’. First, by limiting trademark rights to ‘offering goods or services on the market’ and, second, by introducing the requirement that a economic advantage must be sought in a direct manner vis-à-vis competitors, an important number of trademark uses in non-commercial and mixed expression will fall outside the scope of trademark rights. However, the basic definition still may cover much more than purely commercial expression as it includes many forms of mixed expression. In particular, it does not distinguish between commercial media and non-commercial content, thereby extending trademark rights to public discourse contained in (commercial) art, or criticism, and to news and comment contained in commercial media services and publications.

5.2.2 THE GERMAN MARKENGESETZ

Under German law, the criterion of use in the course of trade (‘im geschäftlichen Verkehr’) is satisfied by actions that may serve,

“any own or foreign business interest. Not captured are purely private, scientific, political or official (public/governmental) acts.”²³

This definition is wider than the one provided by the ECJ because it does not require the existence of an ‘economic advantage’.²⁴ According to German doctrine, the criterion should be interpreted broadly and should be understood as encompassing every

²² Para 115 to 117 of the *Galileo* decision state, “[i]n that regard, the Commission does indeed emphasise the commercial objective of its project. It is doing all it can to ensure that the project is operational and that satellite radio navigation services can indeed be provided in accordance with the planned timetable, as the project’s whole purpose is its economic operation. Nevertheless, the role of the Commission is limited to launching its satellite radio navigation project as the ‘European response’ to the American GPS and Russian Glonass systems, to providing financial support for the project’s research, development and deployment phases, as well as to establishing the appropriate framework for the subsequent economic operational phase, in particular, through participation in the creation of the ‘Galileo Joint Undertaking’ and the publication of a call for tenders with a view to integrating the Galileo project with existing navigation systems. In doing so, the Commission is not undertaking an economic activity since it is not offering goods or services on the market. By using the word ‘Galileo’ in the context of the research, development and deployment phases of the project, which precede the economic operational phase proper, the Commission is not seeking to obtain an economic advantage over other operators, given that there are no operators in competition with it in that field. Contrary to the proposition defended by the applicants, it is not, therefore, artificial to make a distinction in the present context between the Galileo project’s economic operational phase and the earlier phases.”

²³ BGH 13 November 2003 (GeDIOS), “Zum geschäftlichen Verkehr rechnen grundsätzlich grundsätzlich alle Handlungen, die einem beliebigen eigenen oder fremden Geschäftszweck dienen. Nicht erfaßt werden lediglich rein private, wissenschaftliche, politische und amtliche Handlungen.” (citations omitted). The criterion is common to trademark law, unfair competition law, and other laws regulating trade and should thus be interpreted in a unitary manner. Fezer 2001, p. 645

²⁴ BGH (‘Handtuchspender’), holding that intent to make profit is not required; LG Düsseldorf 25 October 2000 (‘FTP-Explorer’), placing a hyperlink (not necessary that a fee is paid for the act).

commercial action or omission on a market that serves one's own or a foreign business interest, which includes trademark use by doctors, lawyers, tax advisors, auditors, artists, scientist as well as use in the commercial dealings of governments.²⁵

German jurisprudence generally excludes *purely non-commercial expression*, as it does not apply trademark rights to purely private use and to use on e.g. non-commercial complaint sites on the internet. According to the BGH, purely private use is considered to fall outside the course of trade, as a person may alter a trademark on clothing or luxury articles, e.g. a watch, for personal use, since,

“someone who wears [or alters] trademarked clothes does not thereby become an object that is subjected to the determinations of a right holder.”²⁶

In the opinion of the BGH, wearing branded clothing in public is considered a personal matter despite eventual positive effects on a persons standing in public. The crucial point is that wearing and altering clothes is a matter of personal choice.

In addition, German jurisprudence does not apply trademark rights to non-commercial expression in relation to e.g. complaint sites.²⁷ In the *Oil-of-elf.de* case, the Kammergericht Berlin²⁸ found that the criticism of a complaint site operated by environmental non-profit campaigners, pursuing only idealistic aims in directing their criticism against a multinational oil company, constituted use outside of the course of

²⁵ Fezer 2001, p. 645.

²⁶ BGH 12 February 1998 (Rolex Watch with diamonds), “Das Verbotungsrecht findet seine Grenze, wenn die Verwendung der Marke nicht in Beziehung auf den geschäftlichen Verkehr stattfindet. Veränderungen einer Markenware, die der Abnehmer der Ware für den Eigenbedarf vornimmt oder vornehme läßt, sind markenrechtlich irrelevant. Allein Veränderungen an einer zur Weiterveräußerung im geschäftlichen Verkehr bestimmten Ware können markenrechtliche Verbotsansprüche auslösen [...] Der geschäftliche Verkehr wird durch das Tragen einer Uhr nicht in einem rechtlich bedeutsamen Sinne berührt. Die Art, sich zu kleiden, gehört zum persönlichen, privaten Bereich eines jeden Menschen. Wer sich dabei mit hochwertiger Markenware oder mit Luxusgegenständen schmückt, mag mit einer Steigerung seines Ansehens in der Öffentlichkeit, auch bei geschäftlichen Kontakten, rechnen. Die Art seines Auftretens bleibt aber seine persönliche Note. Wer Markenware trägt, wird damit nicht selbst zu einem der Bestimmung des Markeninhabers unterworfenen Objekt. Eine andere Beurteilung kann bei solchen Personen gegeben sein, die sich aus kommerziellen Gründen zum Tragen bestimmter Markenwaren verpflichten und insoweit auf ihr persönliches Selbstbestimmungsrecht verzichten haben. So liegt der Streitfall indessen nicht.”

²⁷ Rohnke 2005, p. 871. In two a-typical cases involving trademark use on the Internet, the criterion of ‘use in the course of trade’ has been interpreted very extensive. The Landesgericht Düsseldorf in the *scheiss-t-online.de* case held that the complaint site of a private individual against German Telecommunications company T-Online was using the trademark ‘T-Online’ in the course of trade. The court reasoned that the criticism of the private individual would further the interests of third party traders and thereby would have an effect on trade. LG Düsseldorf 30 January 2002 (‘scheiss-t-online.de’). “Der Beklagte ist im Internet aufgetreten. Der Zugang zu seiner Domain war für jedermann gegeben. Ein geschlossener Benutzerkreis lag nicht vor. Inhalt der Domain war das Zurverfügungstellen eines Forums für T-Online-User, die mit den Leistungen der Klägerin bzw. ihres Tochterunternehmens nicht zufrieden waren. Dieses Forum diene zumindest den geschäftlichen Zwecken der Wettbewerber der Klägerin. Dies reicht für die Annahme eines Handelns im geschäftlichen Verkehr aus.” A similarly broad rationale was initially adopted in the *awd-aussteiger.de* case. The Landesgericht Hamburg reasoned that a complaint site offered services, albeit non-remunerated, to people who wanted to spill their guts about a company. Such offering of ‘services’ was deemed sufficient to constitute use in the course of trade. LG Hamburg 28 February 2003 (‘awd-aussteiger.de’). The decision in the *awd-aussteiger.de* case was overturned on appeal, be it on the point of the criterion of use ‘in relation to goods and services’ and not in relation to the qualification of the trademark use as use ‘in the course of trade’. OLG Hamburg 18 December 2003 (‘awd-aussteiger.de’).

²⁸ Kammergericht Berlin 23 October 2001 (‘Oil-of-elf.de’).

trade.²⁹ Similarly, the LG Köln found that a plaintiff could not invoke trademark rights to stop Greenpeace from claiming that the milk of a dairy producer was ‘Gen-Milch’ (i.e. genetically modified milk), as the campaign group did not use the relevant trademark in the course of trade.³⁰

Mixed expression will however often fall under the criterion of use in the course of trade, unless it concerns use in lexical publications or use in relation to scientific research. The use of trademarks in lexical publications is considered to be use outside the course of trade. According to a ruling dating from 1928, failing to mention in a dictionary that a word is also a registered trademark is not considered to qualify as use in the course of trade.³¹ According to § 16 MarkenG a trademark right holder may demand of the publisher of a lexical publication to indicate that a generic term is also a registered trademark. As I argued in section 4.3, this provision, which is equal to the one contained in Article 10 TMReg, is a fair compromise between a publishers and the publics interest that a trademark is officially recognised as generic and a right holder’s interest in protecting the distinctiveness of his trademark.

Similar to the jurisprudence of the CFI in the Galileo case, German jurisprudence determines that use of a trademarked sign in scientific research will fall outside of the scope of trademark law, when the research entity is not itself commercially exploiting the research results. For instance, using a trademark in a presentation of scientific results that are not meant to be exploited commercially, does not qualify as use in the course of trade.³² Furthermore, in its *INMAS* decision, the OLG Hamburg found that the choice of the title of a scientific research project cannot be considered to be use in the course of trade,³³ because the fact that scientific results are regularly used at a later stage for commercial exploitation does not make trademark use in a research project itself fall into the scope of trademark rights. Neither could the commerciality of scientific research be deduced solely from positive effects on the ‘image’ of a research facility produced by research and connected publications themselves, even though such ‘image effects’ can, in turn, attract investment in a research facility.³⁴ According to the OLG, the critical question to be asked is whether the scientific party itself has the *intent* to commercially exploit the results of the research. This position has also been accepted in German doctrine.³⁵

German jurisprudence does, however, not use the ‘use in the course of trade criterion’ to reduce the scope of trademark rights such as to exclude non-commercial expression in or on a commercial medium. According to the BGH, for instance, use of a trademark on a humorous and artistic post-card that was sold for profit has been held to constitute use in the course of trade.³⁶ However, after having established that trademark law applied to the

²⁹ *Ibid.*, “Nach seinem Wortlaut und seinem Schutzzweck setzt § 16 MarkenG ein Handeln des Verletzers ‚Im geschäftlichen Verkehr‘ voraus. Ein solches Handeln fehlt bei einer Vereins- oder Verbandstätigkeit mit ausschließlich ideeller Zielsetzung.” (citations omitted).

³⁰ LG Köln 24 May 2006 (“Gen-Milch”).

³¹ RGZ, 1928, 117, 108 (Lysol).

³² BGH (‘VISPER’). Likewise, use of trademarks in prescriptions by doctors is not considered to fall under use in the course of trade. First held in RG GRUR 1913, p. 64.

³³ OLG Hamburg 18 April 2007 (‘INMAS’).

³⁴ *Ibid.*

³⁵ Rohnke 2005, p. 870; BGH 10 February 1994 (Markenverunglimpfung I).

³⁶ BGH 3 February 2005 (Lila Postkarte).

case, the BGH externally balanced the trademark rights with Article 5.3 GG, i.e. the freedom of art, and found that the use on the humorous postcard was permissible.

5.2.3 *BENELUX CONVENTION ON INTELLECTUAL PROPERTY (BVIE)*

In Benelux jurisprudence before 2004, under the Article 2.20.1 Benelux Convention on Intellectual Property and its predecessor Article 13A.1 Benelux Trademark Act the criterion of ‘use in the course of trade’ (‘in het economisch verkeer’) has traditionally been interpreted broadly.³⁷ Trademark use in commercial publications like newspapers and films has been held to be covers, and even use on doctor’s prescriptions has been held to constitute use in the course of trade. In this section, I shall confine myself to providing an overview of the interpretation of the criterion of ‘use in the course of trade’ under Benelux jurisprudence. The particular history and problems raised by Article 2.20.1.d BVIE will be discussed below in section 5.4.4.

The standard interpretation of the criterion of ‘use in the course of trade’ stems from the Benelux Court of Justice’s 1984 *Tanderil* decision, which dealt with trademark use on a doctor’s prescription.³⁸ The Court reasoned that doctors are being paid for issuing prescriptions and that this fact is sufficient for trademark use to have taken place in trade. It further generally held that use takes place in the course of trade if it is made,

“in a manner – other than for a purely scientific purpose – in the course of a business, profession or any other – non-private – activity that aims at generating an economic advantage.”³⁹

This definition is similarly extensive as those provided by the ECJ and the BGH. Legal doctrine indicates that the criterion should be interpreted as setting a relatively low

³⁷ An amendment in 2004 deleted the criterion from one of the prohibitions of Article 2.20.1. BVIE, i.e. Article 2.20.1.d. The criterion of ‘use in the course of trade’ is thus at present in force only in relation to the prohibitions contained in Article 2.20.1 a to c BVIE, the implementing provisions of Article 5.1 and 2 TMDir, but not in relation to Article 2.20.1.d BVIE, the implementation of Article 5.5 TMDir.

³⁸ BenCJ 9 June 1984 (‘Tanderil’). The doctor had issued a prescription stating that a similar but cheaper medicine ‘like Tanderil’ should be issued by the pharmacist.

³⁹ BenCJ 9 June 1984 (‘Tanderil’), (transl. WS), original, “...dat het in dit verband van belang is eraan te herinneren dat met name de in artikel 13A, eerste lid, onder 2, aan de merkhouders toegekende bevoegdheid zeer ruim is geformuleerd, immers bescherming verleent tegen "elk ander gebruik", en - gelijk blijkt uit het Gemeenschappelijk Commentaar - ertoe strekt om de merkhouders door een uitbreiding van de bescherming die de voorheen bestaande wetgevingen hem toekenden, beter dan vroeger in staat te stellen zich op grond van zijn uitsluitend recht op het merk te verzetten tegen "feiten die een werkelijke en ongerechtvaardigde inbreuk op het merkrecht vormen"; dat genoemde bepaling deze bescherming uitsluitend daardoor beperkt dat het gebruik waardoor de merkhouders schade kan worden toegebracht, "zonder geldige reden" moet plaatsvinden "in het economisch verkeer"; dat hier geen uitputtende beschrijving behoeft te worden gegeven van het begrip "in het economisch verkeer" indien zulks - anders dan met een uitsluitend wetenschappelijk doel - plaatsvindt in het kader van een bedrijf, van een beroep of van enige andere - niet in de particuliere sfeer verrichte - activiteit waarmede economisch voordeel wordt beoogd;”

The BenCJ arrived at its interpretation by pointing to the intent of the legislator. It reasoned that earlier amendments of Article 13A.2 of the Benelux Trademark Act (Article 2.20.1.d BVIE) had introduced a very broad scope of trademark rights which had the particular aim of granting trademark right holders strong protection against real and unfair detriment to their trademarks. Therefore, the use in the course of trade criterion had to be interpreted broadly. *Van Manen* doubts that this had been a correct interpretation of legislative intent behind the amendment. He points out that the legislator had left exactly this question open. Only the draft presented by the national division of the AIPPI (Association pour la Protection du Propriete Intellectuelle) had included such a wide interpretation. Van Manen 1985, p. 32; Van Manen 1986, p. 32.

threshold for the application of trademark rights, which may, in fact, lie lower than that indicated by the ECJ.⁴⁰

Only *purely non-commercial use* has been considered by Benelux courts not to fall under the criterion of in the course of trade. For instance, criticism by an association of driving instructors ('Vereniging van gedupeerde rijdschoolhouders') against a particular company was held to have taken place outside of trade. The court held that the association had no profit generating aim and did not develop any other commercial activities.⁴¹ Likewise, in the *Stemwijzer.nl v. Referendumstemwijzer.nl* case the Rechtbank Den Haag held that a political organisation that did not aim at generating profits was operating outside of trade for the purposes of Article 2.20.1.a BVIE, then Article 13A.1.a Benelux Trademark Act. However, this last case occurred after the amendment of 2004 and the relevant website was still held liable for trademark right infringement by its purely non-commercial campaign under Article 2.20.1.d BVIE.⁴²

Most forms of *mixed expression* have, however, been held to fall under the criterion of 'use in the course of trade'. In fact, Dutch jurisprudence shows the full extent of the problems that can be caused by such a far-reaching scope of trademark rights, as it does absolutely not use the criterion to exclude non-commercial expression contained in or on commercial media from the scope of trademark rights. Consequently, trademark use in news and other publications or films has been frequently held to fall under the scope of trademark rights, which resulted in prohibitions of publications and the stifling of criticism by e.g. comedians.⁴³

In the 1975 *Vrij Nederland v. Shell* case, the Rechtbank Amsterdam found that the publisher of an article in a weekly newspaper, dealing with a fictional accident in a Shell refinery, constituted use in the course of trade. For the Court, the commercial aim of the publisher was sufficient, as it reasoned that the news article had served to increase the consumer attraction and sales of the newspaper.⁴⁴ The publication was finally not prohibited because the court considered it not to be an actionable form of use. It used a

⁴⁰ T. Cohen Jehoram, Van Nispen & Huydecooper 2008, p. 303.

⁴¹ Pres. Rb 's-Hertogenbosch 6 January 1994 *Kantelberg v. Vereniging van Gedupeerde Rijdschoolhouders*. Also the registration of a domain name falls outside the course of trade, if the user is developing only private activities on the web site and does not aim at generating an economic advantage. Payment of fees for the registration of a domain does not qualify use of trademarks on in the domain name or on the website automatically as 'use in the course of trade'. Pres. Rb. Amsterdam 24 February 2000 *Procter & Gamble AG v. Stichting Magenta* ('ariel.nl').

⁴² The independent and officially endorsed website www.stemwijzer.nl offered a questionnaire for undecided voters to determine their political preference. A particular political grouping had launched the website www.referendumstemwijzer.nl on which it offered an alternative, but politically coloured, test. *Stemwijzer.nl* sued for trademark infringement. As mentioned above, since 2004 the requirement of use in the course of trade had been dropped from one of the trademark rights, Article 2.20.1.d BVIE. Consequently, the court found in favour of the plaintiff, despite this being a purely political matter. Rb. 's-Gravenhage 27 April 2005 *Stemwijzer v. Referendumstemwijzer*.

⁴³ Langeveld 2004.

⁴⁴ Rb. Amsterdam 8 January 1975 *Shell v. Vrij Nederland*. "Immers ook de leiding van een opinieweekblad als *Vrij Nederland* zal er voor moeten zorgdragen voldoende lezers te houden om het blad economisch bestaanbaar te doen zijn. Bij de vaak niet commerciële doelstellingen, die directie en redactie van een dergelijk blad voor ogen staan, spelen economische motieven onvermijdelijk hun rol omdat de artikelen, waarmede de redactie een opinie bij de lezers wil vormen, ook "verkoopbaar" moeten zijn."

requirement of a competitive nexus, which actually was not part of Benelux law at the time and is not part of European and Benelux trademark law today.⁴⁵

In the *Philips v. Haagse Post* case the President of the Rechtbank Amsterdam ruled that the use of the Philips logo - altered by two swastikas in place of the two stars - on the cover page of the newspaper Haagse Post constituted use in the course of trade. The article was a critical commentary on practices of Philips personnel in the period between 1920 and 1940. The President of the District Court reasoned that the use of the altered Philips logo on the front-page increased the commercial appeal of the article, and that this publication constituted a regular commercial activity of the newspaper. The trademark use in the news publication was subsequently prohibited and the newspaper was ordered to place a rectification.⁴⁶

The use of trademarks in an erotic manner in a movie and erotic print publications has met a similar fate. In the *Alicia* case, a Coca-Cola bottle had been used in an explicit manner in one scene of an 'art house' motion picture containing. The Hof Amsterdam held that this use constituted use in the course of trade. It ruled that the film was generating remuneration and thus that the trademark use fell into the course of trade.⁴⁷ Similarly, the President of the Rechtbank van Koophandel in Brussels found that the use of trademarks in a comic strip depicting *inter alia* sexual escapades clearly qualified as use in the course of trade.⁴⁸

In fact, after the *Tanderil* ruling⁴⁹ only in a single case about mixed (political) expression a Benelux court has tried interpret the use in the course of trade criterion in a manner to restrict the scope of trademark rights. In the *Felix v. Loesje* case, an association publishing and selling humorous slogans published a satiric slogan about the political leader of the Dutch socialists, Felix Rottenberg, thereby using a trademark of Felix-Bonzo, a pet-food producer.⁵⁰ The President of the Rechtbank Arnhem found this political parody to fall outside the course of trade, but reached its conclusion by a somewhat contorted reasoning.⁵¹ It held that the company producing the slogan and the company distributing it had to be regarded as two separate entities. According to the court, only the distributor was operating in trade. The entity producing the slogan, which was the entity that had been sued, had not operated in trade. By splitting the two entities, the court created an artificial distinction between commercial medium and the non-

⁴⁵ *Ibid.*, "Het op deze wijze gebruik maken van het woord- en beeldmerk Shell valt echter niet onder de werking van genoemde Beneluxwet. Immers, wil van daarmede strijdig gebruik sprake zijn dan dient het bestreden gebruik plaats te vinden op het terrein waar de merkhouders zijn - commerciële - activiteiten ontplooit, want de Beneluxwet legt verband tussen gebruik van een merk voor de waren, waarvoor het is ingeschreven (en voor soortgelijke waren) en elk ander gebruik in het economisch verkeer, waarbij dat ander gebruik niet los gemaakt kan worden van de inhoud van de inschrijving. In het aangevochten weekbladartikel ontbreekt ieder zodanig verband."

⁴⁶ Pres. Rb. Amsterdam 18 December 1981 *Philips v. Haagse Post*.

⁴⁷ Hof Amsterdam 18 December 1975 *Scorpio Films v. Coca Cola* ('Alicia').

⁴⁸ Pres. Rechtbank van Koophandel te Brussel 24 February 1987 *Guerlain v. Societe Anonyme Editions Magic Strip*.

⁴⁹ Note that in a case that was rendered before the *Tanderil* decision a court found that use of trademark in the magazine *Playboy* could not be considered use in the course of trade. Pres. Rechtbank van Koophandel te Brussel 29 April 1975 *Marsverkoop Maatschappij v. Playboy*, "Bref *Playboy* sera a ajouter pour l'interpretation de l'article 13 A 2 aux ouvrages scientifiques et aux dictionnaires dont l'enumeration n'est pas limitative puisqu'aussi bien l'emploi de la marque ne s'est pas produit dans la vie des affaires."

⁵⁰ Pres. Rb. Arnhem 24 December 1992 ('Felix/Loesje'), using the slogan "Felix. Ooh, dat smaakt!"

⁵¹ Visser 1993a, p. 64.

commercial expression, allowing it to exclude the latter from the scope of trademark rights.

The very broad definition of the criterion of use in the course of trade under Benelux law has been critically received in literature and doctrine.⁵² *Van Manen* argues that the criterion should be interpreted differently, i.e. it should be used to limiting the scope of trademark rights so that it will not apply to non-commercial expression contained in newspapers or films. *Gielen* and *Wichers-Hoeth*, in their 1992 commentary, are of a similar opinion⁵³ and *Visser* argues that the court in the *Felix v. Loesje* case had practically been forced into its contorted reasoning to protect the political expression, because of the far-reaching interpretation given to the ‘use in the course of trade’ criterion in the *Tanderil* decision.⁵⁴ Recent doctrine likewise indicates that trademark use in a public debate should, in most cases, fall outside the course of trade, even if it is contained in a commercial publication.⁵⁵ I tend to agree with this view, though I believe that only a change of interpretation by a high legal authority or by the legislator will be sufficient to change current practice.

5.2.4 INTERIM CONCLUSION

In his 1984 opinion in the *Tanderil* case, Advocate General Berger argued that the criterion of ‘use in the course of trade’,

“assigns trademark law its place in society: trade and especially the competition in the course of trade.”⁵⁶

Considering the discussion on the rationales of trademark rights in section 2.3 above, I entirely agree with this statement. However, as this section has shown, the current interpretation of the criterion does not confine trademark rights to this ‘place in society’, as it is interpreted as use that is not private but rather use in the course of a commercial activity and with the aim of gaining an economic advantage. Purely non-commercial use, use in science and, in the case of Germany, in lexical publications and political expression does not fall under the criterion. From the perspective of freedom of expression, the greatest problem with regard to the current interpretation is that trademark use that is of public interest and is contained in or on a commercial medium will fall under the criterion. Such use, which includes use in films, books, art, or comedy, belongs to the core of expression that must be strongly protected under Article 10 ECHR. Courts currently, rather than using the criterion of ‘use in the course of trade’ as clear a facilitator for a balance of interest between trademark rights and freedom of non-commercial and mixed expression, interpreted the criterion expansively to serve the interests of trademark rights holders.

Having examined the development of the interpretation of the criterion of ‘use in the course of trade’, I deem it unlikely that courts will use the criterion to facilitate the balance that would be necessary from the viewpoint of freedom of expression. Such a

⁵² Van Manen 1985, p. 32; Van Manen 1986, p. 32; see further Verkade 1990; Visser 1993a; Ebbink 1990; Vos & Van den Berg 2003.

⁵³ Gielen & Wichers Hoeth 1992, p. 488, no. 1178.

⁵⁴ Visser 1993a, p. 64.

⁵⁵ T. Cohen Jehoram, Van Nispen & Huydecooper 2008, p. 305.

⁵⁶ AG Berger 9 June 1984 *Nijs v Ciba-Geigy* (‘Tanderil’).

resolution with a clear-cut limitation of the scope of trademark rights under the criterion of ‘use in the course of trade’ would have carried the benefit of forestalling most of the chilling effects that may be created once trademark rights are found to be applicable to cases of non-commercial expression. In the present situation, a proportionate solution must be found in an adequate balancing process under other criteria of Article 5 or the limitations of Article 6 TMDir. Ultimately, it may be a preferable solution to add a non-commercial use exception to e.g. Article 6 TMDir, specifically aiming at protecting third party trademark use in non-commercial or mixed expression that deserves heightened level protection under Article 10 ECHR. I will return to this point in section 5.5.3.1.

5.3 IDENTITY-PROTECTION AND PROTECTION AGAINST CONFUSION

Identity protection under Article 5.1.a TMDir and the protection against confusion under Article 5.1.b TMDir affect mainly the freedom of commercial expression of third party traders that compete with the trademark right holder by offering identical or similar goods or services and use trademarks in comparative advertising, referentially or descriptively. In some cases, Article 5.1 TMDir, due to its expanding scope may also affect the freedom of non-commercial expression of third parties, be it that of individual third parties that want to express themselves by using identical or similar goods, or through the monopolisation of expression about certain culturally, socially, and politically relevant signs under the doctrine of post-sale confusion.

In the present section, I will explore the relationship between freedom of expression and Article 5.1 TMDir and, thereby, I will focus on the interpretation of constitutive criteria of that Article. In section 5.3.1, I will focus on the relationship between confusing use and freedom of commercial expression, as commercial use that misinforms consumers, may not be protectable under Article 10 ECHR, which would mean that the conflict between Article 5.1 TMDir and freedom of commercial expression is confined to those areas of Article 5.1 TMDir that are unrelated to the protection against clear-cut confusion. Moreover, I will explore the interpretation of the criterion of ‘use in relation to goods and services’ contained in Article 5.1.a TMDir. That criterion is also contained in Article 5.2 TMDir, where it is interpreted in a much wider sense; it will analyse the interpretation under Article 5.2 TMDir in section 5.4.1. In addition, I will examine two problematic areas under the likelihood of confusion analysis under Article 5.1.b TMDir.

In section 5.3.2, I will address the impact of Article 5.1 TMDir on freedom of non-commercial and mixed expression, including its impact on expressive diversity.

5.3.1 FREEDOM OF COMMERCIAL EXPRESSION AND CONFUSION

In sections 3.4.3 and 3.5.2, I argued that the aims of freedom of commercial expression resemble, to some extent, the aims of search cost theory of trademark rights. Both aim at ameliorating the information position of consumers, be it that the latter theory is an economic theory focussed on optimisation of the information position of consumers and the first grants a trader the right not to be impaired more than is justified

in principle and proportionate when he wants to inform consumers.⁵⁷ This resemblance of search cost theory and freedom of commercial expression means that the findings of chapter 2 in relation to Article 5.1 TMDir can be partly used to answer the question whether the current interpretation of Article 5.1 TMDir may disproportionately impair to freedom of commercial expression of third party traders.

The analysis in section 2.3.2 showed that, a prohibition of confusion, which would clearly cause misinformation, is justified under search cost theory. Under freedom of commercial expression, such a prohibition is equally justified as freedom of commercial expression applies only when the expression of a trader is truthful and not misleading. This follows from the main aim of freedom of commercial expression, which is to allow traders to inform consumers, i.e. non-truthful or misleading expression will not inform consumers and therefore does not qualify for protection. Similar to misleading expression, trademark use that causes a likelihood of confusion will in most cases fall foul of protection because it *misinforms* consumers.

In section 2.4.2.2, I analysed the prohibitions of confusion under Article 5.1 TMDir in light of the rationales of trademark rights and specifically in light of search cost rationale. The analysis showed that the prohibition of confusion might stretch further than indicated under the search cost rationale for a number of reasons. First, the ECJ has indicated in a number of judgements that Article 5.1.a TMDir may protect also other functions of trademarks, which may mean that this prohibition could stretch much further than the prohibition of confusing use. Second, while direct confusion and indirect confusion increase consumer search costs and should be prohibited, some of the legal fictions applied by the ECJ in its assessment replace empirical proof and may, therefore, unduly extend the scope of protection. One of these fictions is that the more distinctive a trademark to sooner consumers will be confused.⁵⁸ That fiction may sometimes be true, but in many cases, clearly consumers are less likely to be confused in the face of a highly distinctive trademark. And third, the prohibition of post-sale confusion seems to have too little empirical relation to actual consumer confusion to be justified under the search cost rationale.

In my opinion, in these outer areas of the scope of the prohibitions under Article 5.1 TMDir also an impairment of freedom of commercial expression may be caused, if e.g. referential use, descriptive use and comparative advertising are prohibited too readily. Yet, one can, however, not apply all the findings of section 2.4.2.2 to freedom of commercial expression as search cost rationale and freedom of commercial expression differ in the manners I described above (i.e. the first deals with optimisation of information and the latter only prohibits severe impairment of the freedom to inform consumers).

A prohibition may not be justifiable in principle and proportionate under Article 10 ECHR if the required level of misinformation in third party use is very low, as in the areas that are not covered by search cost rationale, if the use is furthermore informative, truthful, and non-misleading expression,⁵⁹ and if a prohibition is severe.

⁵⁷ See above section 3.4.3 and 3.5.2.

⁵⁸ ECJ 22 June 1999 *Lloyd Schuhfabrik Meyer*, para. 23; ECJ 29 September 1998 *Canon*, para. 19.

⁵⁹ Compare Tushnet 2007.

5.3.1.1 *Use in Relation to Goods and Services under Article 5.1 TMDir*

The criterion of ‘use in relation to goods and services’ of Article 5.1.a TMDir is interpreted by the ECJ as prohibiting mainly use that affects the essential function of trademarks, which is

“to guarantee the identity of origin of the marked goods or services to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the goods or services from others which have another origin.”⁶⁰

In its current interpretation, Article 5.1.a TMDir covers all referential use, use in comparative advertising, and most descriptive use.

Referential use will be actionable use under Article 5.1.a, since such use employs trademarks as indicating the origin of the goods of the trademark right holder. In the *BMW v. Deenik* case, which concerned a non-licensed BMW specialist operating in the Netherlands, that had advertised that he was selling used BMWs and that he was specialised in repairing such cars, the ECJ recognised that “the BMW mark has been used [by Deenik] to inform the public that the advertiser carries out the repair and maintenance of BMW cars.”⁶¹ It did deem the use actionable as it found that Deenik had used the trademark

“to identify the source of the goods in respect of which the services [the repair services] are supplied, and thus to distinguish those goods from any others in respect of which the same services might have been provided.”⁶²

Similarly, in the *Gillette v. LA-Laboratories* case, LA-Laboratories, a producer of replacement razors heads, had used a Gillette trademark on the packaging of the replacement razors heads in order to indicate to consumers the destination of the goods. The ECJ qualified this referential use without further discussion as use falling under Article 5.1.a TMDir.

Equally, trademark use in *comparative advertising* will fall under Article 5.1 TMDir. According to the ECJ, it affects the essential function, because it refers simultaneously to both the trademark rights holder and the goods and services of the advertiser.⁶³ In principle, use of a trademark in comparative advertising can however only be prohibited if it causes confusion.⁶⁴ However, since the *l’Oréal* ruling the use of trademarks in comparative advertising, such as comparative product lists may be subject to prohibitions

⁶⁰ ECJ 12 November 2002 *Arsenal Football Club*, paras. 43 to 48; see further ECJ 23 May 1978 *Hoffmann-La Roche*, para. 7; ECJ 18 June 2002 *Philips*, para. 30.

⁶¹ ECJ 23 February 1999 *BMW*, para. 33.

⁶² *Ibid.*, para. 39.

⁶³ ECJ 12 June 2008 *O2*. The ECJ held that the use of a trademark in comparative advertising falls under Article 5.1 and 5.2 TMDir, since, “an advertisement in which the advertiser compares the goods and services which he markets with those of a competitor is aimed, evidently, at promoting the goods and services of that advertiser. With such an advertisement the advertiser seeks to distinguish his goods and services by comparing their characteristics with those of competing goods and services [...] Therefore, the use by an advertiser, in a comparative advertisement, of a sign identical with, or similar to, the mark of a competitor for the purposes of identifying the goods and services offered by the latter can be regarded as use for the advertiser’s own goods and services for the purposes of Article 5(1) and (2) of Directive 89/104.” (para. 35).

⁶⁴ ECJ 12 June 2008 *O2*, para. 50.

under Article 5.1.a TMDir even if it is not affecting the essential function of trademarks.⁶⁵

In this respect, use of a trademark in as an ad-word, i.e. to influence in an invisible manner in the sponsored results of a search engine, in my opinion, can be of great aid in generating comparisons in an invisible manner. According to the BGH, the application of Article 5.1.a TMDir to such use may be excluded, if the trademark is not displayed in the search results.⁶⁶ The final word about the qualification of use of trademarks as ad-words is however not spoken, as such use is subject a variety of requests for preliminary rulings of the ECJ.⁶⁷ The joint decision about these cases had not been rendered before the finalisation of the present book.⁶⁸

Descriptive use does not fall under Article 5.1 TMDir in certain very limited circumstances. This was the case in *Hölterhoff v. Freiesleben*, which was about descriptive use of a trademark by a third party in a sales conversation. Mr Hölterhoff, a dealer in precious stones, had indicated to a potential buyer of that he was offering ‘Spirit Sun’ and ‘Context Cut’ stones. Both the signs ‘Spirit Sun’ and ‘Context Cut’ were registered trademarks by Mr. Freiesleben. Mr. Freiesleben brought an action against Mr. Hölterhoff. The crucial point of the case was that both Mr Hölterhoff and the potential buyer knew however that the stones did not originate from Mr. Freiesleben and that the words ‘Context Cut’ and ‘Spirit Sun’ had only been used to describe the characteristics of the stones.

The ECJ ruled that the used made of Mr. Freiesleben’s trademarks by Mr. Hölterhoff had not even affected the right granted under Article 5.1.a TMDir, stating that,

“Article 5(1) of the directive is to be interpreted as meaning that the proprietor of a trade mark cannot rely on his exclusive right where a third party, in the course of commercial negotiations, reveals the origin of goods which he has produced himself and uses the sign in question solely to denote the particular characteristics of the goods he is offering for sale so that there can be no question of the trade mark used being perceived as a sign indicative of the undertaking of origin.”⁶⁹

The practical relevance of this ruling proved, however, to be small as later judgements, like *Arsenal*, *Opel*, and *l’Oréal*, have shown that the Court views the *Hölterhoff* decision

⁶⁵ ECJ 18 June 2009 *l’Oréal et al. v. Bellure et. al.*, para. 65.

⁶⁶ BGH 22 January 2009 (pcb), „Wird bei einer Internetsuchmaschine eine Bezeichnung, die von den angesprochenen Verkehrskreisen als eine beschreibende Angabe über Merkmale und Eigenschaften von Waren verstanden wird (hier: „pcb“ als Abkürzung von „printed circuit board“), als sogenanntes Schlüsselwort (Keyword) angemeldet, ist eine kennzeichenmäßige Verwendung zu verneinen, wenn bei Eingabe einer als Marke geschützten Bezeichnung durch einen Internetnutzer (hier: „pcb-pool“) auf der dann erscheinenden Internetseite rechts neben der Trefferliste unter einer Rubrik mit der Überschrift „Anzeigen“ eine Werbeanzeige des Anmelders des Schlüsselworts eingeblendet wird, in der das geschützte Zeichen selbst nicht verwendet wird.“

⁶⁷ ECJ Case C-558/08 and several other cases referred to the ECJ. See Ohly 2009.

⁶⁸ In relation to Article 5.1.b TMDir, the BGH held that such invisible use may exclude a likelihood of confusion. BGH 22 January 2009 (Beta Layout), “Wird ein mit einem fremden Unternehmenskennzeichen übereinstimmender Begriff bei einer Internetsuchmaschine als sogenanntes Schlüsselwort (Key-word) angemeldet, so kann eine Verwechslungsgefahr zwischen dem Schlüsselwort und dem geschützten Kennzeichen zu verneinen sein, wenn bei Eingabe des Begriffs durch einen Internetnutzer auf der dann erscheinenden Internetseite rechts neben der Trefferliste unter einer Rubrik mit der Überschrift ‘Anzeigen’ eine Werbeanzeige des Anmelders des Schlüsselworts eingeblendet wird, in der das geschützte Zeichen selbst nicht verwendet wird.“

⁶⁹ ECJ 14 May 2002 *Hölterhoff v. Freiesleben*, para. 17.

as an exceptional case. In cases of descriptive use, the ECJ will rather subsume use under Article 5.1.a and defer the assessment of the eventual descriptiveness to the specific descriptiveness exception contained in Article 6.1.b TMDir.

In sum, it seems that most use in comparative advertising, referential use and even descriptive use will fall under the scope of Article 5.1.a TMDir and that any protection of such use must be found in Article 6.1 TMDir.

5.3.1.2 *Likelihood of Confusion*

In relation to Article 5.1.b TMDir, I want to discuss two areas that may be problematic. First, a specific problem under Article 5.1.b TMDir concerns third party use of descriptive trademarks and the treatment of descriptive parts of signs and, second, the treatment of cases, in which some consumers may be confused whereas other consumers may gain great information benefits by third party trademark use.

First, under Article 5.1.b TMDir there are three important factors in likelihood of confusion assessment, which are interdependent, which means that lack of one factor can be compensated by the strength of another factor. The three factors are the distinctiveness of a trademark, the similarity between goods and services and the similarity between the sign used and the trademark. In section 2.4.2.2, I indicated that the distinctiveness of a trademark takes an important role in the assessment. According to the ECJ, “marks with a highly distinctive character, either *per se* or because of the recognition they possess on the market, enjoy broader protection than marks with a less distinctive character,”⁷⁰ which means that “the more distinctive the earlier mark, the greater will be the likelihood of confusion.”⁷¹

While above I stressed the point that this fiction is not always true as in some circumstances the distinctiveness of a trademark will lead to a diminished likelihood of confusion, I want to address a different problem here. According to the ECJ, distinctiveness, similarity between goods and services, and similarity between the signs may compensate each other, as,

“a lesser degree of similarity between [...] goods or services may be offset by a greater degree of similarity between the marks, and vice versa.”⁷²

While the ECJ instructs courts to take account of, “[t]he fact that a [trademark] does not contain an element descriptive of the goods or services for which it has been

⁷⁰ ECJ 29 September 1998 *Canon* para. 18 ; ECJ 22 June 1999 *Lloyd Schuhfabrik Meyer*, para. 20.

⁷¹ ECJ 11 November 1997 *Puma v. Sabel*, para. 24, ECJ 29 September 1998 *Canon*, para. 18, ECJ 22 June 1999 *Lloyd Schuhfabrik Meyer*, para. 20.

⁷² ECJ 29 September 1998 *Canon*, para. 17. The ECJ specifically points to the tenth recital of the preamble of the Trademark Directive, which states that “[i]t is indispensable to give an interpretation of the concept of similarity in relation to the likelihood of confusion; whereas the likelihood of confusion, the appreciation of which depends on numerous elements and, in particular, on the recognition of the trade mark on the market, of the association which can be made with the used or registered sign, of the degree of similarity between the trade mark and the sign and between the goods or services identified, constitutes the specific condition for such protection; whereas the ways in which likelihood of confusion may be established, and in particular the onus of proof, are a matter for national Procedural rules which are not prejudiced by the Directive.”

registered,”⁷³ this compensation rule may lead courts to put too little emphasis on the descriptiveness of a sign. If the sign used is very similar and the goods and services are almost identical courts may disregard the fact that a trademark is not distinctive, but rather descriptive.

An example is the case concerning the word ‘Lief’ (*transl.* ‘Sweet!’), one of the most common Dutch exclamations used vis-à-vis babies, which had been registered for baby clothing. A third party used the sign ‘Lief!’ on baby clothing and according to the Hof Den Haag that use was causing a likelihood of confusion.⁷⁴

In my opinion, this prohibition is not justifiable under Article 10.2 ECHR, as ‘Lief!’ clearly is a descriptive term. It is not necessary in a democratic society, i.e. not justified in principle nor proportionate, to prohibit producers from selling baby clothing that indicates that a baby is sweet.

Clearly, the curial mistake in this case had been made when the sign ‘Lief’ was registered as a trademark as it should have been refused under Article 3.1.c TMDir. After registration, the trader had made substantial investments to promote the sign as a concept (though probably not as a trademark), which was important evidence for the court to hold that the trademark right was valid and that the right holder was allowed to prohibit other producers to use the same descriptive expression on baby clothing.

The likelihood for similar problems to arise is even greater in relation to composite signs, where parts of a sign are descriptive.⁷⁵ I want to refer in this context to the “Kinder” chocolate examples I discussed in section 4.2.5.2 and the Goldhase case in section 4.2.2.2. In the Kinder II decision, the BGH held that despite the high distinctiveness of the composite sign “Kinder” the descriptive word Kinder must remain available for third parties to use. However, in a case concerning the golden Easter bunny, it decided that a third party selling a similar bunny, albeit without Lindt trademark, which was the main distinctive feature, did cause a likelihood of confusion.

I think that such cases show that the utmost care must be taken at the point of registration, since at a later stage it may be difficult to keep the descriptive content of a sign available.

The second matter I want to discuss are possible prohibitions of third party use in situations, in which, a few consumers are confused, whereas others receive significant information benefits. In a case of strict interpretation of the concept of indirect confusion, traders may be hindered to use trademarks in comparative advertisements such as “If you like X®, you’ll love Y”, referential use such as “Our product fits the logoX® printers” and similar descriptive uses. Such advertisements help many people to quickly associate

⁷³ ECJ 22 June 1999 *Lloyd Schuhfabrik Meyer*, para. 23. The criteria were first mentioned in ECJ 4 May 1999 *Windsurfing Chiemsee*, para. 51.

⁷⁴ Hof Den Haag 30 September 2008 ‘Lief!’.

⁷⁵ ECJ 6 October 2005 (‘Life’/Thomson Life’), para. 37, “Article 5(1)(b) of First Directive 89/104 relating to trade marks is to be interpreted as meaning that where the goods or services are identical there may be a likelihood of confusion on the part of the public where the contested sign is composed by juxtaposing the company name of another party and a registered mark which has normal distinctiveness and which, without alone determining the overall impression conveyed by the composite sign, still has an independent distinctive role therein.”

qualities of product X® with product Y. Some people may however be led to believe that the company producing product X has put a new product on the market.⁷⁶

In such cases, a general prohibition to use the trademark X® in such comparative advertising may not be *justifiable in principle and proportionate* as required under Article 10.2 ECHR, as it may be sufficient to require traders to use disclaimers or to structure the comparisons in a manner that avoids confusion.⁷⁷

Moreover, in situations on the Internet, where trademarks are used as ad-words or meta-tags in a manner to create comparisons between products on the result pages of search engines, some computer unsavvy consumers may be (indirectly) confused by such comparisons while for many other consumers such comparisons may be of the greatest use in searching for goods and services. In my opinion, in such situations, a third party trader should be allowed to inform consumers even if a certain level of confusion would arise, as such confusion may be often unavoidable.⁷⁸

In that context, a further cloud on the horizon may be the use of the initial interest confusion doctrine by some courts in Europe. ‘Initial interest confusion’ is a type of confusion that is accepted under U.S. trademark law. It occurs when a potential buyer is confused about the availability of a product or service before the purchase. At the point of purchase confusion may have subsided.⁷⁹ A stereotypical example is the highway sign, which reads ‘Burger King next exit’ planted by another burger restaurant in order to lead customers off the highway to its doorsteps. At the point of sale, i.e. when the consumer has already arrived at the other burger restaurant and decides to eat a meal anyways, confusion no longer exists. The confusion before the point of sale has however had an impact on the purchasing decision. It helped to divert trade from Burger King to the third party.

This doctrine of initial interest confusion has not yet been accepted by the ECJ, but it has been applied by the BGH in its ‘Impulse’ decision vis-à-vis meta-tags.⁸⁰ When considering the extended forms of confusion already being actionable under the TMDir and the absolute nature of protection granted under Article 5.1.a TMDir (of use that affect

⁷⁶ Tushnet 2007, p.749.

⁷⁷ *Ibid.*, FN 71 “In cases in which the defendant’s use of a mark conveyed information to some consumers, the First Amendment argument for required disclaimers is strongest. In such cases, a simple injunction against use deprives the nonconfused market participants, who may well be the majority of consumers, of valuable information about the goods. Commercial speech doctrine requires the government to try a more moderate solution than total suppression. See *Zauderer*, 471 U.S. at 651 (‘[W]arning[s] or disclaimer[s] might be appropriately required. . . in order to dissipate the possibility of consumer confusion or deception.’)”

⁷⁸ Dreyfuss 2008, p. 286. Geilen 2008.

⁷⁹ Initial interest confusion is a doctrine that has been developed in the jurisprudence of federal US courts. In the *Velvet Elvis* case the fifth circuit found that “Initial-interest confusion gives the junior user credibility during the early stages of a transaction and can possibly bar the senior user from consideration by the consumer once the confusion is dissipated [...] Once in the door, the confusion has succeeded because some patrons may stay, despite realizing that the bar has no relationship with [Elvis Presley Enterprises].” U.S. District Court, S.D. Texas, Houston Division 30 December 1996, *Elvis Presley Enterprises Inc. v. Capece*; *Blockbuster Entertainment Group v. Laylco Inc.*, 869 F. Supp. 505.

⁸⁰ BGH 18 May 2006 (‘Impuls’), „Eine Verwechslungsgefahr kann sich bereits daraus ergeben, dass die Internetnutzer, die das Firmenschlagwort der Klägerin kennen und als Suchwort eingeben, um sich über deren Angebot zu informieren, als Treffer auch auf die Leistung der Beklagten hingewiesen werden. [...] Weist aber ein Treffer auf eine Internetseite der Beklagten hin, auf der diese die gleichen Leistungen anbieten wie die Klägerin, besteht die Gefahr, dass der Internetnutzer dieses Angebot aufgrund der Kurzhinweise mit dem Angebot der Klägerin verwechselt und sich näher mit ihm befasst. Dies reicht für die Annahme einer Verwechslungsgefahr aus, ohne dass es darauf ankommt, ob ein Irrtum bei einer näheren Befassung mit der Internetseite der Beklagten ausgeräumt würde.“ Furthermore *Rb. v. Koophandel Brussel* 6 February 2006 (Skynet/Skyblog). Geilen *et al.* 2007, p. 267.

all other functions of trademarks) it is not unlikely that the ECJ would declare such use on the Internet equally to cause a form of actionable confusion.

In sum, in all of the cases mentioned in this paragraph I think that from the perspective of freedom of expression, it may be necessary to make more room for the consideration of the interests of third party traders to inform consumers and the corresponding interests of consumers to be informed, thereby considering that not all confusion can or should be forestalled.

5.3.2 *FREEDOM OF NON-COMMERCIAL AND MIXED EXPRESSION*

5.3.2.1 *Freedom of Non-Commercial and Mixed Expression of Third Parties*

The freedom of non-commercial expression of third parties may be impaired by Article 5.1 TMDir, because that freedom protects minority views, oppositional expression and expression that by some may be considered wrong, meaning that it applies even if a degree of confusion is present.

Take for instance the alteration of an ADIDAS trademark on a T-shirt bearing the slogan “ADIHASH – gives you speed,” which was held to constitute use that affects the source identifying function of the trademark. The OLG Hamburg held that, whereas the buyers of the T-shirt might not be confused about the source indicating function of the trademark, other parts of the public may get confused at a later stage, when the T-shirt is worn by the buyer,⁸¹ it applied thus the doctrine of post-sale confusion to this use.

In my opinion, in this particular case, the public interest element of the expression may have been very weak and the commercial element very strong. It was thus correct to focus on the element of confusion. However, one may imagine also other cases, in which a third party uses trademarks in or on similar or identical goods or services in order to bring across a point that is of public interest. Greenpeace, for instance, published and distributed an entire “fake” edition of the Herald Tribune in its campaign for political action on climate change. That newspaper may, on a first view, easily have been confused with the original Herald Tribune.

If a parody or alteration is clearly recognisable, a court may protect the third party use in line with Article 10 ECHR by finding that there is no likelihood of confusion, or that the essential function has not been impaired. However, if the extended forms of a likelihood of confusion such as the doctrine of initial interest confusion were to be applied, it could be used to prohibit use on expressive goods or in expressive services. For instance, several Courts in the United States have applied this doctrine of initial interest confusion and have thereby prohibited non-commercial expression.⁸² One court, for instance, found that the use of the domain name www.peta.org to host a ludicrous website under the title “People eating tasty animals” violated the trademark rights of the animal rights organisation “PETA” (People for the Ethical Treatment of Animals), as

⁸¹ OLG Hamburg 5 September 1991 (‘ADIHASH – gives you speed’).

⁸² *People for Ethical Treatment of Animals, Inc. v. Doughney*, 263 F.3d 359; *Planned Parenthood Federation of America, Inc. v. Bucci*, 42 U.S.P.Q.2d 1430; *Jews For Jesus v. Brodsky*, 993 F. Supp. 282; *OBH, Inc. v. Spotlight Magazine, Inc.*, 86 F. Supp. 2d 176.

people who entered the domain name www.peta.org may have been diverted in their search for the web-site of the animal rights organisation.

Moreover, if the use falls under Article 5.1.a TMDir, e.g. a critical message using the Adidas logo on a t-shirt, and a court protects the “other functions” of the Adidas trademark, i.e. its advertising and goodwill function, then a prohibition may be issued.

In such situations, there is no (interpretative) limitation of trademark rights that can be invoked by a third party. Article 5.1.a TMDir is ‘absolute’ i.e. it does not contain any definition of the actionable harm and, as we shall see below, the limitations of Article 6.1 TMDir do not apply where there is a likelihood of confusion. The only choice for a court to protect such use is to resort to external balancing.

In sum, if a third party expresses criticism, comment or a parody by means of a trademark in relation to identical goods or services, courts can, under Article 5.1.a TMDir, issue a prohibition, since that Article protects also the other functions of trademarks. If a third party does the same in relation to similar goods or services, a broad understanding of a likelihood of confusion may lead to a prohibition. In both cases, the freedom of expression of a third party may be severely impaired since under Article 5.1 TMDir there is little room for balancing expressive interests and, as we shall see below, neither does Article 6.1 TMDir provide for the type of limitation that would allow balancing the expressive interest at stake.

5.3.2.2 *Interpretative Protection of Expressive Diversity*

As I laid out in sections 3.3.1, states are under a positive obligation to guarantee the conditions of expressive diversity, meaning that they must not structure trademark law in a manner that overly impairs expressive diversity. This may be the case if trademark rights are exercised in signs that carry social, political or cultural connotations in expressive goods and services.⁸³ The use of such signs or name on a T-shirt may further the interests in expressive diversity of people who wear the T-shirt, in particular since people are not in the habit of making e.g. their own clothes or scarves to indicate their allegiance with or opposition to e.g. sports teams or political parties, but they nevertheless feel an urge to express themselves through their clothing and other expressive goods that they can show in public.⁸⁴ Judge *Kozinski* described this phenomenon quite accurately,

“When you don a Mets shirt, your primary statement is not that you're the type of person willing to pay \$30 for a sweatshirt; what you're communicating is your team loyalty, and that loyalty is not something the team owns. Having used the means and methods of advertising to inspire admiration for the home team, the Mets, I would argue, have given you a right to express that admiration in your own way, without having to pay a tribute every time you do so. This means you would have a strong claim to stencil your own Mets shirt or to make a banner praising the Mets--or burying them--to hang from your window on Central Park West. It's only a small step from there to say you ought to be able to pay someone to stencil the shirt or

⁸³ Expressive goods are goods that are used to carry messages, such as T-shirts, key-rings, or coffee mugs. Expressive services are services related to public discourse such media services, cultural services, or the organisation of major events like football championships. See above section 4.1.

⁸⁴ See above section 3.4.2 and 4.1.

banner professionally. The other interests I've discussed would certainly also come into play, but the public's right to use the team's name, logo, and other images to express itself must be given a wide berth. With loyalty and admiration, of course, come the reverse sentiments. Having thrust itself into the public eye, the baseball team loses not only full control of the means of communication but also its content. Thus, if the home team does something the public disapproves of, there's a very strong interest in allowing such protest to be expressed through those very images--perhaps a Mets logo exploded by a firecracker."⁸⁵

Trademark rights over signs of high social, cultural, or political importance in relation to expressive goods like fan-wear may thus affect not only the freedom of commercial expression of traders, but also the interest in expressive diversity of citizens as these rights may grant a single party a right to control the representation of the sign in the public sphere.

The ECJ dealt with the use of trademarks on expressive goods in the *Arsenal v. Reed* case, but failed entirely to recognise the expressive interests at stake. The case dealt with the sale of scarves and other merchandise bearing the logos of the Arsenal Football Club, by non-licensed supplier Matthew Reed. Reed had tried to obtain official merchandise, but could not obtain sufficient quantities from the official supplier. Consequently, Reed sold paraphernalia bearing trademarks of Arsenal, which were not produced by a licensed supplier. In his store, Reed had indicated that his products were not officially licensed merchandise.

The national court in the United Kingdom had been of the opinion that the trademarks had been used by Reed solely as a badge of support, loyalty or affiliation and not as an indication of trade origin,⁸⁶ thereby indicating that the Arsenal trademarks were in fact only fulfilling the function for fans to express their support to the club and that they had not in any way been confused about the origin of the products. The national court did thus clearly weigh the expressive interests of the wearers, be it without referring to their freedom of expression.

In its judgement, the ECJ, by using the theory of post-sale confusion, found that Reed's use of the Arsenal trademark had indeed affected the essential function of the trademark, because there was,

“a clear possibility [...] that some consumers, in particular if they come across the goods after they have been sold by Mr Reed and taken away from the stall where the notice appears, may interpret the sign as designating Arsenal FC as the undertaking of origin of the goods.”⁸⁷

In the court's opinion, the guarantee of origin function of the Arsenal trademarks may have been affected.⁸⁸

In the *Arsenal* case, Mr Reed itself probably did not have a strong enough claim to freedom of expression that would have set aside the trademark right of Arsenal. He sold identical goods and services bearing the Arsenal logo, and he did not express an opinion or

⁸⁵ Kozinski 1993, p. 976 (citations omitted).

⁸⁶ High Court, Chancery Division 6 April 2001 *Arsenal Football Club plc v. Matthew Reed*.

⁸⁷ *Ibid.*, para. 57.

⁸⁸ *Ibid.*, para. 58 to 61.

value judgement. Still, this case is illustrative of the more general concern of protecting expressive diversity. In order to take account of the positive obligations under Article 10 ECHR, it would, in my opinion, have been important that, at a very minimum, the ECJ had weighed the interests in expressive diversity against the interests of the trademark right holder and against the application of the doctrine of post-sale confusion. However, unlike the national courts in the United Kingdom, the ECJ failed to take into account any of these interests. This lack of carrying out a balancing process, where it is implicated, may not be in line with Article 10 ECHR.

The ECJ nuanced its findings regarding the application of the doctrine of post sale confusion of in later cases, but neither the considerations of the *Picasso v. Daimler Chrysler AG* nor *Opel v. Autec* cases, substantially add to a protection of expressive interests.

In the *Picasso* case,⁸⁹ the ECJ found that in certain markets, such as the automobile market, consumers would examine trademarks more carefully than in the Arsenal situation. Consequently, post sale confusion is less likely to occur in these cases and consumers would be unlikely to confuse the famous name Picasso with the name Picaro for cars.⁹⁰ The CFI had held that

“the word sign PICASSO is well known as corresponding to the name of the famous painter Pablo Picasso is not capable of heightening the likelihood of confusion between the two marks for the goods concerned.”⁹¹

The ECJ confirmed the CFI’s assessment that the distinctiveness of the trademark Picasso did not extend to the domain of motor vehicles, as,

“the sign PICASSO as a mark for motor vehicles may, in the perception of the average consumer, override the name of the painter so that that consumer, confronted with the sign PICASSO in the context of the goods concerned, will henceforth disregard the meaning of the sign as the name of the painter and perceive it principally as a mark, among other marks, of motor vehicles.”⁹²

Similarly, in the *Asterix/Starix* case the CFI held that,

“the average consumer will more readily associate the word ‘asterix’ with the character in the cartoon series widely known throughout the European Union. This specific representation of a popular character makes it extremely unlikely that there

⁸⁹ ECJ 12 January 2006 *Picasso v. Daimler Chrysler AG*.

⁹⁰ CFI 22 October 2003 *Les Éditions Albert René v. OHIM*, para. 61, “A risk of confusion presupposes that the signs as well as the goods and services designated are identical or similar, and the reputation of a mark is one factor which must be taken into account when determining whether the similarity between the signs or between the goods and services is sufficient to give rise to a risk of confusion [...] Since, however, in the present case, the signs in dispute cannot in any way be regarded as identical or similar from the visual, phonetic or conceptual points of view, the fact that the earlier mark is widely known or enjoys an extensive reputation in the European Union cannot alter the overall assessment of the risk of confusion.”

⁹¹ CFI 22 June 2004 *Picasso v. Daimler Chrysler AG*, para. 61.

⁹² ECJ 12 January 2006 *Picasso v. Daimler Chrysler AG*, para. 11. Of influence was the finding that consumers will pay more attention when making a purchase in the market for automobiles.

could be any confusion in the public mind between words which are more or less similar.”⁹³

This was confirmed in the later *Obelix/Mobilix* case, where the CFI stated that,

“conceptual differences can in certain circumstances counteract the visual and aural similarities between the signs concerned. For there to be such a counteraction, at least one of the signs at issue must have, from the point of view of the relevant public, a clear and specific meaning so that the public is capable of grasping it immediately.”⁹⁴

In my opinion, these rulings concerning trademarks consisting of famous names and trademarks are of great importance, as they show that courts could cabin the extensive trademark protection for such signs by considering that signs of high social or cultural value may not be strong signs for goods and services.

However, as the ECJ specifically mentioned in the *Picasso* ruling, its findings concerned the automobile market, where consumers are held to display a higher level of attention. Therefore, I deem it unlikely that the same reasoning would be applied to the typical (Arsenal-style) case involving expressive goods or merchandise, where apparently signs of high social importance may well serve as functioning trademark for merchandise.

In the *Opel* case,⁹⁵ the ECJ made some room for use of a trademark as a decoration or ornament, which could, hypothetically, allow for expressive use. It found that use of an automobile trademark, the Opel Blitz, on a toy car does not fall under Article 5.1 TMDir if the national court, as a matter of fact, established that,

“the relevant public does not perceive the sign identical to the Opel logo appearing on the scale models marketed by Autec as an indication that those products come from Adam Opel or an undertaking economically linked to it.”⁹⁶

It is, to my mind, the correct position to hold that there is no relevant harm under Article 5.1.a TMDir, if consumers are not confused. Such a position would also protect expressive diversity as it would make room for use of a sign of high political, social, or cultural importance on expressive goods, unless a (clear) likelihood of confusion is present. However, the *Opel* decision can probably not be applied to expressive goods or services, as in the Arsenal case, the ECJ rejected exactly such a finding. The national court deemed the use not to confused British consumers, but the court nevertheless held that under the post sale confusion, the use should be actionable.

⁹³ CFI 22 October 2003 *Les Éditions Albert René v. OHIM*, para. 58. An appeal against this judgement was dismissed on all points. ECJ 18 December 2008 *Les Éditions Albert René v. OHIM*.

⁹⁴ CFI 27 October 2005, *Les Éditions Albert René v. OHIM*, para. *Gielen* concludes that trademarks consisting of the names of famous names or characters, might have a lower scope of protection. They are not considered distinctive *per se* for certain goods. Geilen *et al.* 2007, p. 269.

⁹⁵ ECJ 25 January 2007 *Adam Opel*. The case revolved around use of the trademark of Opel trademark on a toy replica of an Opel racing car. Opel had registered their trademark for motor vehicles as well as for toys, and the manufacturer of the toy cars had not obtained a license of Opel. The ECJ ruled that such use would normally fall under Article 5.1.a TMDir.

⁹⁶ *Ibid.*, para. 24.

In sum, it seems that under the current interpretation of Article 5.1 TMDir there is little room to protect to interests of expressive diversity of citizens vis-à-vis trademark rights. States are under a positive obligation to guarantee the conditions of protect expressive diversity, which would mean that these interest should at least be taken into consideration.

5.3.3 *INTERIM CONCLUSION*

In this section, I analysed the impact of Article 5.1 TMDir on, both, freedom of commercial expression and freedom of non-commercial and mixed expression.

I argued that a prohibition of confusion use is in line with freedom of commercial expression as that freedom is granted in order to inform consumers and confusing use that clearly misinforms consumers, does not serve that aim. However, as Article 5.1 TMDir stretches further than prohibiting purely confusing use I analysed elements of the scope of that Article. Article 5.1.a TMDir covers referential use, use in comparative advertising and most forms of descriptive use, which means that any balancing needs to take place under the limitations to that Article. In the assessment of the likelihood of confusion analysis I argued that courts need to take care not to protect weak and descriptive signs such as “Lief!” for baby clothing or “Kinder” for chocolate (and that should not have been refused registration). Moreover, when third party use in confuses some consumers and is of great information benefit to others, I argued that courts need to take the interest of a third party trader to inform consumers into account.

In relation to freedom of non-commercial and mixed expression, I argued that courts may need to allow uses even though they are (slightly) confusing. At present, trademark law does however not make room for balancing the expressive interest of third parties with the interests of right holders under Article 5.1 TMDir. Likewise, in trademark law as applied in practice, there is no room to consider the interests in expressive diversity of citizens that are implicated when signs of high social, cultural or political value are use in relation to expressive goods or services. Yet, in my opinion, such interests should at least be recognised and balanced with trademark rights.

5.4 THE PROTECTION OF DISTINCTIVE CHARACTER AND REPUTE

In the area of protection of distinctive character and reputation, the conflict with freedom of expression is the strongest as the prohibitions of taking unfair advantage, blurring, and tarnishment can severely restrict freedom of commercial expression and freedom of non-commercial expression.

Right holders invest in advertising in order to occupy with their trademarks a certain space in the mind of people. They make “every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol.”⁹⁷ In this process, the

⁹⁷ U.S. Supreme Court 4 May 1942 *Mishawaka Rubber*.

trademark can develop an independent value from that as indicator of origin of products. It functions as carrier of goodwill and it advertises the product or service. Right holders therefore have a strong interest to protect the value that is inherent in a trademark. Article 5.2 TMDir partly honours this interest by protecting the distinctive character and repute of trademarks ‘with a reputation,’⁹⁸ by granting protection against the taking of unfair advantage or free riding, and against two forms of harm, i.e. blurring and tarnishment.

A ‘reputation’ under this provision, means that “a trademark must be known by a significant part of the public concerned by the goods and services it covers,”⁹⁹ which implies that such a reputation can also exist in a niche market. The existence of a reputation is linked to mainly quantitative factors, and consequently ‘reputation’ is reduced to the simple question of how many people recognise a trademark. This, I argued, may not be a sufficiently high threshold to justify protection, as, under the rationales for trademark rights, the right to protect the distinctive character and repute of a trademark should, in my opinion, only be justified if it protected a reputation that has been clearly created by the efforts of the right holder.¹⁰⁰

Moreover, actionable use under Article 5.2 TMDir is interpreted much wider than under Article 5.1 TMDir, i.e. it is sufficient that the relevant public establishes a *link* between the trademark and the sign used by the third party.¹⁰¹ Consequently, actionable use of trademarks with a reputation is any use in relation to goods and services, that creates an association between the trademark and the identical or similar sign.¹⁰² Finally, the definitions of harm are imprecise and the required level of proof is not always sufficiently high, as proof of actual harm or advantage is only required in some circumstances.

From the perspective of the *freedom of commercial expression*, Article 5.2 TMDir is problematic because of the wide interpretation of the criteria of taking advantage, blurring and tarnishment,¹⁰³ which may impair efficient comparative advertising, referential use, or descriptive. Often, the most efficient information may be granted to consumers when the logos of other traders can be used in comparisons, on spare parts in order to identify their destination, or by non-licensed car dealers to advertise their goods and services. It are, however, exactly these logos that carry the highest distinctive character or repute and that will thus often be protected strongly under Article 5.2 TMDir. If the prohibitions contained in Article 5.2 TMDir are interpreted too broadly, the freedom of commercial expression third parties is at serious risk since these third parties can be hindered in informing consumers about the products they offer by comparing them with trademark with a reputation or by referring to such trademarks in order to indicate qualities of their goods or services or the destination of their goods.

⁹⁸ Article 5.5 TMDir provides the option to Member States to provide even further-reaching protection to all trademarks, even outside of trade and not in relation to goods and services. Because of its exceptional character and because it has only been implemented in the Benelux, Article 5.5 TMDir will be discussed separately in section 5.5.

⁹⁹ ECJ 14 September 1999 *General Motors v. Yplon* (‘Chevy’), para. 31.

¹⁰⁰ See above section 2.4.3.1.

¹⁰¹ ECJ 23 October 2003 *Adidas v. Fitnessworld*, para. 27.

¹⁰² AG Sharpston 26 June 2008 *Intel*, para. 13, “The protection thus afforded concerns less the link established between a product and its source than the use of the trade mark as a communication tool, carrying a broader marketing message.”

¹⁰³ See above section 2.4.3.

Freedom of non-commercial or mixed expression stands in even stronger conflict with the protection of distinctive character and repute of trademarks with a reputation. As I indicated in section 3.5.1.2, many trademarks with a reputation like Coca Cola, Philips, Shell, or Louis Vuitton have by virtue of their distinctive character and repute surpassed the status of pure identifiers for goods, i.e. they have become public symbols that carry societal, cultural, or political connotations. The powerful meaning that trademarks have in trade and their pervasive use in advertising is exactly why they play an important role in the process of social, cultural, and political meaning making.¹⁰⁴ Under Article 10.2 ECHR, it is important that such trademarks can be used in public discourse and many forms of expression that entail the use of such trademarks must be protected strongly even if it seeks attention or if it is exaggerated. Yet, under the broad definitions of taking unfair advantage, blurring, and tarnishment exactly such use that employs the *level of attention* inherent in trademarks or that uses them in criticism in an exaggerated manner can be prohibited.

In this section, I will therefore analyse the interpretation of the constitutive criteria of Article 5.2 TMDir in light of Article 10 ECHR. I will first revisit the criterion of use in relation to goods and services and I will examine how this criterion used to limit the prohibitions to primarily commercial use. Thereafter, I will analyse the definitions of harm under the prohibitions of taking unfair advantage, blurring, and tarnishment on freedom of expression. In particular, I will explore whether these prohibitions can be interpreted in a manner that they place less strain on freedom of expression of third parties and I will explore whether use of trademarks in non-commercial and mixed expression should at all fall under these criteria.

5.4.1 USE IN RELATION TO SIMILAR AND DISSIMILAR GOODS AND SERVICES

The criterion of ‘use in relation to goods and services’ under Article 5.2 TMDir is interpreted in a much wider sense than the same criterion contained in Article 5.1 TMDir (i.e. use of a third part of the sign or a similar sign for his own goods or services in a manner that affects the essential function of that trademark). Since the ECJ’s 2003 ruling in *Adidas v. Fitnessworld*,¹⁰⁵ the criterion of ‘use’ under Article 5.2 TMDir covers any use that creates a *link* or *association* in the mind of the relevant consumers between the trademark and the sign used by the third party,¹⁰⁶ which seems to capture every use that engages the web of meanings connected to a trademark. Consequently, the current interpretation of ‘use’ under Article 5.2 TMDir applies to use on merchandise, referential use most descriptive use and comparative advertising; it does however also apply to many forms of trademark use in non-commercial or mixed expression, in e.g. parodies, satire, criticism or art.

Before the ECJ’s 2003 decision in *Adidas v. Fitnessworld*,¹⁰⁷ German jurisprudence required the existence of source identifying use by the third party.¹⁰⁸ This criterion was

¹⁰⁴ See above section 3.5.1.2.

¹⁰⁵ ECJ 23 October 2003 *Adidas v. Fitnessworld*.

¹⁰⁶ *Ibid.*, para. 27.

¹⁰⁷ *Ibid.*

¹⁰⁸ Dutch law did not limit the protection against free riding, blurring, and tarnishment to source identifying use since it contains an implementation of Article 5.5. TMDir, which makes ‘all other use’ actionable.

interpreted as meaning any use that a consumer may see as use to designate the goods or services of the trader.¹⁰⁹ Therefore, this the criterion was much more in line with the rationales of trademark rights, as it excluded from the scope of trademark rights a number of uses in non-commercial and mixed expression that should be strongly protected under Article 10 ECHR.

As an illustration for what would happen, if Article 5.2 TMDir were restricted to source identifying use, I want to examine the relevant German jurisprudence prior to the *Adidas* case. I do admit that the practical chances to restrict actionable use under Article 5.2 TMDir are slim, as the extension of actionable use reflects the fact that trademarks, e.g. on the Internet, are used increasingly in manners that do not fit the old categories of use. However, this overview of jurisprudence shows how the criterion of ‘use in relation to goods and services’ did play a useful role in properly judging mixed expression and the analysis shows which chances for balancing have been lost and must now be compensated by balancing under other criteria.

5.4.1.1 Use under the *Warenzeichengesetz*

Under the *Warenzeichengesetz*, the predecessor to the *Markengesetz*, German courts limited the scope of trademark rights to cases in which the third party had used the trademark ‘as a trademark’. For such a source-identifying use, it was sufficient that a not unsubstantial part of the public in an ephemeral manner could assume that the trademark indicated the source of the products.¹¹⁰ The *Warenzeichengesetz* only protected marks against confusing third party use. Harm to the reputation of trademarks was actionable outside of trademark law through regular tort law provisions of civil law.¹¹¹

In cases relating to mixed expression, this led to the following application of trademark law. The use of a parodist slogan making fun of the Marlboro trademark on a calendar of a non-smoking campaign group was held not to fall under trademark law, because trademark law did only protect “trademarks in their function as indicators of origin against confusion.”¹¹² In my opinion, this is an entirely correct qualification of this mixed expression as the trademarks were not used for a commercial purpose but solely to bring across the message that smoking is unhealthy and that the way cigarettes are advertised is misleading the public.

Another case of mixed expression concerned the sale of stickers with the slogan “BMW – Bumms Mal Wieder” (*transl.* “have sex again”) in the style of the BMW logo, which was held not to fall under the *Warenzeichengesetz*.¹¹³ In contrast, the use of an alteration of a slogan of MARS – “Mars mach mobil bei Arbeit-Sex und Spiel” (*transl.* „Mars makes you mobile for work, sex and play”) on condoms sold as fun articles, was

¹⁰⁹ Ströbele & Hacker 2006, § 14 no. 46.

¹¹⁰ OLG Hamburg 5 September 1991 (‘ADHASH – gives you speed’), “Nach ständiger Rechtsprechung liegt ein zeichenmäßiger Gebrauch vor, wenn der unbefangene und flüchtige Betrachter annimmt oder annehmen kann, das Zeichen diene zur Unterscheidung der so gekennzeichneten Waren von gleichen oder gleichartigen anderer Herkunft; der Begriff ist weit zu ziehen, schon die objektive Möglichkeit genügt, dass ein nicht mehr unerheblicher Teil der maßgebenden Verkehrskreise in der Kennzeichnung ein Unterscheidungsmerkmal sieht.”

¹¹¹ § 823 BGB.

¹¹² BGH 17 April 1984 (Grosses Mordoro Poker), „Warenzeichen- und Ausstattungsrechte der Bekl. (§§ 24, 25 WZG) stehen schon deshalb nicht in Frage, weil diese nur die Kennzeichnung der Ware in ihrer Funktion als Herkunftshinweis gegen eine Irreführung des Verkehrs schützen. Darum geht es hier nicht.“ (citations omitted).

¹¹³ BGH 3 June 1986 (‘Bumms Mal Wieder’).

held to constitute use as a trademark. In the MARS case, the BGH found that the use of the trademark could have been understood by consumers as part of an advertising campaign of MARS, because the condoms had been packed into matchboxes, which are commonly used as gifts by companies.¹¹⁴ In my opinion, this case correctly falls under the scope of trademark rights as the trademarks have been used in a mainly commercial manner and not to express a point of view that is of public interest and the trademark had been used in a manner that could be understood as use “as a trademark” for the condoms.

5.4.1.2 Use under the Markengesetz

Under the 1995 Markengesetz, the law implementing the TMDir, the requirement of a source-identifying use was continued. The Kammergericht Berlin found for instance that the use of the slogan “Toll – Alles wird Teurer” (*transl.* “Great! Everything is getting more expensive”) on postcards as a parody of a slogan of *Deutsche Telekom* did not constitute use ‘as a trademark’.¹¹⁵ In this first parody case under the Markengesetz, the Court found that the new law had indeed a broadened scope, which did protect the quality, guarantee and advertising function of trademarks, next to their source identifying function. In limiting the scope only to source-identifying use, the Court however relied on Paragraph 10 of the Preamble of the Directive, which stresses that the protection of trademarks serves “to guarantee the trade mark as an indication of origin”. It further interpreted the wording ‘use ... of a sign’ in § 14.2.3 MarkenG, the implementing provision of Article 5.2 TMDir, as meaning a sign indicating the origin of goods or services *a contrario* to Article 5.5 TMDir, which covers “use [...] other than for the purposes of distinguishing goods or services.”

In the ‘Fit for fun’ and ‘Bild dir keine Meinung’ cases, the OLG Hamburg concluded that a clearly recognisable parody on postcards did not fall under the scope of trademark law. The defendant had published and sold postcards mocking the title of a the weekly health magazine ‘fit for fun’ by using the slogan ‘fick for fun’ (*transl.* ‘fuck for fun’) and the title BILD of Bildzeitung, the largest German boulevard newspaper, with the slogan ‘Bild dir keine Meinung’ (*transl.* “Form no opinion”). In both cases, the OLG Hamburg found that the clear recognisability of the joke excluded any possibility that the public may view the sign to be used as a trademark.¹¹⁶ In a similar vein, the OLG Köln held that the use of drawing of a little person urinating onto the logo of a hunters association in the course of a campaign against hunting could not be considered use as a trademark.¹¹⁷

In contrast, the use of a trademark was held to fall under the Markengesetz in the ‘*Deutsche Pest*’, *www.scheiss-t-online.de*, and *Lila Postkarte* cases. In the first case, a trader had bought an old minivan of German postal company Deutsche Post and changed

¹¹⁴ BGH 10 February 1994 (Markenverunglimpfung I). „Wer eine fremde Marke auf von ihm vertriebenen Scherzartikeln, die wie Werbepäsenten gestaltet sind, in einer Weise (markenmäßig) anbringt, die im Verkehr den Eindruck erwecken kann, es handele sich um eine - sei es auch ungewöhnliche - Werbung des Markeninhabers für seine Erzeugnisse, verletzt das diesem nach § 15 WZG zustehende Ankündigungs- bzw. Werberecht. Eine Erschöpfung dieses Rechts tritt gegenüber einer solchen nicht funktionsgerechten, sondern mißbräuchlichen Verwendung der Marke durch einen Dritten nicht ein.“

¹¹⁵ Kammergericht Berlin 20 August 1996 (‘Toll – alles wird teurer’).

¹¹⁶ OLG Hamburg 1 April 1999 (‘fit for fun’); OLG Hamburg 4 June 1998 (‘Bild dir keine Meinung’).

¹¹⁷ OLG Köln 10 March 2000 (Kampagne gegen die Jagd). Furthermore no source identifying use was made in the names of the critical websites: OLG Hamburg, 18 December 2003 (‘awd-aussteiger.de’); LG Hamburg 10 June 2002 (www.stoppesso.de).

the advertising script on the van into Deutsche Pest (*transl.* ‘German plague’). The LG Hamburg, without much discussion, found that the trader had used the trademark in the course of his business in a source identifying manner.¹¹⁸ I think that this finding is not entirely understandable, as it is hard to imagine that consumers would have thought the wording “Deutsch Pest” to indicate in any of the services of the trader.

In the *www.scheiss-t-online.de* case, the LG Düsseldorf did not enter into any assessment of the question of trademark use, but rather simply assumed that a complaint site was using the trademark t-online in its URL address as a trademark.¹¹⁹ As I have indicated above in section 5.2.2, this case should have already fallen foul of the requirement of ‘use in the course of trade’ as the disgruntled consumers did not offer any goods or services on their website at all and, hence, did not use the trademark to indicate their own goods and services.

After the ECJ’s 2003 *Adidas* decision, which changed the requirement of ‘use in relation to goods and services’ from source identifying use to use that merely creates a *link* or *association* between the trademark and the sign used by the third party, the requirement of source identifying use was dropped for good in Germany. In the *Lila Postkarte* (purple postcard) case,¹²⁰ the German Bundesgerichtshof had little trouble to conclude that use of the colour purple and the sign Milka on a postcard clearly recognisable as a parody, was in fact actionable use under Article 5.2 TMDir. According to the Bundesgerichtshof, persons reading the postcard would clearly establish a *mental link* between the signs on the postcard and the registered trademarks of Milka. In that case, it was not relevant whether the defendant had used the sign in a manner that would cause consumers to think the postcard originated from Milka. In the words of the BGH

“[e]ven if the parties in commerce recognise the colour purple and the sign ‘Milka’ as pure decoration (Produktausstattung), they will make a mental connection between the design and the trademarks of the plaintiff because of the identical word-mark of the plaintiff and the very similar base-colour of the postcard [...] The connection between the design and the trademarks of the plaintiff is in fact the essence of the joke of the postcard.”¹²¹

(As already indicated above, the use was finally allowed as it was protected under Article 5.3 GG, i.e. the freedom of art).

In my opinion, these cases that were rendered before the *Adidas* decision and that involve expressive use of trademarks in mixed expression, show that the criterion of use in relation to goods and services can serve very well as a limitation of trademark rights to the commercial sphere. It can serve to distinguish between cases that use trademarks to bring across a point of public interest (e.g. the ‘Bild dir keine Meinung’ and ‘fit for fun’

¹¹⁸ LG Hamburg 27 October 1999 (‘Deutsche Pest’).

¹¹⁹ LG Düsseldorf 30 January 2002 (‘scheiss-t-online.de’).

¹²⁰ BGH 3 February 2005 (Lila Postkarte).

¹²¹ *Ibid.*, *transl.* W. Sakulin, original, “Im Streitfall kann offenbleiben, ob die angesprochenen Verkehrskreise - wie vom Berufungsgericht angenommen und von der Revision als erfahrungswidrig gerügt wird - annehmen, die in Rede stehende Postkarte stamme aus dem Unternehmen der Klägerin. Selbst wenn der Verkehr die Bezeichnung “Milka” und die violette Farbe der Postkarte als reine Produktausstattung auffaßt, wird er aufgrund der identischen Wortmarke der Klägerin und der mit ihrer Farbmarke sehr ähnlichen Grundfarbe der Postkarte der Beklagten diese Gestaltungen mit den Marken der Klägerin gedanklich verknüpfen [...] Die Verbindung zwischen der Gestaltung der Postkarte und den Marken der Klägerin macht gerade den Scherz der Postkarte aus.“

examples) from those cases that use trademarks in a more commercial manner as a trademark for the third party's own goods or services, e.g. the Mars example. As such, this criterion helped to keep trademark rights within the sphere of trade.

Rohnke criticised the old decisions because they protect, in particular, those trademark uses that mock a trademark in the most explicit manner and that may thus harm its reputation. Only the not so clear and probably less harmful parodies are covered by German trademark law.¹²² In my opinion, it are however often exactly those explicit and exaggerated cases that bring across messages that are of public interest. The 'Fick for fun', 'Bild dir keine Meinung', scheiss-t-online examples, or the man urinating on the logo of the hunting federation all are expressions of opinions that, have rightly been protected strongly and it may not be necessary to make such uses subject to the prohibitions of trademark law. From the perspective of freedom of expression, it may be thus worthwhile to reconsider the interpretations of the criterion of 'use in relation to goods and services' and to limit it to use as a trademark. Under the current interpretation, however, the eradication of this requirement must be counterbalanced under other criteria of Article 5.2 TMDir.

5.4.2 *TAKING ADVANTAGE OF THE DISTINCTIVE CHARACTER OR REPUTE (FREE-RIDING)*

The prohibition of 'taking advantage of the distinctive character or repute' of a trademark with a reputation,

"covers, in particular, cases where, by reason of a transfer of the image of the mark or of the characteristics 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."¹²³

As the analysis in section 2.4.3.3 showed, the prohibition on free-riding does not clearly define what must not be taken advantage of and what the threshold requirement of unfairness exactly means. Due to this lack of precise definition, the criterion of taking advantage could be satisfied by nothing more than the use *level of attention* of a trademark and the criterion of unfairness does not properly function as a threshold. Therefore, I concluded that this prohibition reaches further than what could be justified by the rationales of trademark rights.

The consequence of the far-reaching protection against free-riding is that most forms of comparative advertising, referential use and possibly even in descriptive use of a trademark may be actionable. In addition, also non-commercial or mixed expression that uses trademarks with a reputation, e.g. in parody, satire or comment, will fall under this prohibition.¹²⁴ Thereby, the prohibition on free-riding may disproportionately impair the freedom of expression of third parties.

In this section, I will first assess the interpretation of the criterion of taking advantage and unfairness in relation to referential use, comparative advertising, and descriptive use,

¹²² Rohnke 2005, p. 271.

¹²³ ECJ 18 June 2009 *l'Oréal et al. v. Bellure et. al.*, para. 41; Order CFI 12 December 2008 *Aktieselskabet v. OHIM and TDK*, para. 65; AG Jacobs 10 July 2003 *Adidas v. Fitnessworld*, para. 39.

¹²⁴ E.g. BGH 3 February 2005 (Lila Postkarte).

i.e. the freedom of commercial expression. Thereafter, I will examine whether, seen from the perspective of freedom of non-commercial expression, it is *at all* justifiable that the ‘taking advantage’ is actionable.

5.4.2.1 *Freedom of Commercial Expression*

I argued in section 2.4.3.3, that the very justification of the right to prohibit third parties to use a trademark rests upon the fact that the trademark at stake has a reputation and that third parties take unfair advantage of the *particular* distinctive character or repute of that trademark. If the particular ‘distinctive character’ or ‘repute’ cannot be defined properly the process of taking advantage cannot be defined properly either. In that section, I also indicated that an appropriate way of determining the criterion of taking advantage is to focus on the question whether a transfer of image has taken place,¹²⁵ which belongs to the prohibition of taking advantage of the *repute* of a trademark. I also argued that the prohibition of taking advantage of the *distinctive character*, which is interpreted as taking advantage of the level of attention assembled by a trademark, must not be prohibited as it is something that is inherent in competition.

According to the German requirement of ‘Imagetransfer’, taking advantage is only actionable if consumers are likely to attribute elements of the image or personality of the particular trademark to the sign or underlying goods used by the third party.¹²⁶ This requirement of image transfer is already part of European law as the ECJ mentioned the criterion of image transfer in its *l’Oréal* decision, however without explicitly limiting free-riding to such cases,¹²⁷ and trademark use in comparative advertising is allowed also unless an unfair image transfer can be proven.¹²⁸

In my opinion, there are significant benefits of the use of the requirement of image transfer as opposed to the requirement of mere exploitation of the level of attention, for informative uses, that are protected by the freedom of commercial expression.

The ‘Duplo’ case of the OLG Hamburg provides an excellent example of an assessment involving considerations relating to image transfer. In this case, the producer of chocolate waffles sold under the trademark ‘Duplo’ brought a lawsuit against a producer of razor heads using the trademark ‘Duplo’. In its assessment, the Court considered that a precondition for an infringement by taking unfair advantage is that an image-transfer between the products had taken place. In the words of the OLG,

“this means that consumers must have reason to believe that the products of the two parties can be measured by the same standards and that they consequently believe

¹²⁵ ‘Imagetransfer’ is a requirement under German law in relation to the prohibition of taking advantage of the repute. Fezer 2001, p. 830.

¹²⁶ *Ströbele* and *Hacker* mention image transfer only in relation to taking advantage of the repute. In the case where a third party user takes advantage of the distinctiveness the pure exploitation of the level of attention (‘Aufmerksamkeitsausbeutung’) does suffice. Ströbele & Hacker 2006, p. 727 and 729.

¹²⁷ ECJ 18 June 2009 *l’Oréal et al. v. Bellure et. al.*, para. 41, “cases where, by reason of a transfer of the image of the mark or of the characteristics 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.” (underline added).

¹²⁸ See below section 5.5.2.2.

that what is valid for the one product will apply without question to the other product.”¹²⁹

The elements of the repute must thus be transferable and an actual transfer must have taken place. With regard to the Duplo trademark the court concluded that the qualities ascribed to the chocolate waffle – charm, modern style, attractiveness or juvenile appeal – are pure ‘associations of ideas’ (“Ideenverbindungen”), which, taken by themselves, are rather meaningless and cannot be transferred to the razor heads. Although the Court admitted that the razor heads may be described by similar qualities to those used in connection to the chocolate waffle, it concluded that it is impossible to attribute these qualities of the chocolate waffles to the razor heads. The qualities of the chocolate waffles and those of the razor heads belong to entirely different contexts.¹³⁰ In the opinion of the Court,

“reasonably, no one will think that a razor is of a high quality because it carries the same trademark than a chocolate waffle.”¹³¹

The important point, in my view, is that the elements need to be *transferrable*, meaning that there must be a real or associative proximity between the goods and services at stake.¹³² In German jurisprudence image transfer has been found present between Whiskey and luxury cars, Whiskey and male cosmetics, smoking articles and clothing articles or bags, but not it was found to lack in the case of cigarettes and travel services, or pet-food and information services for education.¹³³

In relation to freedom of commercial expression, there are two significant benefits of the use of the requirement of image transfer. First, *descriptive use* will not fall under the scope of the prohibition of free-riding, if the third party uses merely the descriptive meaning of a sign. As the OLG Hamburg stated in the *Duplo* decision,

“a sign does not take advantage of the distinctiveness of a senior mark, [...] if the choice for the trademark can easily be explained by its descriptive content and no connection is made to the senior mark.”¹³⁴

According to the Court, the sign ‘duplo’ is of Latin origin and is part of the core of numerous words in German language. It will therefore be understood in its ordinary meaning which is ‘double’.

¹²⁹ OLG Hamburg 18 September 2003 (*Duplo*), (*transl.* W. Sakulin), original, “Das heißt, der Verkehr muß Anhaltspunkte dafür haben, daß die Produkte der Parteien mit gleichem Maße gemessen werden können und deshalb das, was für das eine gilt, ohne weiteres auch für das andere angenommen darf.“

¹³⁰ *Ibid.*, “Bestimmte Qualitäten, die die Klägerin ihrer Nougatwaffel zuschreibt, mögen vielleicht als Bewertung gerechtfertigt sein, und Rasierklingen mögen sich mit den gleichen Qualitäten beschreiben lassen. Es ist aber für jedermann erkennbar, daß diese Bewertungen nicht nach den gleichen Maßstäben gewonnen sein können, nach denen man solche Eigenschaften bei Naßrasierern und Rasierklingen bejaht.”

¹³¹ *Ibid.*

¹³² Ströbele & Hacker 2006, § 14 no. 178.

¹³³ *Ibid.* See also AG Sharpston 26 June 2008 *Intel*, para. 62, mentioning a hypothetical example of Coca Cola jewellery.

¹³⁴ OLG Hamburg 18 September 2003 (*Duplo*), „Ein Zeichen nutzt auch nicht die Unterscheidungskraft einer älteren Marke aus, wenn der mit ihr erzielte ‚Kommunikationsvorsprung‘ sich nicht erzielen läßt, weil sich die Wahl der Marke zwanglos mit ihrem beschreibenden Anklang erklären läßt und gar kein Bezug zur Angriffsmarke hergestellt wird.“

In similar vein, the BGH found in the *Camel Tours* case, which was decided under unfair competition law, that consumers would not think of the ‘Camel’ trademark for cigarettes in relation third party use of the sign ‘Camel Tours’ for travel services. They rather would think of a tour with a camel in the orient. Hence, the repute of the Camel trademark had not been exploited.¹³⁵

A second benefit of the application of a requirement of image transfer is that use in meta-tags or ad-words, which remains wholly invisible to consumers may also fall outside of the prohibition. Such use may be of great help in creating comparisons in the result pages of search engines, which can produce great information benefits for consumers. The OLG Köln, in a case concerning invisible use of ad-words, for instance concluded that the lack of source identifying use of the ad-word excluded that possibility of image-transfer.¹³⁶

However, the limitation of the prohibition on free-riding to cases of image transfer will not provide a sufficient safeguard of the use of trademarks in comparative advertising, referential use or descriptive use of the type of “Our product uses the X® standard”, as such use typically involves comparable and complementary goods or services and parts of the image may thus be easily transferred.

In order to appropriately balance the freedom of commercial expression against the trademark rights in such cases, the criteria of unfairness and due cause and the limitations of Article 6 TMDir must be fully applied. I will return to this balancing in section 5.5.2.2.

5.4.2.2 *Freedom of Non-Commercial and Mixed Expression*

From the perspective of freedom of non-commercial expression, the biggest problem with the current interpretation of free-riding is that in particular the prohibition of taking advantage of the distinctiveness, covers forms of advantage which are inherent in regular public discourse. Following the position that the mere exploitation of the level of attention attached to a trademark is actionable, satires, parodies, and even criticism that benefits in a positive or negative manner from the level of attention given to a trademark would be covered. According to German doctrine, for instance, trademark parodies take advantage of the distinctiveness of a trademark due to a ‘contrasting effect’,¹³⁷ as was the case when an artist used the trademarks of chocolate manufacturer Milka on a humorous postcard.¹³⁸ In the words of the BGH,

“the humorous character that the defendant wants to create with its postcard can only be achieved because the relevant consumers recognise the reference to the trademarks of the plaintiff [...] In doing this the defendant is exploiting the

¹³⁵ BGH 2 April 1987 (*Camel Tours*).

¹³⁶ OLG Köln 31 August 2007 (G.), “Es fehlt an dem für eine Rufausbeutung notwendigen Imagetransfer. Wenn das Erscheinen einer Werbung als Ergebnis einer Eingabe eines kennzeichenrechtlich geschützten Suchwortes beim Nutzer nicht einmal zu einer herkunftsbezogenen Vorstellung führt, so ist sie erst recht nicht geeignet, einen Imagetransfer zwischen Suchwort und Werbenden hervorzurufen.” (citations omitted).

¹³⁷ Ströbele & Hacker 2006, § 14 no. 173, citing BGH 10 February 1994 (Markenverunglimpfung I); BGH 19 October 1994 (Markenverunglimpfung II).

¹³⁸ BGH 3 February 2005 (*Lila Postkarte*).

particular level of attention, which can be produced by the association of a sign with the well-known trademark.”¹³⁹

From the perspective of freedom of expression, this is a slightly perplexing type of prohibition, as it runs counter to one of the most basic principles of Article 10.2 ECHR, i.e. that the higher the public interest in expression, the less impairments of freedom of expression are tolerable. Using the ‘level of attention’ of trademarks is inevitable, when the political, cultural, or societal meanings of such signs is addressed. In fact, in art, criticism, parody, or satire, and any sort of expression that is of public interest, it are exactly the predominant ideas and symbols which justify a large freedom of expression. As the German Bundesverfassungsgericht rightly put it in 1968,

“it is the very purpose of every expression that adds to the forming of opinions to seek attention. Also strong forms of expression must be tolerated because today’s society is oversaturated with impressions.”¹⁴⁰

In the same vein, the public symbols theory that I advanced above pleads for a strong freedom of expression if expression using public symbols is of public interest.¹⁴¹

In my opinion, the application of a prohibition of taking advantage of the level of attention inherent in a trademark goes much further than necessary in a democratic society to consider the use of trademarks in parodies, criticism, or art as actionable free-riding under Article 5.2 TMDir.

In this context, the application of the requirement of image transfer could also be of assistance in setting a justifiable scope of the prohibition of free-riding with regard to freedom of non-commercial expression, be it that the possibility of further balancing must be kept open. I think that in most cases no transferrable elements of the repute will be transferred to a third party that uses a trademark in a parody or criticism since there exists a crucial difference between taking advantage in commercial manner and taking advantage of a level of attention in the non-commercial expression. There will be little proximity between the goods or services involved, the context of use may be wholly different, in artistic use and parody, the elements of the image are rather transformed than exploited, and even in criticism, no elements of the image are transferred. When Greenpeace, for instance, campaigns against the environmental policies of Esso by using the sign E\$\$O on campaign material, it does not try to transfer the image of Esso to itself; it rather tries to influence the public’s opinion about the environmental impact of the products of Esso.¹⁴²

The requirement of image transfer would also help to correctly judge the element of free-riding in commercial parodies, like ‘Adihash’ on a T-shirt,¹⁴³ or the slogan ‘Mars

¹³⁹ *Ibid.*

¹⁴⁰ BVerfG 6 November 1968 (GEMA), (approx. transl. W.Sakulin), original, „Da es der Sinn jeder zur Meinungsbildung beitragenden öffentlichen Äußerung ist, Aufmerksamkeit zu erregen, sind angesichts der heutigen Reizüberflutung aller Art einprägsame, auch starke Formulierungen hinzunehmen.“

¹⁴¹ See section 3.5.1.2.

¹⁴² Note that in the original case the use was protected since it took place non-commercially. Cour d’Appel de Paris 16 November 2005 (Esso).

¹⁴³ OLG Hamburg 5 September 1991 (‘ADIHASH – gives you speed’); See also South African Supreme Court 16 September 2004 *Laugh it Off Promotions CC v. South African Breweries Int’l*.

macht mobil bei Arbeit, Sport und Spiel' (transl. 'Mars makes you mobile for work, sports and play') into '*Mars macht mobil, bei Sex-Sport und Spiel*' (transl. 'Mars makes you mobile for sex, sports and play') used on condoms (be it that these case concern both free-riding and tarnishment).¹⁴⁴ If the goods are very close and the parody is not as such clearly addressing a non-commercial (social or political) issue, a transfer of image may be possible. That is most likely the case if the goods are identical and the element of parody only takes a minor role. However, as the BVerfG confirmed in its Benetton decisions,¹⁴⁵ even in a completely commercial advertising, a message that is of public interest can be expressed and such expression would deserve strong protection. Therefore, I think that in such cases of commercial parodies, the freedom of expression of the third party needs to be carefully weighed against the interests of the trademark right holder under the criteria of unfairness or due cause.¹⁴⁶

Where commercial parodies do not clearly exploit an image, but still clearly cause a degree of harm the prohibition of tarnishment offers sufficient protection to trademark right holders and it is not necessary in a democratic society to prohibit trademark use in excess of these prohibitions.

5.4.3 DETRIMENT TO THE DISTINCTIVE CHARACTER OR REPUTE (BLURRING AND TARNISHMENT)

According to the ECJ, detriment to the distinctive character or *blurring* is caused,

"when that mark's ability 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. That is notably the case when the earlier mark, which used to arouse immediate association with the goods and services for which it is registered, is no longer capable of doing so."¹⁴⁷

It protects thus the 'hold upon the public's' mind or unique position (*German* "Alleinstellung")¹⁴⁸ of trademarks against interferences, by locking down a single and fixed meaning of the sign. Any use in trade of the same or a similar sign that negatively affects the unique position in people's minds may be actionable. Thereby, it may stretch further than a justification under Lockean labour rationale could reach and it may significantly impair freedom of action of third parties including their freedom of expression.

Detriment to the repute or *tarnishment* refers to the harm that is caused,

¹⁴⁴ BGH 10 February 1994 (Markenverunglimpfung I), "Wer die weithin bekannten Marken eines Süßwarenherstellers markenmäßig auf von ihm vertriebenen Scherzpackchen mit einem Kondom als Inhalt und dem verballhornten Werbespruch des Süßwarenherstellers (hier: "Mars macht mobil bei Sex-Sport und Spiel") anbringt, nutzt Ruf und Ansehen der verwendeten Marken aus [...]".

¹⁴⁵ BVerfG 12 December 2000 (Benetton I); BVerfG 11 March 2003 (Benetton II); for a discussion of the cases see above section 3.5.3.

¹⁴⁶ This balancing will be discussed below in section 5.5.

¹⁴⁷ ECJ 27 November 2008 *Intel*, para. 29 and 76. AG Jacobs 10 July 2003 *Adidas v. Fitnessworld*, para. 37, "The essence of dilution in this classic sense is that the blurring of the distinctiveness of the mark means that it is no longer capable of arousing immediate association with the goods for which it is registered and used."

¹⁴⁸ Koch 2001, p. 110.

“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. The likelihood of such detriment may arise in particular from the fact that 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 mark.”¹⁴⁹

The prohibition of tarnishment grants trademark right holders a right to prohibit third party uses of their trademark that would create negative, harmful and even unwanted associations. This right may equally stretch further than what can be justified by the rationales. Armed with this right, trademark right holders can interfere with the freedom of expression of third party traders who engage in referential use on e.g. spare parts or who use the trademark in comparative advertising. They can likewise interfere with the freedom of expression of third parties to use trademarks in art, criticism, satire or parodies.

Similar to the previous section I will first assess in how far the prohibitions of blurring and tarnishment impart freedom of commercial expression, i.e. referential use, descriptive use, and comparative advertising. Thereafter, I will assess whether and in how far it is justifiable to apply these prohibitions to non-commercial and mixed expression.

5.4.3.1 *Freedom of Commercial Expression*

In typical cases of *blurring*, freedom of commercial expression may not feature prominently, as the use of the Rolls Royce trademark on a BBQ is not providing information to consumers. However, the prohibition of blurring may interfere with the freedom of commercial expression of third party traders, if it is applied to descriptive signs or signs that have a generic meaning and may thus transmit information to consumers. In relation to descriptive signs, I think that similar considerations as mentioned in relation to free-riding should apply. If a descriptive sign like DUPLO, registered for chocolate waffles, is used for razor heads, it is unlikely that the distinctiveness of that first sign is harmed as the associations made by consumers will relate to the descriptive content of the sign and not to the trademark.¹⁵⁰ Incidentally, this may mean that the requirement of a mental link had not been satisfied.

Where a sign has a generic meaning and the use of that sign may contribute to blurring it, courts will need to enter in a balancing process to determine whether the interest of the third party to inform consumers outweighs the interest of the trademark right holder not to be harmed. In this respect, as I indicated in section 2.4.3.4, it is important that the requirement of proof of harm is sufficiently high as it may be essential to use trademarks descriptively in commercial expression despite a small risk of diminishing the distinctiveness of a trademark, e.g. in a case where a doctor uses the name of the drug of a market leader in order to inform a pharmacist to issue an identical generic drug.¹⁵¹

The harm in *tarnishment* may be more evident than harm in free-riding or blurring and the prohibition of *real* denigration or discrediting use of a trademark through referential

¹⁴⁹ AG Jacobs 10 July 2003 *Adidas v. Fitnessworld*, para. 38, making reference to BenCJ 1 March 1975 (Claeryn/Klarein).

¹⁵⁰ OLG Hamburg 18 September 2003 (Duplo).

¹⁵¹ BenCJ 9 June 1984 (‘Tanderil’).

use, descriptive use, or comparative advertising is in accordance with Article 10.2 ECHR. In many instances, it will be clear that a certain type of use negatively affects the repute of a trademark. Typical examples are the use of a similar sign to gin on detergent,¹⁵² the use of a cosmetic, peppermint or chocolate bar trademark on condoms,¹⁵³ the use of luxury perfume trademarks in cheap looking advertising folders,¹⁵⁴ or humorous, yet denigrating, use in comparative advertising.¹⁵⁵

Nevertheless, also in the case of tarnishment one must demand that the harm is proven properly.¹⁵⁶ The simple allegation that a certain use will affect the power of attraction of trademark cannot be sufficient to interfere with the freedom of expression of third parties.

5.4.3.2 *Freedom of Non-Commercial and Mixed Expression*

In relation to the protection of the distinctive character, similar considerations apply as those discussed in the previous sub-section in relation to free-riding. The ‘hold upon the public’s mind’ of a trademark might be something that can be protected against harm in pure commercial communication. In public discourse however, right holders cannot reserve a space in peoples’ minds. It is one of the most basic principles of the protection under Article 10 ECHR, that the more attention is accumulated by an idea, person or symbol, the sooner a third party is justified in making that idea, person or symbol the subject of public debate and thus in breaking through the hold of a trademark on the public’s mind.

In my opinion, the prohibition of blurring may cause disproportionate impairments of the freedom of non-commercial or mixed expression, if it prohibits the use of descriptive meanings of signs such as “Allianz”. The trademark Allianz enjoys great distinctiveness in Germany for insurance services, but it also is the German equivalent of the term alliance and therefore it is not proportionate to prohibit e.g. a hip-hop band from using the term Allianz as their band name.¹⁵⁷

Problems may furthermore arise, where a word has gained a new social, cultural or political meaning. Third party use of trademarks in a generic sense e.g. use of words such as ‘disneyisation’ to indicate a certain building style, ‘cocacolaisation’ to indicate the Americanisation of culture, or the use of the ‘Mc’ prefix to indicate cheap and fast solutions, should be allowed. I think that, it is not justifiable under Article 10 ECHR to forbid third parties from using such newly developed meanings, e.g. in dictionaries or other publications even though such use may blur the trademark. In this context, one should also consider that, according to the rationales of trademark rights, such new meanings do not belong to the trademark right holder, but rather to the public at large.¹⁵⁸ A prohibition may be justifiable, if a third party uses the trademark commercially “as a trademark”.

¹⁵² BenCJ 1 March 1975 (Claeryn/Klarein).

¹⁵³ BGH 10 February 1994 (Markenverunglimpfung I); BGH 19 October 1994 (Markenverunglimpfung II); Rb. Leeuwarden 6 March 1996 (King peppermint).

¹⁵⁴ ECJ 4 November 1997 *Dior v. Evora*, para. 9.

¹⁵⁵ Hof Arnhem 20 March 2007 (UPC/KPN); See also cases decided under unfair competition law: V.zr. Rb. Arnhem 26 April 2007 (GSK/Pronova); Hof Arnhem 19 November 2002 (Specsavers/Fielmann); Rb. Amsterdam 13 January 2005 (McDonalds/Burger King).

¹⁵⁶ See above section 2.4.3.5.

¹⁵⁷ OLG München 25 November 1999 (‘Die Allianz’); see below section 5.5.3.2.

¹⁵⁸ See above section 2.3.3.2.

The prohibition of *tarnishment* may run entirely counter to the idea of a *dialogic* public debate. It protects a trademark against negative and unwanted associations, i.e. in a *monologic* manner, but parodies, satire, comment, criticism and art are often aimed at creating transformative, negative and thus unwanted associations, and exactly in this respect, they often be strongly protected by Article 10 ECHR. Therefore, also in relation to the prohibition of tarnishment, I think that it may be necessary to define the concept of harm differently when it comes to public discourse. Since defining clear-cut concepts of *repute* is quite difficult, I will confine myself here to mention two examples that should not be considered to constitute relevant harm.

First, it is for instance quite incomprehensible that the District Court Amsterdam found in the *Greenpeace v the Netherlands* case, that the use of a trademarked government logo in an environmental campaign could harm the *repute* of that trademark.¹⁵⁹ The *repute* of that trademark, could consist of nothing more than the representation of a government policy. The expression of an opposing viewpoint, using that mark without ridicule should not be considered to constitute relevant harm. It would be incompatible with the freedom of expression if factual and true expression that is merely critical of government policies could be seen to cause a sort of actionable harm.

Second, also the fact that criticism may put a layer of negative or unwanted associations over imaginary parts of the image or power of attractiveness of a trademark should not be considered actionable harm.

Where a party uses a trademark in a sort of communication that purely strives for commercial profit the nature of the *repute* is its commercial magnetism or attractiveness. This magnetism consists of an accumulation of partly verifiable, partly non-verifiable, and purely positive associations that make the trademark appealing or may give it a sort of personality. The image of the Coca Cola trademark, for instance, in addition to the customer satisfaction, consists of attributes such as youthfulness, playfulness, or sexiness, which are not verifiable, which create a powerful illusion in order to increase the sales of the product. Since this image consists, for a large part, of non-verifiable and imaginary positive associations, it may easily be affected by negative associations. One may deem it justified to protect this image against commercial parties who use the sign in relation to inferior goods,¹⁶⁰ use luxury trademarks in a manner to create associations of cheapness.¹⁶¹ However, in public discourse it is not defensible to protect this kind of *repute* solely because it is cannot withstand incompatible associations. Such frailness cannot be held against to a third party user, especially when trademarks have gained a social, cultural or political role.

I think that, with the exception of the case where a third party attacks the image without any reason what so ever, it is not necessary nor proportionate under Article 10.2 ECHR to create a right that makes actionable the expression of views as soon as they are affecting the positive perception of a trademark or its (political) hold upon the public's mind.

¹⁵⁹ Rb. Amsterdam 22 December 2006 *The Netherlands v. Greenpeace*.

¹⁶⁰ ECJ 17 March 2005 *Gillette*, paras. 47 and 48.

¹⁶¹ ECJ 4 November 1997 *Dior v. Evora*.

In addition to defining harm differently when government policies or imaginary qualities are involved, it may be necessary, under Article 10 ECHR, to require a sufficiently high probability of harm for the prohibition of tarnishment. In relation to non-commercial expression, only if the views expressed are exaggerated, drastic or otherwise clearly harm the repute of the sign, it should be necessary to enter into an ad hoc balancing process.

5.4.4 ARTICLE 5.5 TMDIR AND THE BVIE

In section 2.4.3.6, I concluded that Article 5.5 TMDir does not fit the rationales for trademark protection in any manner. The rationale for the protection of the distinctive character and repute of trademarks lies in the fact that a mark has *gained* a reputation. As AG Jacobs stated,

“it is only where there is a sufficient degree of knowledge of the mark that the public, when confronted by the sign, may possibly make a connection between the two and that the mark may consequently be damaged.”¹⁶²

Article 5.5 TMDir does however protect all trademarks, and not just trademarks with a reputation. From the perspective of freedom of expression, Article 5.5 TMDir is the provision with the clearest potential for conflict with freedom of expression.¹⁶³ All constitutive criteria that could provide for a balancing with freedom of expression are eliminated from that provision. Article 5.5 TMDir extends trademark rights to all acts *outside* of trade, it covers ‘use other than for the purposes of distinguishing goods and services’, and it protects *all* trademarks and not just trademarks with a reputation.

In fact, Article 5.5 TMDir is an odd provision within European trademark law. It has been added to the Trademark Directive on the initiative of the Benelux countries.¹⁶⁴ During the negotiations of the Trademark Directive other countries made clear that they did not want such a provision to become a mandatory part of the Directive.¹⁶⁵ The optional Article 5.5 TMDir is the resulting compromise, which has subsequently only been implemented by the Benelux countries in its entirety.¹⁶⁶ Previously a similar provision was part of the Benelux Trademark Act, Article 13 A2 Benelux Trademark Act, which contained the criterion of ‘use in the course of trade’. Curiously, Article 5.5 TMDir does not contain this criterion of ‘use in the course of trade’.

Initially, the Benelux Trademark Act, which implemented Article 5.5. TMDir, maintained the previously existing requirement that Article 2.20.1.d BVIE, then Article 13A.1.d Benelux Trademark Act, extended only to ‘use in the course of trade’. This criterion was dropped by an amendment in 2001 in favour of a verbatim implementation

¹⁶² *Ibid.*, para. 49.

¹⁶³ It reads, “Paragraphs 1 to 4 shall not affect provisions in any Member State relating to the protection against the use of a sign other than for the purposes of distinguishing goods or services, where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.”

¹⁶⁴ Tsoutsanis 2006, p. 75.

¹⁶⁵ *Ibid.*

¹⁶⁶ § 16 of the German Markengesetz obliges the publishers of lexical works to indicate that a term is a registered trademark. It is also based on Article 5.5 TMDir.

of Article 5.5 TMDir.¹⁶⁷ The rationale for deleting the criterion of ‘use in the course of trade’, which provides such a vital perimeter for the scope of trademark rights, in the 2001 amendment is not entirely convincing.¹⁶⁸ According to the Benelux legislators, the amendment was made necessary because the ECJ, in the in *Puma v. Sabel* judgement, had pointed out a misinterpretation of the Directive by the Benelux legislators in respect of the prohibition of confusing.¹⁶⁹ The Explanatory Memorandum indicates that the Benelux legislators therefore chose for a verbatim implementation of the prohibition of confusing use. The Memorandum further indicates that the same motivation has led the Benelux legislators to adopt a verbatim implementation of the optional Article 5.5 of the Trademark Directive in Article 13A.1.d and thus to drop the ‘use in the course of trade’ requirement.¹⁷⁰

In my opinion, this is a meagre justification for the abandonment of this vital criterion. The Benelux legislators extended trademark rights to the heart of public debate and artistic expression. When a legislator extends rights in such a manner, it is obliged under Article 10 ECHR, to provide a thorough justification, but such considerations are absent from the Explanatory Memorandum. Moreover, since the ECJ’s *Robeco v. Robelco* decision, it is clear that the implementation of Article 5.5 TMDir is a matter of purely internal legislative choice.¹⁷¹ It is an optional provision that is not part of harmonised EU law and therefore remains, subject to only national or Benelux jurisdiction. Accordingly, the members of the Benelux Union had thus in no way been forced by the supra-national TMDir to strike the vital ‘use in the course of trade’ criterion from Article 13A.1.d BTA (Article 2.20.1.d BVIE). The 2001 amendment thus contained a voluntary abandonment of the ‘use in the course of trade’ criterion that reinforced and broadened the rights of trademark right holders at the expense of the freedom of expression of others.

Not surprisingly, jurisprudence under the implementing Article 2.20.1.d BVIE shows a tendency to produce decisions that are difficult to reconcile with Article 10 ECHR. The provision has been used to prohibit: a song about a fad involving furry mascots sold in support of the Dutch soccer team;¹⁷² the expression of non-commercial political activists like Milieudefensie protesting high level of pesticide on fruit in a particular super market chain;¹⁷³ use by a disgruntled student of Hoogeschool InHolland complaining about the

¹⁶⁷ Explanatory Memorandum to the Protocol Amending of the Benelux Trademark Act, 2001, “Ook de overige onderdelen van lid 1 sluiten in de herziene redactie beter aan bij de tekst van artikel 5 van de Richtlijn. Relevant verschil in onderdeel d is dat niet langer de eis wordt gesteld dat het gebruik van het teken in het economisch verkeer plaatsvindt. Voorts hebben de onderdelen c en d een marginale wijziging ondergaan. Het betreft de verwijdering van het woord ‘kan’ in de zinsneden ‘kan worden getrokken’ en ‘kan worden gedaan’, conform artikel 5, lid 5, van de richtlijn.”

¹⁶⁸ The special position of Benelux trademark law and Article 2.20.1.d BVIE will be discussed in more detail in section 5.3.5 below. We shall turn here to the interpretation of the ‘use in the course of trade’ criterion in Benelux jurisprudence.

¹⁶⁹ ECJ 11 November 1997 *Puma v. Sabel*, paras. 22 to 26

¹⁷⁰ Explanatory Memorandum to the Protocol Amending the Uniform Benelux Trademark Act, 11 December 2001, p. 10 “Ook de overige onderdelen van lid 1 sluiten in de herziene redactie beter aan bij de tekst van artikel 5 van de richtlijn. Relevant verschil in onderdeel d is dat niet langer de eis wordt gesteld dat het gebruik van het teken in het economisch verkeer plaatsvindt. Voorts hebben de onderdelen c en d een marginale wijziging ondergaan. Het betreft de verwijdering van het woord “kan” in de zinsneden “kan worden getrokken” en “kan worden gedaan”, conform artikel 5, lid 5, van de richtlijn.”

¹⁷¹ ECJ, 21 December 2002, *Robeco v. Robelco*. Tsoutsanis 2003.

¹⁷² Rb. Den Bos 21 July 2006 *Interall BV v. Johan Vleminx*.

¹⁷³ Rb. Amsterdam 6 January 2005 *Milieudefensie v. Super De Boer*.

bad quality of education;¹⁷⁴ use in order to influence political opinion about voting for a particular election.¹⁷⁵ It has also been invoked, but no prohibition was granted, against a campaign of a trade union.¹⁷⁶ Although, in recent judgements, some courts started to weigh Article 2.20.1.d BVIE against Article 10 ECHR,¹⁷⁷ the sort of right granted under Article 2.20.1.d BVIE extends the sphere of influence of trademark right holders so far into the heart of political expression, public interest expression and art, that it causes significant chilling effects.¹⁷⁸

I think that in light of this disproportionate impairment of freedom of expression, Benelux legislators should consider to amend Article 2.20.1.d BVIE or, possibly, to entirely abolish it. First, as just stated it is not in line with the foundations of trademark law to extend trademark rights to action outside the scope of trade, i.e. there is no rational basis to extend the heightened protection of trademarks to trademarks without a reputation.

Second, although such an amendment would be best implemented at the European level, directly in the TMDir, the implementation of Article 5.5 TMDir is fully at the discretion of the Benelux legislators.

Third, I do believe that the consequences of an eventual abolishment would be minimal. Most use of trademarks *with a reputation* in trade would fall under Article 5.2 TMDir (Article 2.20.1.c BVIE). That Article, at least in some respects, is in accordance with the rationales for trademark rights, as it applies only to trademarks with a reputation. Moreover, Article 5.1.a TMDir (Article 2.20.1.a BVIE) may cover uses such as use as a trade name or use in comparative advertising or uses on the internet, which have been traditionally dealt with under Article 2.20.1.d BVIE.

And fourth, even though trademark right holders may complain of a violation of their right to peaceful enjoyment of their property under Article 1 of the 1st Additional Protocol to the ECHR if the provision of Article 2.20.1.d BVIE is abolished, such an impairment is fully justified as it serves to safeguard the convention rights of others, i.e. Article 10 ECHR and possibly also the property rights of others that are equally protected under Article 1 of the 1st Additional Protocol.

Absent the amendment of the BVIE, it is crucial that the limitations to Article 2.20.1.d BVIE (i.e. the criteria of unfairness and due cause) are interpreted very broadly in order to counterbalance the overbroad protection. This will, however, not easily take away the chilling effects caused by this provision.

5.4.5 INTERIM CONCLUSION

In this section, I have built on the analysis of section 2.4.3, and I have examined a number of criteria that are relevant in the definition of Article 5.2 TMDir, i.e. the criteria of ‘use in relation to similar and dissimilar goods and services’, and the criteria of taking advantage of the distinctive character or repute (or free-riding), ‘detriment to the distinctive character (or blurring) and detriment to the repute (or tarnishment).

¹⁷⁴ Rb. ‘s-Gravenhage 21 June 2005 *InHolland v. Kaasjager*.

¹⁷⁵ Rb. ‘s Gravenhage 27 April 2005 *Stemwijzer v. Referendumstemwijzer*.

¹⁷⁶ Rb Zwolle, 2 June 2008, *CNV v. Aldi*.

¹⁷⁷ E.g. Rb Amsterdam 22 December 2006 *The Netherlands v. Greenpeace*; Court Hof ‘s Gravenhage 13 September 2007 *Rede v. Netscape* (‘Netschaap’).

¹⁷⁸ See Van Manen 1997; Vos & Van den Berg 2003.

In relation to the criterion of ‘use in relation to goods and services’ I analysed the German jurisprudence before the *Adidas* case, which interpreted the criterion as requiring third party use as a source identification. While I argued that that the practical chances to restrict actionable use under Article 5.2 TMDir to such an interpretation are slim, the analysis of the jurisprudence showed that the criterion of ‘use in relation to goods and services’ did play a useful role in properly judging mixed expression, by limiting trademark rights to the commercial sphere. It served to distinguish between cases that use trademarks to bring across a point of public interest from those cases in which trademarks were used in a more commercial manner as a source identifier for the third party’s own goods or services. Thereby, this criterion helped to keep trademark rights within the sphere of trade.

In relation to the prohibition of *taking unfair advantage*, I have proposed a that requirement of image-transfer may help to limit the scope of Article 5.2 TMDir in a manner that does not go further than necessary in a democratic society. This would mean that the category of ‘taking advantage of the distinctive character’, which is interpreted as ‘taking advantage of the level of attention’ or, in German, ‘Aufmerksamkeitsausbeutung’ should not be applied *at all* as such prohibitions are not necessary in a democratic society. They interfere unduly with the freedom of expression of third party traders to inform consumers, as they apply to many forms of referential use, comparative advertising and even to descriptive use and in such use, taking advantage of the level of attention is an inherent feature of any sort of competition. Where an image is transferred, as may be the case in comparative advertising, referential use and some descriptive use, I argued that careful balancing must take place under the criterion of unfairness.

Most importantly, however, the existence of a level of attention of inherent in a trademark may exactly be the *reason* why strong freedom of expression may be granted to third party trademark use in non-commercial expression. It is one of the most basic principles of freedom of expression that the higher the public interest in expression is, the less impairments of freedom of expression are tolerable. Therefore, I concluded, that only if third party trademark use in non-commercial or mixed expression would clearly take advantage of the image of a trademark by transferring (transferrable) elements of the mark, should the prohibition apply, and, consequently, that use must be balanced against the interests of the trademark right holder under the criteria of unfairness and due cause.

The prohibition of blurring and tarnishment can both be justifiable limitations to the freedom of commercial expression, if the level of harm and proof thereof is sufficiently high. Care should be taken where signs are used descriptively to inform consumers or where the use, which causes tarnishment, would provide vital information to consumers.

In public discourse, the prohibition of *blurring* is more problematic, as right holders cannot reserve a space in peoples’ minds. It is one of the most basic principles of the protection under Article 10 ECHR, that the more attention is accumulated by an idea, person or symbol, the sooner a third party is justified in making that idea, person or symbol the subject of public debate and thus in breaking through the hold of a trademark on the public’s mind. Therefore, the prohibition of blurring should not be applied, where people use trademarks in an expressively generic sense, i.e. when they have gained a new expressive meaning, or it must be clearly counterbalanced.

Also the harm in *tarnishment* must be sufficiently high and it may have to be defined differently in relation to trademark use non-commercial and mixed expression. As a definition of repute and harm thereof is difficult, I mentioned specifically two areas, which in my opinion, should not be considered relevant harm. First, this are the imaginary parts of the image such as associations of youthfulness and playfulness of Coca-Cola; second, this is harm to the “repute” of trademarks protecting government policies, as such policies always need to be vigorously discussed.

Finally, in section 5.4.4, I discussed Article 5.5 TMDir, which has only been interpreted in its entirety in Article 2.20.1.d BVIE. The scope of that provision is extremely far-reaching as it covers all use of trademarks even outside of trade, i.e. in art, politics, news and other publications, comedy, all sorts of parody and the like. Not surprisingly, it has a severe impact on freedom of non-commercial and mixed expression and it provides significant chilling effects. Moreover, as I argued 2.4.3.6, the provision is not justified under any of the rationales for trademark law. In light of the disproportionate impairment of Article 10 ECHR cause by Article 2.20.1.d BVIE, I argued that Benelux legislators should consider to amend Article 2.20.1.d BVIE or to entirely abolish it.

5.5 BALANCING UNDER THE LIMITATIONS TO THE SCOPE

After having examined the possibilities for interpreting various constitutive criteria of Article 5 TMDir in line with Article 10 ECHR, I will now turn to the interpretation of the limitations to that Article. The relevant limitations that I want to discuss are Article 6.1.b and c TMDir allowing descriptive use and referential use as well as the Comparative Advertising Directive, which allows for trademark use in comparative advertising if all the conditions contained in Article 4 of that Directive are met. That latter directive does not only provide an additional limitation, but it also can provide a model of how to interpret the other limitations of trademark law. Furthermore, the criteria of unfairness and due cause play an important role when balancing the prohibitions of Article 5.2 TMDir with freedom of expression.

As I set out in section 2.2.4, in following the BGH, I will assume that Article 6.1 TMDir plays no separate role vis-à-vis the criteria of unfairness and due cause.¹⁷⁹ In this respect, I also want to remind the reader of the respective position of the criteria of unfairness and due cause. These criteria exist simultaneously in Article 5.2 TMDir and there are differing views as to the roles played by each of these criteria. AG Mengozzi proposed a restrictive interpretation, according to which the criterion of unfairness can only play a role in relation to the prohibition of taking *unfair* advantage.¹⁸⁰ Due cause comes only into play if it is relied upon by a third party and proven. If due cause can be shown in relation to taking advantage, a court must then proceed to assess whether the third party use is unfair.¹⁸¹

¹⁷⁹ BGH 17 June 1999 (‘Big Pack’); Ströbele & Hacker 2006, § 14, no. 183.

¹⁸⁰ AG 10 February 2009 *l’Oréal et al. v. Bellure et. al.*, para. 106.

¹⁸¹ *Ibid.*, para. 109.

In contrast, in the German language version of the TMDir the criterion of unfairness plays a far greater role, as it applies to all the prohibitions mentioned in Article 5.2 TMDir. The criterion of due cause is viewed as covering specific rights of third parties such as freedom of expression.¹⁸²

Under Dutch law, unfairness is seen to play only a role vis-à-vis the prohibition of taking unfair advantage. The main criterion that covers the rights of third parties and thus their freedom of expression is that of due cause; it has also been suggested that freedom of expression could be balanced with trademark rights under the criterion of unfairness.¹⁸³

For the purposes of the analysis in this section, I will keep to the English language version of the directive, thereby relying on the criterion of due cause for balancing the prohibitions of blurring, tarnishment and free riding, and using the criterion of unfairness only in relation to free-riding. I do however keep in mind that there is a subtle but not unimportant difference between the criteria of unfairness and due cause. First, from a procedural perspective unfairness needs to be proven by the right holder whereas due cause must be demonstrated by the third party. Due cause is thus a more restrictive criterion. Second, due cause can be interpreted in an extremely limited manner such as to mean that only third party use that is absolutely necessary would be justified. Unfairness lies at the other end of the spectrum, requiring only that unfair conduct must be prohibited and all other use should be free.

In section 5.5.1, I set out by rejecting an often-applied approach, i.e. that third party use should be allowed, if the third party had no alternative means of expression at his or her disposal. In section 5.5.2, I will discuss how the interests of traders to inform consumers may be weighted against trademark rights under the criteria of Article 6 TMDir, unfairness, due cause and the under the CompAdvDir. In section 5.5.3, I will analyse the balancing of interests that are protected by the freedom of non-commercial expression with trademark rights. Special attention is given to the assessment of the commerciality of the trademark use, to the use of descriptive and newly evolved meanings, to use of symbolic or layered meaning of trademarks in meaning-making, and to the question of appropriate balancing of harmful non-commercial or mixed expression with harm that may be caused.

5.5.1 REJECTION OF AN 'ALTERNATIVE MEANS OF EXPRESSION' OR NECESSITY TEST

When two rights conflict and need to be weighed against each other it is often required that that restrictions placed by one right on the other is proportionate. This is the case under Article 10.2 ECHR as well as under the right to peaceful enjoyment of property that is protected under Article 1 1st AP ECHR, which also protects trademark rights. The strictest form of a proportionality test is the requirement that the restriction must be the *least invasive means* to realise the interests of the opposing party. In trademark jurisprudence, this is required under Article 6.1.b TMDir, which allows for referential use only in case of necessity and some courts have interpreted the criterion of due cause as requiring that a third party may use a trademark only if there is an insurmountable necessity for such use, which is not the case if the third party had an alternative means to express him or herself.¹⁸⁴

¹⁸² Ströbele & Hacker 2006, § 14, no. 186.

¹⁸³ T. Cohen Jehoram, Van Nispen & Huydecooper 2008, p. 357.

¹⁸⁴ E.g. BenCJ 1 March 1975 'Claeryn/Klarein'.

The application of such an ‘alternative means’ or necessity test will always play a role in a balancing process. However, in my opinion, if it becomes the only decisive consideration, it would be evidence of an unjustified bias of the law and of courts to protect the interests of trademark right holders at the detriment of third parties. Moreover, it is important to realise that in the face of Article 10.2 ECHR, which requires that restrictions on freedom of expression necessary in a democratic society and are proportionate, such a requirement of necessity from the side of trademark law is flawed if no other consideration can overrule the requirement of necessity (e.g. that such use is important to consumers or that it is of great public interest). In such a case, the necessity or alternative means test would completely reverse the proportionality test contained in Article 10.2 ECHR.

5.5.1.1 *The Necessity Test for Referential Use and Due Cause*

Referential use of a trademark under Article 6.1.c TMDir is permitted “where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts.” According to the ECJ,

“Use of the trade mark by a third party who is not its owner is necessary in order to indicate the intended purpose of a product marketed by that third party where such use in practice constitutes the only means of providing the public with comprehensible and complete information on that intended purpose in order to preserve the undistorted system of competition in the market for that product.”¹⁸⁵

Such a necessity must be deemed present e.g. “if an independent trader carries out the maintenance and repair of BMW cars or is in fact a specialist in that field, that fact cannot in practice be communicated to his customers without using the BMW mark.”¹⁸⁶ In Dutch doctrine, it has been argued that this requirement of necessity must be interpreted strictly and that e.g. the use of logos in referential use, where it is not strictly necessary, should be prohibited.¹⁸⁷

In relation to the criterion of *due cause* under Article 5.2 TMDir, an alternative means test has been expressed by the Benelux Court of Justice in the *Klarijn/Claerijn* case, which dealt with the use of the sign ‘Klarijn’ for a detergent. The sign was phonetically very similar to the sign ‘Claerijn’ that had been registered and used as a trademark for gin. The national court found that the use of the sign ‘Klarijn’ on the detergent was harming the distinctive character and repute of the trademark, because consumers may associate the taste of soap with the liquor. This may affect the drawing power of the trademark for gin.¹⁸⁸

In its preliminary ruling, the BenCJ gave a very restrictive interpretation of due cause, holding that trademark use by a third party only qualifies as ‘due cause’ when

“such a necessity exists for the third party to use exactly that sign that it cannot reasonably expected of him to refrain from using the sign.”¹⁸⁹

¹⁸⁵ ECJ 17 March 2005 *Gillette*, para. 35 and 39.

¹⁸⁶ ECJ 23 February 1999 *BMW*, para.40.

¹⁸⁷ T. Cohen Jehoram, Van Nispen & Huydecooper 2008, p. 401 and 405.

¹⁸⁸ See BenCJ 1 March 1975 ‘Claeryn/Klarein’.

¹⁸⁹ BenCJ 1 March 1975 ‘Claeryn/Klarein’.

In short, third party use is only permissible if a third party user can establish an *insurmountable necessity* to use a similar sign. This strict test has been consistently applied by courts until recently, be it that Dutch doctrine indicates that only elements of the *Claerijn* decision are still valid and that the final interpretation of the criterion of due cause has to be made by the ECJ.¹⁹⁰

5.5.1.2 Article 10.2 ECHR

Above I stated that an alternative means or necessity test can contravene Article 10.2 ECHR. The ECtHR has, however, in its jurisprudence under Article 10.2 ECHR, accepted an ‘alternative means tests’ in one case where rights in tangible property conflicted with freedom of expression. Therefore, I deem it necessary to elaborate on that particular situation and to explain why such a test must not become decisive in a conflict between trademark rights and freedom of expression.

The case before the ECtHR, *Appleby and others v. The United Kingdom*, concerned a stereotypical example of a conflict between freedom of expression and property rights.¹⁹¹ A proprietor of a shopping mall prohibited picketers to demonstrate inside a shopping mall. In that case, the ECtHR, in following the U.S. Supreme Court in an almost identical case, held that the prohibition to demonstrate within a mall was proportionate, because there were ample other opportunities to demonstrate outside of the mall.¹⁹²

Such a prohibition can only be proportionate in the specific circumstances of the tangible property context. An analogy between the protection of tangible property and that of trademark rights would be flawed because trademark rights have a substantially different character than property rights, i.e. they are more limited than rights in tangible property. Rights in tangible protect the exclusive use of one particular identifiable good, whereas trademark rights do not protect trademarks per se, but only certain functions that are fulfilled by trademarks, i.e. the source identifying function, the quality function and the advertising function.¹⁹³ In addition, the expansion of the criteria under Article 5 TMDir means that an increasingly flexible balancing process between trademark rights and the rights of others, such as freedom of expression must be provided under the limitations.¹⁹⁴

Moreover, real property, like a shopping mall, is limited in its geographical location. When protesters are barred from such a physical forum, ample other forums may still remain for free expression. Trademarks in contrast are signs that can carry a specific meaning. Many logos carry unique characteristics, such as instant recognition, or multiple layers of meaning. Especially ‘trademarks with a reputation’ under Article 5.2 TMDir may often carry a unique meaning. It is precisely when a trademark has a high reputation or is uniqueness that being forced to refrain from using that mark may present no adequate alternative.

¹⁹⁰ T. Cohen Jehoram, Van Nispen & Huydecooper 2008, p. 459.

¹⁹¹ ECtHR 6 May 2003 *Appleby and Others v. The United Kingdom*.

¹⁹² *Ibid.*; U.S. Supreme Court 22 June 1987 *Tanner v. United States*, 483 U.S. 107 (1987).

¹⁹³ Compare Kravitz 1989, p. 182; Cantwell 1997, p. 56 who raise this argument in relation to the U.S. Lanham Act.

¹⁹⁴ Kur 2008.

a. Freedom of Commercial Expression

From the perspective of freedom of commercial expression, a model for a better approach towards such third party use can be found in the CompAdvDir. The Preamble of that Directive clearly indicates that *consumer interests* must be given a decisive role in the balancing process between the interests of the advertiser and the interest of the trader whose goods or services are compared. It sets out that it may be,

“indispensable, in order to make comparative advertising effective, to identify the goods or services of a competitor, making reference to a trade mark or trade name of which the latter is the proprietor [...] Such use of another's trade mark, trade name or other distinguishing marks does not breach this exclusive right in cases where it complies with the conditions laid down by this Directive, the intended target being solely to distinguish between them and thus to highlight differences objectively.”¹⁹⁵

Moreover, the conditions of the comparative advertising directive must be interpreted “in the sense most favourable to [comparative advertising].”¹⁹⁶ It specifically stated that,

“According to the second recital of the preamble to Directive 97/55, comparative advertising will help demonstrate objectively the merits of the various comparable products and thus stimulate competition between suppliers of goods and services to the consumer's advantage.”¹⁹⁷

An alternative means test would leave no room for such consideration, as it does not fit the type of trademark protection that must leave room for the consideration of the interests of consumers. The flipside of this interest of consumers, is the right of a trader to inform consumers, which is protected under Article 10.2 ECHR. In my opinion, therefore, the approach taken by the ComAdvDir is much more in line with Article 10 ECHR and when referential use under Article 6.1.c TMDir is considered, due consideration should also be given to the right of a third party trader to inform consumers.

b. Freedom of Non-Commercial and Mixed Expression

In relation freedom of non-commercial expression, Article 10 ECHR must be given even stronger weight, as it protects not just the bare minimum of expression but also fierce, offensive and strong expression.¹⁹⁸ That holds in particular true if expression on matters of public interest is at stake, if the symbol at stake is a ‘public symbol’, or if the expression can be qualified as art.¹⁹⁹ Standard German jurisprudence accepts that expression may validly seek to be provocative or exaggerated. The rationale behind this consideration is that in today’s society are flooded with impressions (‘Reizüberflutung’),

¹⁹⁵ Directive 2006/114/EC, Preamble paras. 14 and 15.

¹⁹⁶ ECJ 25 October 2001 *Toshiba v. Katun*, para. 37.

¹⁹⁷ *Ibid.* para. 36; ECJ 23 February 2006 *Siemens v. Vipa*, paras. 22 and 24; ECJ 19 September 2006 *Lidl v. Colruyt*, para. 22.

¹⁹⁸ ECtHR 7 December 1976 *Handyside v. The United Kingdom*, para. 49;

¹⁹⁸ ECtHR 8 July 1986 *Lingens v. Austria*; ECtHR 1 July 1997 *Oberschlick v. Austria*, para. 38. (*calling a politician an idiot in public*); ECtHR 20 May 1999 *Bladet Tromsø and Stensaas*, para. 59.

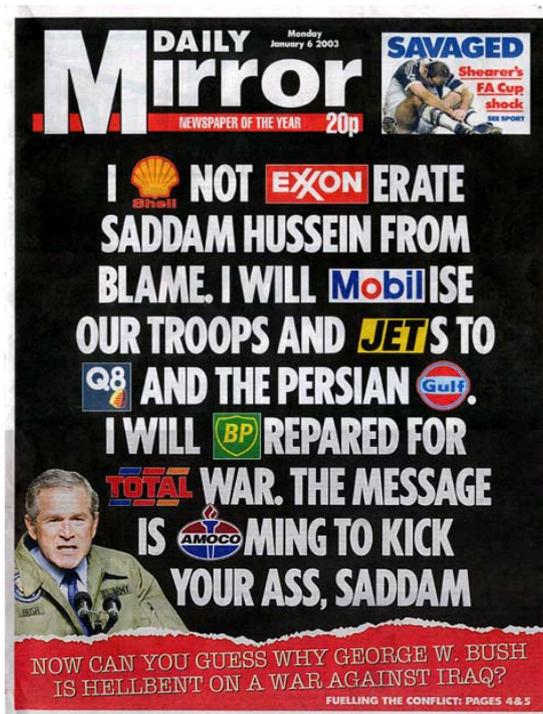
¹⁹⁹ See above section 3.5.1.

therefore the creation of a high level of attention may be necessary to effectively communicate a message.²⁰⁰

The use of alternative means test in relation to trademark use in non-commercial expression can lead to overly restrictive results,²⁰¹ as one of the elementary parts of the expression lies often in the *choice* of the trademark itself. As *Lee* puts it,

“In cases where the medium is the message, any inquiry into alternatives rests on the false perception that messages can be surgically separated from their media. Alternative means of communication, such as words, often lack the communicative power of symbolic actions such as flag burning. Additionally, the theoretical availability of alternative media is of little value to those who lack the skill or resources to use those media.”²⁰²

I therefore think that if courts want to secure any meaningful protection of freedom of expression, they must thus not satisfy themselves with assessing, whether alternative manners of expression are feasible.



Title page of the Daily Mirror, January 6 2003

²⁰⁰ BVerfG 6 November 1968 (GEMA), p. 286, „Da es der Sinn jeder zur Meinungsbildung beitragenden öffentlichen Äußerung ist, Aufmerksamkeit zu erregen, sind angesichts der heutigen Reizüberflutung aller Art einprägsame, auch starke Formulierungen hinzunehmen.“

²⁰¹ Aoki 1998, p. 592.

²⁰² Lee 1991, p. 451; see also Dreyfuss 1990.

A good example of such effective communication is the satirical use of the trademarks of major oil companies on the front-page of the Daily Mirror shortly before the 2003 U.S. led invasion of Iraq. The use of these trademarks was certainly not necessary to bring across the message that George Bush sole aim with the invasion may have been to gain control over Iraqi oil reserves. The manner in which this front-page was designed does however leave a much stronger impression than a message that would have been conveyed without using the marks. It is not necessary in a democratic society to prohibit the use of trademarks in this situation.²⁰³

5.5.1.3 *Interim Conclusion*

In sum, the restriction of third party use of trademarks to cases, in which a third party can show an insurmountable necessity, is far too restrictive, as it does not allow for an adequate balancing with Article 10 ECHR, but completely reverses the proportionality test under Article 10.2 ECHR. Under that Article *the impairment of freedom of expression* (i.e. the particular exercise of a trademark right) must either be based on a pressing social need and go no further than necessary (non-commercial expression), *or* it must be justifiable in principle and proportionate (commercial expression).

In my opinion, the question whether the user has alternative means to inform consumers or to express himself should thus, while sometimes being a decisive consideration, never be the only decisive consideration, because it does not leave adequate room for the consideration of the interest of a third party user, the interests of consumers, or that of the general public.

5.5.2 *BALANCING WITH FREEDOM OF COMMERCIAL EXPRESSION*

In the following paragraphs, I will to examine the interpretation of the limitations to trademark rights provided by Article 6.1 TMDir and the CompAdvDir and I will analyse whether this interpretation is in accordance with the freedom of commercial expression under Article 10.2 ECHR.

The limitations of Article 6.1.b and c TMDir, allowing descriptive use and referential use, 204 and the CompAdvDir, allowing for trademark use in comparative advertising provide vital room for balancing trademark rights with the interests of third parties. A possibly problematic fact with regard to these limitations to Article 5.1 TMDir is that they are themselves subject to limitations. Article 6.1 TMDir will not apply if the descriptive use or referential use is not “in accordance with honest practices in industrial

²⁰³ A Dutch court has, for instance, applied the alternative means test to prohibit use of logo's in stead of word marks in Rb. Amsterdam 6 January 2005 *Milieudéfensie v. Super De Boer*, “Niet noodzakelijk is echter dat Milieudéfensie daarbij het logo van Super de Boer gebruikt, omdat ook zonder gebruik van het logo door het gebruik van de naam Super de Boer duidelijk is dat het dat bedrijf betreft. Het – onnodige – gebruik van het logo heeft ook bij uitstek het gevolg dat afbreuk wordt gedaan aan de reputatie van het merk. Dit leidt tot de conclusie dat in beginsel deze vordering toewijsbaar is voor zover het gebruik van het logo (= beeldmerk) van Super de Boer betreft.”

²⁰⁴ Article 6.1.b and c are stating, “The trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade [...] (b) indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production (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.”

or commercial matters.” This is interpreted as a “duty to act fairly in relation to the legitimate interests of the trade mark owner,”²⁰⁵ which is only fulfilled if the use,

- (a) does not create the “impression that there is a commercial connection between the third party and the trade mark owner.”²⁰⁶
- (b) does not take an unfair advantage of the distinctive character or repute of the trademark,
- (c) does not discredit or denigrate the mark, or
- (d) does not present the third party products as an imitation.²⁰⁷

Similarly, under the CompAdvDir third party trademark use is only allowed if it fulfills a number of criteria, the most relevant being,

- (a) that the advertisement must not be confusing,
- (b) that it must not discredit or denigrate a trademark, or
- (c) that it must not take unfair advantage of the reputation of a trademark and
- (d) that it must not present the goods as an imitation.²⁰⁸

In relation to Article 5.1.a TMDir, this means that courts need to carry out a balancing process with respect to referential use, descriptive use, and use in comparative advertising whereby they need to consider all of these criteria. In relation to Article 5.1.b TMDir, the fact that none of the limitations apply if the third party use causes a likelihood of confusion including if it causes consumers to perceive that there is a commercial connection between the signs use and the trademark. This means that there is no effective limitation to the prohibition of confusing use, and, consequently, all the more attention should be paid to the problems I indicated above.²⁰⁹

In relation to Article 5.2 and 5.5 TMDir, the criteria that limit the limitations have to be taken account of when the third party use is balanced under the criteria of due cause and unfairness.

In the following paragraphs, I will examine the balancing in cases of identity protection and confusion, balancing in relation to free-riding and, in particular, the interpretation of the criterion of unfairness, balancing of the prohibition of blurring and balancing with tarnishment.

5.5.2.1 *Confusion*

a. *Descriptive Use*

The limitation allowing for *descriptive use* must be understood in the context of Article 3.1.c TMDir, the ground for refusal of descriptiveness. In section 4.2.2, I explained that Article 3.1.c TMDir must be interpreted in line with the public interest to

²⁰⁵ ECJ 23 February 1999 *BMW*, para. 61; ECJ 7 January 2004 *Gerolsteiner Brunnen*, para. 24.

²⁰⁶ ECJ 23 February 1999 *BMW*, para. 51 and 53.

²⁰⁷ ECJ 17 March 2005 *Gillette*, para. 49 . This interpretation of the criterion of honest practices must be understood in light of the fact that that Article seeks, “to reconcile the fundamental interests of trade mark protection with those of free movement of goods and freedom to provide services in the common market in such a way that trade mark rights are able to fulfil their essential role in the system of undistorted competition which the Treaty seeks to establish and maintain.” ECJ 23 February 1999 *BMW*, para. 62.

²⁰⁸ Article 4 of Directive 2006/114/EC.

²⁰⁹ See section 5.3.1.1.

keep trademarks available for all other traders. The same need also exists after rights have been granted, as descriptive meanings of signs must be kept available to make sure that free competition is not hampered and the freedom of commercial expression is not overly impaired. To that effect, Article 6.1.b,

“seeks to ensure that all economic operators have the opportunity to use descriptive indications.”²¹⁰

According to the ECJ, this means that the use of descriptive indications must remain available to them, i.e. Article 6.1.b TMDir entails ‘a requirement of availability’.²¹¹ This requirement closely resembles the interest protected by freedom of commercial expression of third party traders, i.e. to use trademarks in order to inform consumers.

For third party use to fall under the limitation of Article 6.1.b TMDir, the use,

“must [...] relate to one of the characteristics of the goods marketed or the service provided by that third party,”²¹²

This is similar to Article 3.1.c TMDir, where a sign is only held to be descriptive if it directly describes characteristics of goods and services.²¹³ There, I concluded that in order to achieve an adequate balance with freedom of commercial expression, that provision should cover not just directly, but also indirectly descriptive use, by which I mean use that describes circumstances surrounding the goods such as their effect, or their customer circles. In my opinion, the same conclusion can be drawn with respect to Article 6.1.b TMDir. If a sign like “Lief” (transl. “sweet”) is registered for baby clothing or the sign “Kinder” is registered for chocolate,²¹⁴ the requirement to keep such signs available to third parties even after registration persists as “Lief” is the most common exclamation with respect to a Baby and “Kinder” simply describes the customer circles of chocolate.²¹⁵

As indicated in section 5.3.1.2, the underlying problem is often that too many descriptive terms are in fact registered as trademarks. Such registrations can clearly create a negative impact upon freedom of commercial expression of third parties, if the limitations to trademark rights do not adequately keep that descriptive content accessible.²¹⁶ In this respect, I agree with the concerns raised by AG Colomer in his opinion in the *Marca II* case, where he stated that,

“I also venture to propose that it is not even necessary to interpret Article 6 restrictively merely because it is a provision which limits rights, namely the ones conferred by Article 5 of the Directive. What is exceptional in that case is that it is

²¹⁰ ECJ 10 April 2008 *Adidas v. Marca II*, paras. 45 and 46.

²¹¹ ECJ 10 April 2008 *Adidas v. Marca II*, para. 46. “Specifically, Article 6(1)(b) of the Directive seeks to ensure that all economic operators have the opportunity to use descriptive indications. As noted by the Advocate General in points 75 and 78 of his Opinion, that provision therefore gives expression to the requirement of availability.”

²¹² *Ibid.*, para 47; ECJ 4 May 1999 *Windsurfing Chiemsee*, para. 28.

²¹³ See above section 4.2.2.1.

²¹⁴ See section 5.3.1.2.

²¹⁵ On partly descriptive signs e.g. BGH 15 January 2004 (CD-Fix). See also Dinwoodie 2007 arguing for the adoption of linguistic concepts in trademark law. E.g. on p. 15 “the divide in linguistics between “use” and “mention” or “reference” might be really helpful as we begin to develop an understanding of the types of use that should be permitted; our current legal vocabulary is very unhelpful.”

²¹⁶ See section 4.2.2.

possible to hold a mark which, under a strict application of the criteria, would be available for everyone. The fact that the mark has subsequently been monopolised, because it is part of a complex sign or in error, cannot be invoked to the detriment of other economic operators who seek freely to use such descriptive indications, or to the detriment of the other group of individuals affected by the provision, in other words consumers, who seek transparent, truthful information which is exactly what those indications generally provide.”²¹⁷

From the viewpoint of freedom of expression, it seems that it is not necessary in a democratic society that trademark rights are granted in weak or descriptive signs, as such signs may not function properly as trademarks and the rights granted in them may severely impair the freedom of third parties to inform consumers. Consequently, if trademark registrations over descriptive signs that are wrongly granted, it would be important that courts use the limitation of Article 6.1.b TMDir to counteract the negative effects of trademark rights in descriptive signs.

Interestingly, Article 6.1.b TMDir may provide a partial limitation to the prohibition of confusing use. According to the ECJ,

“[t]he mere fact that there exists a likelihood of aural confusion between a word mark registered in one Member State and an indication of geographical origin from another Member State is [...] insufficient to conclude that the use of that indication in the course of trade is not in accordance with honest practices. In a Community of 15 Member States, with great linguistic diversity, the chance that there exists some phonetic similarity between a trade mark registered in one Member State and an indication of geographical origin from another Member State is already substantial and will be even greater after the impending enlargement.”²¹⁸

Moreover, the BGH held in its *CD-Fix* decision, that third party trademark use would be against honest practices in the absence of a *Freihaltebedürfnis* and where there is no need of a third party to use a sign.²¹⁹ *A contrario*, this may mean that if there is a *Freihaltebedürfnis* (or a need for availability), i.e. if a sign is clearly descriptive, and there is a demonstrable need to use the sign, a limitation of Article 5.1.b TMDir may be possible. In my opinion, such an interpretation lays the right focus on the need to keep signs free, which is particularly great if signs are clearly descriptive.

Finally, when considering the question, whether descriptive use is in line with honest practices, i.e. whether a commercial connection is implied by the use made of a trademark by a third party, it is important that courts do not assume such a connection to exist when only a minority of consumers assumes such a connection.

²¹⁷ Compare AG Colomer 16 January 2008 *Adidas v. Marca II*, para. 75 .

²¹⁸ ECJ 7 January 2004 *Gerolsteiner Brunnen*, para. 25.

²¹⁹ BGH 15 January 2004 (CD-Fix) „Von den Beklagten ist auch nicht dargelegt, daß sie auf eine Benutzung des Zeichens zur Beschreibung ihrer Waren angewiesen sind und keine andere (abgewandelte) Bezeichnung wählen können, die aus dem Schutzbereich des § 14 Abs. 2 Nr. 2 MarkenG herausführt. In einem solchen Fall ist die markenmäßige Verwendung des Kollisionszeichens im Verwechslungsbereich mit der Klagemarke regelmäßig unlauter.“

b. Referential Use and Comparative Advertising

As I argued in section 5.5.1.2, the requirement that referential use is only allowed if referential use is *necessary*, may be too restrictive when viewed from the perspective of freedom of commercial expression. Indeed, even if such use is not strictly necessary, e.g. the use of logos to indicate the re-sale of goods where the use of the word mark would indicate the same, consumers may derive great benefits from receiving the information in the form of logos, as in many contexts the use of logos is much clearer to consumers than the use of word marks. In this respect, one may think of logos used on the Internet to indicate the destination of goods or logos used as click buttons in product comparison lists. A restriction of such use, given that no clear confusion or clearly unfair advantage is taken,²²⁰ may not be in line with Article 10 ECHR.

It would be more in line with Article 10 ECHR if courts interpreted Article 6.1.c TMDir similar to the CompAdvDir, which lays a strong focus on the consideration of the interests of consumers,²²¹ and it instructs courts to interpret comparative advertisements in the most favourable manner.²²²

5.5.2.2 Taking Unfair Advantage (Free-Riding)

As stated above, trademark use in comparative advertising, referential use, and descriptive use is not lawful if it gives the public “a false impression of the relationship between the advertiser and the trade mark owner,” as such use may be deemed to constitute the taking of unfair advantage of or being detrimental to the distinctive character or repute of a trademark.²²³ In this paragraph, I will specifically examine the balancing under the CompAdvDir, as it provides, in my opinion, a model for the balancing process under the limitations of trademark law.

Comparative advertising must not take unfair advantage of the reputation of a trademark and according to the ECJ, use in comparative advertising is permissible even if it takes a certain advantage of a trademark, as,

“[a]n advertiser cannot be considered as taking unfair advantage of the reputation attached to distinguishing marks of his competitor if effective competition on the relevant market is conditional upon a reference to those marks.”²²⁴

In fact, the ECJ seems to require that the taking of an unfair advantage is dependent on an image transfer between the signs of the competitor and the sign of the advertiser. In the opinion of the Court, comparative advertising,

“[e]nables him to take unfair advantage of the reputation attached to those marks only if the effect of the reference to them is to create, in the mind of the persons at whom the advertising is directed, an association between the manufacturer whose

²²⁰ See the following section.

²²¹ See above section 5.5.1.2. ECJ 8 April 2003, *Pippig v. Hartlauer*, para. 83, “it is important to note that, according to the 15th recital in the preamble to Directive 97/55, use of another’s trade mark, trade name or other distinguishing marks does not breach that exclusive right in cases where it complies with the conditions laid down by the directive.” See also *Kabel* 2003b.

²²² ECJ 25 October 2001 *Toshiba v. Katun*, para. 37; see also *Kabel* 2001.

²²³ ECJ 25 October 2001 *Toshiba v. Katun*, para. 55, with reference to ECJ 23 February 1999 *BMW*, para. 40.

²²⁴ ECJ 25 October 2001 *Toshiba v. Katun*, para. 54.

products are identified and the competing supplier, in that those persons associate the reputation of the manufacturer's products with the products of the competing supplier.”²²⁵

As I argued above, the requirement of transfer of a specific part of the image is preferable from the perspective of freedom of commercial expression. However, this requirement is not sufficient to provide enough space for comparative advertising or referential use and descriptive use of the type of “Our product employs the X® standard”. In the case of the advertisement stating ‘if you like product X®, you will love product Y’ a transfer of product characteristics and consequently a transfer of reputation may take place. In fact, this transfer may even be desirable, as, for the consumer, it is precisely this transfer of qualitative elements from the one product to the other, which delivers the benefit in information. The same applies to the use of a trademark of original ink cartridges of a well-known producer of printers in relation to replacement cartridges of an unknown producer, when they are of roughly equal in quality.²²⁶ Such use is truthful and, not misleading, but consumers may be induced to transfer part of the reputation of the well-known trademark to that of the unknown producer’s products. Such a transfer is however inherent in the comparison, in referential use, or in descriptive use.

Where the comparison is truthful and not misleading, I think that a certain transfer of reputation should not be regarded as unfair. Rather, proof by the plaintiff of an additional criterion of unfairness remains essential, otherwise the freedom of expression of a third party trader to inform consumers may be impaired too severely.²²⁷ The ECJ took a similar position in the context of referential use, where it held that,

“the mere fact that the reseller derives an advantage from using the trade mark in that advertisements for the sale of goods covered by the mark, which are in other respects honest and fair, lend an aura of quality to his own business does not constitute a legitimate reason within the meaning of Article 7(2) of the directive.”²²⁸

Similarly, AG Tizzano opined that,

“indication of the brand name of a competitor's products is not contrary to Article 3a(1)(g) [of the Directive on Comparative advertising] where such indication is justified by the objective requirement to identify the competitor's products and highlight the qualities of the products that are being advertised (if necessary by a direct comparison between them) and that its sole aim is not therefore to take advantage of the reputation of the trade mark, trade name or other distinguishing marks of a competitor.”²²⁹

²²⁵ ECJ 25 October 2001 *Toshiba v. Katun*, para. 60. See also Harte-Bavendamm & Henning-Bodewig 2004, p. 1362.

²²⁶ See also ECJ 17 March 2005 *Gillette*, para. 49.

²²⁷ Note also the discussion of the ethical and fairness based rationales in section 2.3.3, which showed that the criterion of unfairness means that a company *deserves* nothing more with its investments in trademarks and other investments than a fair shot at fair but possibly harsh competition. Taking advantage of a trademark or reducing a mark’s market share are regular forms of fair competition. They are not *per se* unfair. Third party use should thus only be prohibited above a certain threshold of unfairness.

²²⁸ ECJ 23 February 1999 *BMW*, para 53.

²²⁹ AG Tizzano 12 September 2002 *Pippig v. Hartlauer*, para. 32 (underline added).

I entirely agree with these two statements, as also from the perspective of freedom of expression it would be better if the taking of advantage of the reputation of a trademark would only be considered unfair, if such advantage was the *sole aim* of the third party trader. Without such a substantiated threshold criterion of unfairness too many forms of comparative advertising, referential use of descriptive use may be prohibited. Moreover, consumers may be deprived of gain vital information that could be provided by third party use.

In this context, I deem the interpretation of unfairness give in the ECJ's *l'Oréal* case as too restrictive, since it does not substantiate the criterion of unfairness, but rather states that an *unfair* advantage is taken when a third party rides,

“on the coat-tails of that mark in order to benefit from its power of attraction, its reputation and its prestige, and to exploit, without paying any financial compensation and without being required to make efforts of his own in that regard, the marketing effort expended by the proprietor of that mark in order to create and maintain the image of that mark.”²³⁰

This definition does not set a high enough threshold of unfairness and thus may lead to an interpretation that is conflicting with third party freedom of expression.²³¹

Rather, the approach taken by the CompAdvDir is preferable. Under that Directive,

“the benefit of comparative advertising to consumers must necessarily be taken into account when determining whether an advertiser is taking unfair advantage of the reputation of a trade mark, trade name or other distinguishing marks of a competitor.”²³²

A comparison of the goods of an unknown producer with that of the market leader may thus not be regarded as unfair *per se*.²³³ In such cases, the transfer of a portion of reputation may occur, but the interest of the trademark right holder in the protection of the mark may be outweighed by the information benefits that occur to the consumers.

In my opinion, this interpretation, which makes room for balancing the interests of right holders, third party users, and consumers, seems fully in line with the aims of freedom of commercial expression, as this freedom is granted to a trader in order to inform consumers. The CompAdvDir has thus added vital breathing space to the TMDir in respect of comparative advertising. It would be fully in line with freedom of commercial expression to introduce similar considerations in the balancing process in relation to referential use and descriptive use under the TMDir.

5.5.2.3 *Blurring and Generic Use*

In section 5.4.3.1, I mentioned that a prohibition of clear blurring may be in line with freedom of commercial expression, but that care must be taken when signs are use in a descriptive or generic manner. Here, I want to address one specific conflict between generic use and the prohibition of blurring, i.e. the use of the name of a drug by a doctor in order to inform a pharmacist which type of drug to provide to a consumer.

²³⁰ See above section 2.3.2.3.

²³¹ See above section 2.4.3.3.

²³² ECJ 23 February 2006 *Siemens v. Vipa*, para. 24; see also Kabel 2006.

²³³ Compare Harte-Bavendamm & Henning-Bodewig 2004, p. 1364.

In the Dutch *Tanderil* case, a doctor was held liable for trademark right infringement exactly because he had issued a prescription that had instructed a pharmacist to issue a drug like Ciba Geigy's Tanderil. The national court found that such use of the trademark 'Tanderil' by the doctor was blurring that mark. The doctor's claim that his freedom of expression would be violated by honouring Ciba Geigy's trademark claim was rejected both by the national courts and by the European Commission on Human Rights. The Hof Den Haag rejected the argument based on Article 10 ECHR, because, in its view, the Doctor had not substantiated what kind of information benefit the trademark use had provided to the consumers.²³⁴

The European Commission on Human Rights found the case not to be admissible. It examined whether the interference complained of was "proportionate to the legitimate aim pursued' and whether the reasons adduced by the national authorities to justify it [were] 'relevant and sufficient',"²³⁵ but found no violation of Article 10 ECHR. It deemed the restriction proportionate because the doctor could have used an alternative manner to achieve the aim of reducing medical costs. He could have phrased

"medical prescriptions in such a way that the rights of trade mark owners are respected, namely by the mere use of generic names in medical prescriptions."

In my opinion, this restriction does not seem proportionate under Article 10.2 ECHR. First, as set out above the alternative means of expression test accepted by the ECommHR is flawed because it reverses the actual proportionality test under Article 10.2 ECHR. The proportionality test under Article 10.2 ECHR must assess whether the impairment of the expression did not go further than necessary to achieve the stated aim. The alternative means test used by the ECommHR, however, assesses whether the impairment of the trademark right had been as minimal as possible, i.e. the freedom is not impaired when there is any other way of to express oneself.²³⁶

Second, in balancing the interests at stake the court could have considered that the harm caused to the distinctive character of the trademark may have been small. In the case of prescription drugs the end users, who actually take the drugs, are no 'consumers' in the ordinary sense and they do not decide themselves, which drugs to purchase. Rather the economic decision is taken by the doctor and the pharmacist, both of which can clearly distinguish between the original and the generic drug. In their professional minds, the distinctive character of the trademark may thus not be affected.

²³⁴ Hof Den Haag 9 January 1987 *Nijs v. Ciba Geigy*, para 10. "In par. 14 van hun meergenoemde conclusie - betrekking hebbend op grief V volgens welke dokter Nijs een 'geldige reden' heeft, in de zin van art. 13-A-2 van de Beneluxmerkenwet, voor het uitschrijven van de onderhavige recepten - doen Nijs c.s. 'uitdrukkelijk beroep op het grondrecht van de informatievrijheid, als gegarandeerd bij art. 10 van het ECRM-verdrag en art. 19 van het Verdrag inzake burgerlijke en politieke rechten'. Boven de merkrechten van Ciba-Geigy zouden prevaleren het 'fundamentele recht' van dokter Nijs om zijn patiënten zorgvuldig op zijn eigen wijze te informeren en het fundamentele recht van zijn patiënten om dergelijke informatie te ontvangen. Het betoog - daargelaten of het thans nog aan de orde kan komen - faalt nu niet wordt vermeld en uit het betoog ook niet valt af te leiden welke informatie door de onderhavige recepten aan de patient wordt verschaft en welke informatie de patient zou worden onthouden indien die recepten niet mogen worden uitgeschreven." Confirmed by Hoge Raad 20 January 1989 *Nijs v. Ciba Geigy*. See Dommering 2008, p. 199, who is critical about this ruling.

²³⁵ ECommHR 9 September 1992 *Nijs v. Netherlands*, citing ECtHR 26 November 1991 *Sunday Times v. United Kingdom*, para. 50.

²³⁶ See above section 5.5.1.

Third, and most importantly from the perspective of freedom of expression, the national Courts as well as the ECommHR neglected that the use made of the trademark by the doctor carried significant information benefits. Drug producers in most cases enjoy a patent protection term of 20 years, in which no other producer is allowed to sell a generic version of the same drug. After these 20 years, the trademarked name of the drug will often have burned itself into the mind of doctors and pharmacists. Use of the trademark on a doctor's prescription can efficiently and without much risk of confusion inform a pharmacist of the kind of drug to issue. Issuing the generic drug can in turn help to save costs in a sector that is plagued by soaring costs.

Therefore, considering the diminished possibility for harm in the particular case and the information benefits that the particular trademark use can enable, it was not *justifiable in principle and proportionate* to prohibit the generic use of the trademark on the prescription.

In my opinion, this case is exemplary for the need to give proper weight to consumer (or recipient) interests in a manner similar to that proposed by the CompAdvDir, if third party use is descriptive or referential and only a small risk of blurring exists.

5.5.2.4 *Tarnishment, Discrediting Use, and Denigration*

As regards the prohibition of tarnishment, I argued above that the prohibition of *real* denigration or discrediting use of a trademark through referential use, descriptive use, or comparative advertising is in accordance with Article 10.2 ECHR.²³⁷ A prohibition because of tarnishment is warranted, for instance, if a comparison is made with goods of clearly inferior quality in a manner that creates the untrue impression of equal quality. Such a comparison may both cause harm to the repute of the trademark and it may mislead consumers as to the real qualities of the replacement. Consequently, a prohibition of this advertisement is justified under Article 10.2 ECHR, because misleading commercial expression falls foul of freedom of commercial expression.

However, I think that care should be taken not to prohibit truthful information or comparisons. Where third party use is truthful and non-misleading, but causes clear harm, a careful balancing process should be carried out.

To mention just one example, price comparison can automatically shed a slightly negative light on the competitor, because an advertiser will always try to make his products look more appealing and favourable than those of the competitor. As long as the statements made are truthful and not misleading, that effect of reducing the appeal of the other trader's goods and services and its trademarks is however an unavoidable element of price comparisons.²³⁸ Since truthful price comparisons provide vital information to consumers, prohibitions may not be justifiable under Article 10.2 ECHR. One may require, as the CompAdvDir does, that a comparison must be objective and about comparable characteristics.²³⁹ This requirement must however not be overstretched, as it is not justifiable under Article 10.2 ECHR to demand from an advertiser to compare *all*

²³⁷ See section 5.4.3.1; Hof Arnhem 20 March 2007 (UPC/KPN); V.zr. Rb. Arnhem 26 April 2007 (GSK/Pronova); Hof Arnhem 19 November 2002 (Specsavers/Fielmann); Rb. Amsterdam 13 January 2005 (McDonalds/Burger King).

²³⁸ ECJ 8 April 2003, *Pippig v. Hartlauer*, para. 84.

²³⁹ Article 4.b and c CompAdvDir.

characteristics of goods in a price comparison.²⁴⁰ According to the ECtHR, such a requirement impairs “the very essence of price comparison”²⁴¹ and is thus not necessary in a democratic society. In my opinion, similar considerations should apply to referential use and descriptive use.

A further type of third party use that may need balancing is use, in particular in comparative advertising, which pokes fun at a competitor in a manner that may tarnish that competitor’s mark.²⁴² Courts may consider that humour makes it less likely that harm is actually caused. However, if that trader is otherwise allowed to publish a comparative advertisement, but merely prohibited from making a humorous statement that causes harm to the trademark right holder, the freedom of commercial expression of the trader may, not be disproportionately impaired. In this respect, I think that freedom of expression only comes strongly into play, if the advertisement is also of public interest in a manner that heightened protection would apply.²⁴³

5.5.2.5 *Interim Conclusion to Freedom of Commercial Expression*

In this section, I analysed the balancing of trademark rights with freedom of commercial expression under the limitations of Article 6.1 TMDir, the criteria of unfairness and due cause contained in Article 5.2 and 5.5. TMDir and the Comparative Advertising Directive. As I explained in the introduction to section 5.5, I took the position that the limitation of Article 6.1 TMDir as well as the CompAdvDir are subsumed under the criteria of unfairness and due cause.

Overall, I argued that, from the perspective of freedom of expression, a strong focus on the aims of the limitations would help greatly to influence balancing processes in a manner that no disproportionate impairments of freedom of commercial expression are caused. Under Article 6.1.b TMDir these aims are expressed by a criterion of availability and in relation to the CompAdvDir this is the protection and furtherance of consumer interests.

Difficulties to achieve these aims may arise since the limitations of Article 6.1 TMDir and the CompAdvDir both contain limitative criteria, which means that third party descriptive use, referential use or use in comparative advertising: (a) does not create the “impression that there is a commercial connection between the third party and the trade mark owner,” or that it is not causing confusion (CompAdvDir); (b) does not take an unfair advantage of the (distinctive character (TMDir)) or repute of the trademark, (c) does not discredit or denigrate the mark, and (d) does not present the third party products as an imitation.

First, I turned to the balancing of Article 5.1 TMDir with the limitation of descriptive use. From the perspective of freedom of expression, the limitation allowing for descriptive use provides an important limitation of trademark rights. I argued it may have to be used by courts to provide a counterbalance if a third party uses a trademark that should arguably have been refused for reasons of descriptiveness. Moreover, that

²⁴⁰ ECtHR 11 December 2003 *Krone Verlag v. Austria*.

²⁴¹ *Ibid.*, para. 33.

²⁴² E.g. Hof Arnhem 20 March 2007 (UPC/KPN); Rb. Amsterdam 13 January 2005 (McDonalds/Burger King).

²⁴³ See above section 3.5.3, and in particular the discussion of the BGH’s Benetton decisions.

limitation should be interpreted more expansively as it should cover also the description of circumstances surrounding goods or services, such as the customer circles or the intended purpose or result of the goods or services.

It became clear that identity protection under Article 5.1.a TMDir must be balanced against all the criteria mentioned above, whereas the limitations of Article 6.1 TMDir do in fact not provide a limitation to the prohibition of confusing use, as according to criterion (a) their application is excluded in such a case.

I argued that in both cases, courts should take the underlying aims of Article 6.1 TMDir and the CompAdvDir into account and that they should give proper weight to the requirement of availability under Article 6.1.b TMDir as well as to the consumer interests protected by the CompAdvDir. Weight should also be given to consumer interests in relation to referential use. As I argued in section 5.5.1, the restriction of referential use to cases where such use is necessary, may be too restrictive and may thus disproportionately impair with Article 10 ECHR.

Also if third party use is confusing to some consumers, whereas others receive great information benefits courts should weigh the consumer interests as a restriction in cases of only minor confusion may not be proportionate under Article 10 ECHR.

In relation to balancing the prohibition of *taking unfair advantage*, I argued that the CompAdvDir has added vital breathing space to the TMDir in respect of comparative advertising and that it would be fully in line with freedom of commercial expression to introduce similar considerations in the balancing process in relation to referential use and descriptive use under the TMDir. Consequently, where a comparison, referential use, or descriptive use is truthful and not misleading, a certain transfer of reputation cannot, be regarded as unfair. Rather, proof by the plaintiff of an additional criterion of unfairness remains essential, otherwise the freedom of expression of a third party trader to inform consumers may be impaired too severely. That unfairness needs to be of a more substantiated nature than indicated by the ECJ in its *l'Oréal* decision.

In relation to the prohibition of *blurring*, I discussed one exemplary conflict with generic use, i.e. the use of the name of a drug by a doctor in order to inform a pharmacist which type of drug to provide to a consumer. I argued that even in such a case, courts need to carefully weigh the harm caused with the freedom of the doctor to provide information to a pharmacist. It would not be *justifiable in principle and proportionate* to prohibit generic use because the doctor could have used other means to inform the pharmacist.

As regards the prohibition of *tarnishment*, I argued that the prohibition of *real* denigration or discrediting use of a trademark through referential use, descriptive use, or comparative advertising is in accordance with Article 10.2 ECHR.²⁴⁴ Where third party use is truthful and non-misleading, but causes clear harm, a careful balancing process should be carried out and it is, in my opinion, not proportionate to prohibit e.g. a price

²⁴⁴ See section 5.4.3.1; Hof Arnhem 20 March 2007 (UPC/KPN); V.zr. Rb. Arnhem 26 April 2007 (GSK/Pronova); Hof Arnhem 19 November 2002 (Specsavers/Fielmann); Rb. Amsterdam 13 January 2005 (McDonalds/Burger King).

comparison solely because it may shed a negative light on a competitor and because it did not compare all characteristics of goods or services.

In relation to humorous, yet denigrating, use of trademarks in e.g. comparative advertising, I argued that the freedom of commercial expression of a third party would probably not be disproportionately impaired if he were prohibited from providing information to consumers in a humorous manner, but if he is otherwise allowed to publish the comparative advertisement. There would only be a disproportionate impairment if there is a public interest implicated in the expression and the expression needed thus to be protected strongly under Article 10.2 ECHR.

5.5.3 BALANCING WITH FREEDOM OF NON-COMMERCIAL AND MIXED EXPRESSION

In this section, I will analyse whether the balancing under the limitations of Article 6 TMDir and the criteria of due cause and unfairness ensure that no disproportionate impairment is caused to freedom of non-commercial and mixed expression of third parties.

I will first (section 5.5.3.1) turn to assessment of the commerciality in mixed expression. I will summarise the findings in respect of the assessment of commerciality and I will examine whether appropriate protection could be granted in a process of balancing under Article 6.1 TMDir and under the criteria of unfairness and due cause contained in Article 5.2 TMDir. Furthermore, I compare the situation under European trademark law with that under the U.S. Lanham Act, where a specific non-commercial use exception exists.

In section 5.5.3.2, I will explore the balancing in cases where a third party uses newly developed meanings of trademarks in non-commercial or mixed expression and, in particular, whether Article 6.1.b TMDir provides a limitation to trademark rights in such cases. Furthermore, I will explore whether there is room for the balancing of the interest of citizens in expressive diversity.

In section 5.5.3.3, I will explore cases, whereby trademarks are used and transformed in processes of social, cultural or political meaning making. Moreover, I will explore whether a parody exception would provide adequate room for balancing in such situations.

In section 5.5.3.4, I will discuss general considerations relating to the balancing of harm with freedom of expression, and in section 5.5.3.5, I will take a final look at the chilling effects caused by trademark law and trademark litigation.

5.5.3.1 Assessing Commerciality in Mixed Expression

In various parts of this research I laid out that correctly judging mixed expression is a key prerequisite under Article 10 ECHR when dealing with a conflict between a trademark right and the freedom of expression of a third party trademark user. In this section, I will revisit the interpretative solutions to the constitutive criteria of the scope of trademark rights and I will provide a number of balancing criteria that courts should take into account in their assessment of commerciality. Moreover, I will explore the possibility of adding a non-commercial use exception to trademark law.

a. Balancing under European Trademark Law

The discussion in section 5.2 has shown that the criterion of ‘use in the course of trade’ has eroded in a manner that it no longer provides for a limitation of trademark rights to purely commercial and competitive activity. All third party use that “takes place in the context of commercial activity with a view to economic advantage and not as a private matter”,²⁴⁵ is covered, meaning that trademark rights do cover trademark use that is protected strongly as under Article 10 ECHR, i.e. mixed expression that is partly commercial but carries elements that are of public interest.

Article 5.1 TMDir covers mainly purely commercial use, as it is restricted to use in relation of identical or similar goods and services. However, as I indicated in section 5.3.2.2, it had been extended in a manner to cover e.g. trademark use in parody or criticism, voiced on or in identical or similar expressive goods or services. In such a case, the limitations of Article 6.1 TMDir are of no avail, as they are limited to the purely commercial context, i.e. allowing for use that indicates the designation or use that (directly) describes characteristics of the goods and services. The only way, for a court to protect such use under trademark law and without resorting to external balancing, is to reach the finding that the use is not confusing or that it does not affect the essential function of a trademark. Absent such a finding, a court cannot, within trademark law, adequately balance the trademark rights against freedom of expression of a third party. Moreover, the ECJ seems to extend the scope of Article 5.1.a TMDir to use that affects the other functions of trademarks, e.g. the advertising function. This means, in my opinion, that the inclusion in trademark law of an additional limitation for trademark rights providing an open space for balancing Article 5.1 TMDir with freedom of expression may be necessary.

Under Article 5.2 TMDir, the criterion of ‘use in relation to goods and services’, which may in the past have provided a possibility to exclude mixed expression that deserves high protection, has virtually evaporated, as it is satisfied already when the relevant public makes an association or link between the sign used and a trademark with a reputation. Moreover, the definitions of taking advantage, blurring and tarnishment do not adequately distinguish between commercial third party use and non-commercial third party use.

A clear conflict exists between the prohibition on taking unfair advantage and freedom of non-commercial expression, as this prohibition is interpreted as prohibiting the taking of advantage of the ‘level of attention’ assembled by a trademark. One of the rules following from the jurisprudence of Article 10.2 ECHR is that the greater the public interest in expression, the stronger its protection must be. Consequently, the use of signs and symbols that carry a high level of attention must be strongly protected, just because they carry a high level of public attention. This is especially true when these signs symbolise social or political phenomena. The mere fact that the trademark use also increases sales cannot be the decisive factor for a prohibition,²⁴⁶ if the expression is otherwise of public interest.

²⁴⁵ ECJ 12 November 2002 *Arsenal Football Club*, para. 40; confirmed in CFI 10 April 2003 *Travellex v. Commission*, para. 93 and CFI 10 May 2006 *Galileo v. European Commission*, para. 114.

²⁴⁶ See above section 3.5.3. In particular, ECtHR 25 March 1985 *Barthold v. Germany*; ECtHR 17 October 2002 *Stambuk v. Germany*; BVerfG 11 March 2003 (Benetton II).

In section 5.4.2, I concluded that, in fact, the prohibition of *taking advantage* of the distinctiveness of a trademark must not at all be applied to trademark use in expression that is of public interest and that taking advantage of the repute only should be actionable if a transfer of specific parts of the image from the trademark to the sign used by the third party. This would ensure a limitation of trademark rights to use that takes commercial advantage.

Similar caution must be exercised with respect to the prohibition of blurring, which protects the ‘hold upon the public’s’ mind or unique position (*German* “Alleinstellung”)²⁴⁷ of trademarks against interferences, by locking down a single and fixed meaning of the sign. I argued that this ‘hold upon the public’s mind’ of a trademark might be something that can be protected against harm in pure commercial communication. In public discourse, however, rights holders cannot reserve a space in peoples’ minds, as it is one of the most basic principles of the protection under Article 10 ECHR that the more attention is accumulated by an idea, person, or symbol the sooner a third party is justified in making that idea, person or symbol the subject of public debate and thus in breaking through the hold of a trademark on the public’s mind. The prohibition of blurring, may thus reach further than necessary in a democratic society, if it is not counterbalanced under the criterion of due cause.

In relation to harm to the repute of a trademark or tarnishment, I concluded that in a case, where real harm is caused, it will be necessary to enter in a balancing process. However, if the repute to be protected consist of no more than an imaginary positive image, and the expression simply addresses the imaginary nature of that image, or if the repute covers, in fact, a government policy, a court may consider that no relevant harm has been caused as, in public discourse, as the protection of such repute may not be warranted against the presentation of a differing view.

If courts do not follow the more categorical approach of redefining the criteria of harm in taking advantage, blurring or tarnishment, they must carry out a balancing process under the criteria of unfairness and due cause and they must ensure that mixed expression that is of public interest will receive high protection pursuant to Article 10 ECHR. I want to discuss a few examples of such balancing.

Art or parody that use well-known trademarks almost inevitably use the level of attention inherent in trademarks and they will often break the hold upon the public’s mind of a trademark. The same holds true for criticism of or comments on the proprietors of famous trademarks, which may in addition tarnish a trademark.

In the *Mordoro-Poker* case, the German BGH held that an anti-smoking commercial had been taking advantage of the Marlboro trademark, but that this could not be considered unfair. The defendant had published a calendar with anti-smoking posters, which were mocking the commercial campaigns of Marlboro, Camel and other cigarette brands. In its decision, the BGH recognised that in order to make a critical statement about the advertising tactics of the plaintiff, the defendant was justified in taking advantage of the level of knowledge and the image of the Marlboro trademark. The pure

²⁴⁷ Koch 2001, p. 110.

fact that the commercial power of the plaintiff was influenced by the poster could not be qualified as unfair.²⁴⁸

In the *Lila Postkarte* case, the BGH decided that the artistic freedom under Article 5.3 GG of a third party using a trademark use on a humorous postcard must prevail over possible free-riding if the expression is not following purely commercial aims. It held that the viewers will be able to recognise that the particular message is humorous and critical.²⁴⁹

The critical Dutch magazine article featured on a front-page employing the Philips trademark altered by adding swastikas had clearly used the level of attention of the Philips mark to increase the sales of the magazine. However, this commerciality should, in my opinion, not have been decisive, as the article was published by the press and the trademark merely created attention for the substance of the article, which dealt with allegations of abuse of Philips personnel in the 1930ies and 40ies.²⁵⁰

Likewise, the use on the Internet by an anti-hunting association of a parody, in which a small person urinated on the trademark of the German hunting federation, exploited the level of attention of the trademark to increase the sales of the association's newsletter. Also such commerciality should not be decisive, as the use of the parody created attention for the cause of the anti-hunting federation and it is an expression of its disgust of the practice of hunting.²⁵¹

Even if third party use is of a very commercial nature it may have to be protected strongly under Article 10 ECHR. For instance, it is not proportionate under Article 10 ECHR to prohibit a singer to publish a song about the Dutch fad to collect little furry mascots in support of the Dutch national soccer team in the wake of the 2006 soccer world championships. The mascots called 'Wuppie' were definitely commercial as they were sold as a marketing tool by Albert Heijn, one of the largest Dutch super market chains. Simultaneously, they were also a social phenomenon, a fad, that was omnipresent in the months before the championship.

²⁴⁸ BGH 17 April 1984, "Satirische Verfremdung einer Zigarettenwerbung", NJW 1984, p. 1957 „Die Bekl. kann dem Kl. auch nicht vorwerfen, er wolle die „Anti-Werbung“ für seine Kritik allein deshalb einsetzen, um mit der Werbekraft ihres Namens seine Kritik schlagkräftiger zu machen. Selbstverständlich beruht der Umkehrungseffekt, der von dem angegriffenen Kalenderblatt ausgeht, auf dem Bekanntheitsgrad der Marke „Marlboro“ und ihres Werbe-Images. Das wird bei einer „Anti-Werbung“ regelmäßig der Fall sein. Der Bekl. ist auch zuzugeben, daß ein Vorgehen, welches sich auf diese Weise an den Werbeaufwand eines anderen „anhängt“, nicht ohne weiteres hingenommen werden muß. Im Streitfall kann der Kl. aber, wie dargelegt, sachliche Gründe für ein Anknüpfen an die Zigarettenwerbung der Bekl. mit einer „Anti-Werbung“ in Anspruch nehmen. Für die Annahme, daß für den Kl. im Vordergrund steht, in anstößiger Weise gerade die Wirtschaftskraft der Bekl. in die Verfolgung seiner eigenen Interessen einzuspinnen, ist hier, wo die „Anti-Werbung“ Kritik an den Methoden der Zigarettenwerbung und ihrer Bedeutung für die Gefahren des Rauchens üben soll, kein Raum.“

²⁴⁹ BGH 3 February 2005 (*Lila Postkarte*), „Den Verbrauchern wird die in der scherzhaften Gestaltung der Postkarten ebenfalls liegende kritische Auseinandersetzung mit den Marken und Werbeauftritten der Klägerin nicht verborgen bleiben, mag die Beklagte auch - wie das Berufungsgericht angenommen hat - vorrangig kommerzielle Ziele mit der Verbreitung der Postkarte verfolgen (a.A. Ingerl/ Rohnke aaO § 14 Rdn. 174).“

Erweist sich die in Rede stehende Gestaltung der Postkarte aber nicht als eine Verunglimpfung der Marken der Klägerin und läßt sich auch nicht annehmen, daß die Beklagte ausschließlich kommerzielle Zwecke mit dem Vertrieb der Postkarte verfolgt, hat der Schutz der Kunstfreiheit im Streitfall Vorrang vor dem Schutz der Eigentumsgarantie nach Art. 14 Abs. 1 Satz 1 GG.

²⁵⁰ Pres. Rb. Amsterdam 18 December 1981 *Philips v. Haagse Post*.

²⁵¹ OLG Köln 10 March 2000 (Kampagne gegen die Jagd).

By singing that when he is drunk he would see ‘Wuppies’ everywhere Jan Vleminx was not critical about the Wuppies nor did his song contribute to any serious public debate. The song was rather a carnevalesque. However, upon a complaint by Albert Heijn, the District Court Den Bos prohibited the sale of records containing the song, because it found the use made by Vleminx to blur and tarnish the ‘Wuppies’ trademark. The court gave no consideration what so ever to the freedom of expression of the singer.²⁵² It did assess whether the trademark use in the song could be permissible because of being a parody,²⁵³ but concluded that the song was not transforming the trademarks or poking fun at it. It rather was utilising the ‘sphere’ surrounding the original product.²⁵⁴

In my opinion, this prohibition seems hardly proportionate since, at the time the Wuppies were a somewhat exaggerated social rage in the Netherlands. Such a rage simply begs for comment in whatever form. Even if, in that case the singer was exploiting the trademark and for his own commercial gain, his song was – however light-heartedly – an artistic comment on the social phenomenon.

The balance may tip in favour of trademark rights, when the expression, in which the trademark use takes place, is commercial and serves no public interest what so ever. This has for instance been the case in the *Mars* and *Nivea* cases decided by the German BGH in 1994.²⁵⁵ The crucial finding in these cases was that the purpose of the commercial parodies had not been to express an opinion about the right holder, its products or its advertising methods. Rather the purpose of the use was found to be nothing more than the increase in sales of an otherwise not well-selling product. Moreover, the trademark had been used by the third party in a source identifying manner.

In my view, the same reasoning can be applied to the use of a transformed Adidas logo on T-shirts,²⁵⁶ where there is no readily identifiable public interest element in the

²⁵² Rb. Den Bos 21 July 2006 *Interall BV v. Johan Vleminx*.

²⁵³ The BVIE knows no parody exception and the court did not specify on the criteria for a permissible parody. Dutch copyright law does however contain a parody exception. In analogy to that exception it may be concluded that a permissible parody needs to be a humorous transformation of the original trademark. Both the original trademark and the transformation need to be immediately recognisable, but there must be no confusion. In addition, the parody must be non-commercial or non-competing. See Grosheide *ed.* 2006; Jansen 2007.

²⁵⁴ Rb. Den Bos 21 July 2006 *Interall BV v. Johan Vleminx*. “Hoewel de rage daar wel aanleiding toe zou kunnen geven, bevat het liedje kennelijk toch geen persiflage of parodie daarop; het liedje en de videoclip sluiten grotendeels aan bij de sfeer van het poppetje van Interall. Dit past ook naadloos bij de uitlatingen van Vleminx; ‘iedereen houdt van de Wuppie en het is juist een heel leuk product en daarbij wil ik aansluiten. Ik wil de mensen vrolijk maken.’”

²⁵⁵ BGH 10 February 1994 (Markenverunglimpfung I), “Wer die weithin bekannten Marken eines Süßwarenherstellers markenmäßig auf von ihm vertriebenen Scherzpackchen mit einem Kondom als Inhalt und dem verballhornten Werbespruch des Süßwarenherstellers (hier: “Mars macht mobil bei Sex-Sport und Spiel”) anbringt, nutzt Ruf und Ansehen der verwendeten Marken aus und handelt wettbewerbswidrig, wenn im Verkehr der das Ansehen des Markeninhabers und den Werbewert der Marken mindernde Eindruck entstehen kann, es handele sich um eine geschmacklose, jedenfalls aber unpassende Werbung des Süßwarenherstellers für seine Erzeugnisse. Markenverunglimpfung.” See further BGH 19 October 1994 (Markenverunglimpfung II). BVerfG 27 May 1994 (Mars-Kondom), “[h]at die Beschwerdeführerin nicht zu dem Zweck gehandelt, ihre Meinung über die Klägerin und deren Erzeugnisse oder Werbemethoden zu verbreiten, sondern nur eine fremde angesehene Marke rein kommerziell zu dem Zweck genutzt, ein sonst nicht verkäufliches Produkt auf den Markt zu bringen. Allein diesem Zweck, nicht aber einer satirischen Auseinandersetzung mit dem Ruf oder den Werbemethoden der Klägerin habe erkennbar die verunglimpfende Verwendung der Zeichen der Klägerin durch die Beschwerdeführerin gedient.”

²⁵⁶ OLG Hamburg 5 September 1991 (‘ADIHASH – gives you speed’).

expression. One may find the expression to be artistic, but the predominant commercial aim may offset the freedom of expression of the artist.



In sum, if the expression contains elements that are of public interest, Article 10 ECHR requires of courts to make an adequate distinction between purely commercial expression and mixed expression. In such an assessment, courts should take into account at least the following factors: (1) the intensity of the public interest as opposed to the commerciality, (2) whether the use has taken place in an editorial manner, i.e. in the contents of a commercial (news) publication or film (3) whether the trademark has been used in a source-identifying manner, (4) the intent of the speaker.

In relation to Article 5.1 TMDir such balancing could only be carried out under the criterion of 'use in the course of trade', but as the analysis above shows, the current interpretation of that criterion does not offer enough space for balancing. The lack of a possibility to balance may thus cause a disproportionate impairment of Article 10 ECHR.

Under Article 5.2. TMDir, the criteria of unfairness and due cause offer room for balancing, but all depends, however, on courts being willing to recognise and protect the public interest elements in mixed expression.

b. The Non-Commercial Use Exception under the Lanham Act

A solution that would provide more clarity, better protection of third party freedom of expression and, in particular, a reduction of chilling effects may be to establish a non-commercial use exception e.g. under Article 6.1 TMDir. As such an exception exists under the U.S. Lanham Act, I will examine the rationale and the application of that exception.

Section 43 (c) 4 Lanham Act, states that,

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

[...] (C) Any noncommercial use of a mark.

The key interpretation of that provision has been given in the *Mattel, Inc. v. MCA Records* or the ‘Barbie girl’ case.²⁵⁷ Danish pop-band Aqua made fun of social connotations contained in the trademark ‘Barbie’ in its hit song ‘Barbie girl’.²⁵⁸ It used the trademark to access to the social connotation of a simple minded, blond, submissive girl. The pop band Aqua was sued by Mattel, Inc., the owner of the Barbie trademark, for amongst others blurring their trademark.

The Court deemed it is essential that singers are allowed to comment artistically on the fact that Barbie has become a role-model that contributes to the identity of millions of children, since,

“Barbie has been labeled both the ideal American woman and a bimbo. She has survived attacks both psychic (from feminists critical of her fictitious figure) and physical (more than 500 professional makeovers). She remains a symbol of American girlhood, a public figure who graces the aisles of toy stores throughout the country and beyond. With Barbie, Mattel created not just a toy but a cultural icon.”²⁵⁹

In his decision, Judge *Kozinski* held that the use of the trademark was clearly blurring the distinctiveness of the Barbie trademark, as,

“MCA does not dispute that, while a reference to Barbie would previously have brought to mind only Mattel’s doll, after the song’s popular success, some consumers hearing Barbie’s name will think of both the doll and the song, or perhaps of the song only. This is a classic blurring injury and is in no way diminished by the fact that the song itself refers back to Barbie the doll. To be dilutive, use of the mark need not bring to mind the junior user alone. The distinctiveness of the mark is diminished if the mark no longer brings to mind the senior user alone.”²⁶⁰

However, the use of the Barbie trademark was held to be justified, because the court, faced with the dilemma of having to apply trademark law to the song, interpreted the non-commercial use exception contained in Section 43.c.4 Lanham Act, broadly.

The reason for the establishment of this exception had been to bring trademark law in line with the First Amendment, which, like Article 10 ECHR, mandates a much stronger protection of non-commercial expression than of commercial expression. The aim of the exception was to ensure that the Lanham Act,

²⁵⁷ United States Court of Appeals, Ninth Circuit 24 July 2002 *Mattel v. MCA*.

²⁵⁸ The lyrics of the song read in part “I’m a Barbie girl in the Barbie world. Life in plastic, it’s fantastic. You can brush my hair, undress me everywhere. Imagination, life is your creation [...] I’m a blonde single girl in the fantasy world Dress me up, take your time, I’m your dollie You’re my doll, rock and roll, feel the glamour and pain Kiss me here, touch me there, hanky-panky”.

²⁵⁹ United States Court of Appeals, Ninth Circuit 24 July 2002 *Mattel v. MCA*. As a Federal U.S. Court put it in another case involving an artistic Barbie parody, “Barbie, and all the associations she has acquired through Mattel’s impressive marketing success, conveys these messages in a particular way that is ripe for social comment.” U.S. Court of Appeals, Ninth Circuit 29 December 2003 *Mattel, Inc. v. Walking Mountain Productions*, 353 F 3d 792. See also Loughlan 2000.

²⁶⁰ *Ibid.*

“will not prohibit or threaten non-commercial expression, such as parody, satire, editorial and other forms of expression that are not a part of a commercial transaction.”²⁶¹

The Court of Appeals of the 9th Circuit decided that the use of the Barbie trademark in the song did qualify as non-commercial expression. In doing so, the Court referred to the *Hoffmann* case, a case that dealt with publicity rights²⁶² and concerned the publication in a magazine article of altered images taken from famous films including images of Dustin Hoffman. The article used the images ‘in commerce’ and thus “clearly served a commercial purpose: ‘to draw attention to the for-profit magazine in which it appear[ed]’ and to sell more copies.”²⁶³ However, the court in the Hoffman case held,

“that the article was fully protected under the First Amendment because it included protected expression: ‘humor’ and ‘visual and verbal editorial comment on classic films and famous actors.’ (internal quotation marks omitted). Because its commercial purpose was ‘inextricably entwined with [these] expressive elements,’ the article and accompanying photographs enjoyed full First Amendment protection.”²⁶⁴

By applying the same reasoning to the Barbie case, the Court found that the band Aqua was fully entitled to use the trademark Barbie in the song, even though the song also clearly aimed at generating profit.

The same exception has been used to allow trademark use in political campaigns and critical commentary on the internet.²⁶⁵

In my opinion, this exception should be an example for the European trademark law. By creating such an exception trademark law would make clear that, in line with Article 10 ECHR and the rationales for trademark rights, mixed expression that is of public interest must, in most cases, be kept out of the reach of trademark rights.

As I argued above, I do think that such an exception may be necessary, since the use in the course of trade exists under European trademark law, has ceased to function as appropriate boundary,²⁶⁶ the ‘use in relation to goods and services’ criterion is interpreted expansively under both Article 5.1 TMDir and Article 5.2 TMDir, and in relation to Article 5.1 TMDir, no limitation exists at all that would facilitate the necessary balancing with freedom of non-commercial or mixed expression.

I do not think that there is one single satisfactory definition of “non-commercial use”, but I rather think that a non-commercial use exception should be used to balance the criteria which I mentioned above in paragraph (a). Consequently, courts can (1) can balance the intensity of the public interest as opposed to the commerciality, (2) they can exclude use that has taken place in an editorial manner, i.e. in the contents of a

²⁶¹ *Ibid.*; McCarthy § 24:128; House Report 104-374 (30 November 1995).

²⁶² *Hoffman v. Capital Cities/ABC, Inc.*, 255 F.3d 1180, 1184 (9th Cir. 2001).

²⁶³ United States Court of Appeals, Ninth Circuit 24 July 2002 *Mattel v. MCA*, at 10489.

²⁶⁴ *Ibid.*

²⁶⁵ U.S. District Court, N.D. Ohio, Eastern Division, 25 October 2002 *American Family Life Ins. Co. v. Hagan*; U.S. District Court, S.D. New York 8 March 2004 *MasterCard Intern. Inc. v. Nader* 2000 Primary Committee, Inc. Ralph Nader in his 2000 presidential campaign using the Mastercard “Priceless” slogan. McCarthy § 24:128.

²⁶⁶ Also under the Lanham Act, a similar ‘use in commerce’ criterion exists but it is interpreted in similarly broad terms as its European counterpart. Therefore, it has not been deemed sufficient to protect third party trademark use that falls under the First Amendment.

commercial (news) publication or film, (3) they can consider whether the trademark has been used in a source-identifying manner, although this should not always be decisive, and (4) they can weigh the intent of the speaker.

5.5.3.2 *Descriptive use, Generic Use, and Expressive Diversity*

a. *(Expressively) Descriptive and Generic Use*

As I mentioned in section 5.4.3.2, trademarks, and in particular trademarks with high distinctiveness, may, over time, become new words in the general vocabulary, e.g. hoover for vacuum cleaners, cellophane for plastic wrapping or ‘MSNen’ for using a chat program in Dutch.

Trademarks may also gain separate expressive meanings that are not directly connected to the good or service. An example of a trademark having gained expressive generic meaning is the trademark Barbie meaning a blond, dumb, and submissive girl or the well known Mc-prefix of the McDonald’s trademark to describe the meaning ‘cheap and fast’ used in words like ‘McMansion’, for mass produced suburban houses, ‘McJob’ for cheap jobs. Other examples are the words ‘colcacolization’ is used as a negative term for globalisation or ‘disneyization’ as a negative term the development of e.g. society or city landscapes into ‘fakes’.²⁶⁷

As these word-creations use the signalling power of the underlying trademarks, which can make them powerful signs that are immediately understandable to a vast number of people often across language barriers. The fact that these words are widely understandable may also be evidence that underlying trademarks have gained a role as social, cultural or political communicators. As such, use of these signs may have to be protected strongly under Article 10.2 ECHR.

The Trademark Directive does not provide for a specific limitation that would allow the use of a new (expressive) meanings of a trademark. It allows third parties to apply for the cancellation of a trademark registration, if a trademark has become the ‘common name in trade’ due to the action or inaction of the rights holder. In section 4.3, I argued that, while this provision establishes clarity once a trademark really has become generic, it forces trademark right holders to take action against any use that *contributes* to making their marks generic. Consequently, some trademark right holders pursue such generic uses quite aggressively by issuing cease and desist letters to all sorts of publications. This can produce significant chilling effects on other users. From the perspective of freedom of expression it is thus necessary to clarify the limits of trademark rights and possibly to take away the need to resort to aggressive action by an appropriate exception or limitation.

Article 6.1.b TMDir, allowing for descriptive use, does not apply to expressively descriptive or generic use in its present interpretation, as it only applicable to use of a trademark to directly describe characteristics of a good or service. Applying the exception of due cause could in theory make room for adequate balancing of trademark rights with freedom of expression. However, if the third party uses the trademark in

²⁶⁷Bryman 2004. Roost 2000.

mixed expression and that use blurs the trademark, there is a good chance that courts will not allow such use.

An example that I already mentioned in section 5.4.3.2 is the German *Allianz* case. German insurance giant Allianz Versicherungen sued the Hip-hop band 'Die Allianz' for trademark infringement.²⁶⁸ The OLG München decided in 1999 that the band was not allowed to use Allianz as its name. In the opinion of the court, the band was free-riding on the recognition value of the trademark of the insurance company. Evidently, the recognition value of the trademark could be employed in such trademark use. However, the prohibition of the use of the word Allianz seems not to be justified under Article 10 ECHR. 'Allianz' is the German word for alliance and that word describes a common characteristic of the hip-hop band, i.e. the fact that they perform as a tight group (or gang). This descriptive term is at the same time used in portraying the identity of the group to the outside world. The choice for the word 'Allianz' has thus, in my opinion, been no arbitrary choice for a well-known trademark, but one for a descriptive sign that contributes to building the identity of the band. For that reason, I think that it was disproportionate under Article 10 ECHR (as well as Article 5 GG) to prohibit the use of the term as a name for a hip-hop band.²⁶⁹

Another often-cited example of third party use of a trademark in order to access a unique meaning is the United States *San Francisco Arts and Athletics Association* case or *Gay Olympics* case.²⁷⁰ In that case, the United States Supreme Court gave a widely criticised ruling. The San Francisco Arts and Athletics Association planned to stage 'Gay Olympic' games in San Francisco in the 1980ies, and the U.S. Olympic Committee brought a law suit on the basis of special legislation which granted the Olympic committee exclusivity over the use of Olympic signs. That law resembles to some extent the protection granted under Article 5.2 TMDir.

In its decision, the Supreme Court upheld the lower courts' prohibition of the use of the term "Olympics" for the planned Gay Olympic games. According to the Supreme Court, the prohibition was in accordance with the First Amendment. It served the protection of valid interests, i.e. the protection of the commercial accomplishments of the Olympic committee. Most importantly however, the Supreme Court held that the SFAA could have easily used another name for their games.

Admittedly, the SFAA was using the term Olympic for the organisation of an event that was in potential competition with the Olympic committee's activities. This may mean that an application of strict standards was justified in the case. However, many scholars in the United States have since pointed out that the reasoning of the U.S. Supreme Court misses an important point.²⁷¹ The SFAA's choice for the word 'olympic' for organising the 1982 games served a very important goal.²⁷² The games were part of a campaign to

²⁶⁸ OLG München 25 November 1999 ('Die Allianz').

²⁶⁹ See also Rb. Arnhem 22 January 1981 ('The Blue Band').

²⁷⁰ U.S. Supreme Court 25 June 1987 *San Francisco Arts & Athletics v. United States Olympic Comm.*

²⁷¹ Aoki 1998; Kravitz 1989; Dreyfuss 1990; Lee 1991;

²⁷² San Francisco Arts & Athletics, Inc. claimed that the games had three goals: 1) To provide a healthy recreational alternative to suppressed minority; 2) To educate the public at large towards a more reasonable characterization of gay men and women; 3) To attempt through athletics, to bring about a positive and gradual assimilation of gay men and women, as well as gays and non-gays, and to diminish the ageist, sexist and racist divisiveness existing in all communities regardless of sexual orientation.

achieve a wider public acceptance and an increased presence in the public sphere of gay people. By calling the event ‘olympic’ the organisers were seeking to associate the social values of Olympism with a group of persons that have often been marginalised and discriminated against. The International Olympic Committee defines Olympism itself as social and political ideal:

“1. Olympism is a philosophy of life, exalting and combining in a balanced whole the qualities of

body, will and mind. Blending sport with culture and education, Olympism seeks to create a

way of life based on the joy of effort, the educational value of good example and respect for

universal fundamental ethical principles.

2. The goal of Olympism is to place sport at the service of the harmonious development of man,

with a view to promoting a peaceful society concerned with the preservation of human dignity...”

Olympism is thus clearly not a commercial, but of a social and political message. The word ‘olympic’ carries that powerful non-commercial message across language borders. Symbols that carry such powerful social and political messages cannot be entirely subject to the exclusive discretion of the Olympic Committee. Such exclusivity would contravene the very idea of a ‘free market place of ideas’ upon which ideas can be tested and contested. It may also severely limit the self-determination of individuals and groups like the one at stake in the case. In my opinion, signs like ‘olympic’ must remain to some degree at the disposition of members of society and beyond full protection of trademark law.

The U.S. Supreme Court’s argument, that the SFAA could have used another term is equally unconvincing. For the above mentioned reasons, there is simply no adequate alternative for the choice of the word olympic. *Judge Kozinski* argued this point his dissenting opinion to the application for rehearing decision of the Appeals Court of the 9th Circuit in the same case that

“[t]o say that the SFAA could have named its event ‘The Best and Most Accomplished Amateur Gay Athletes Competition’ no more answers the first amendment concerns here than to suggest that Paul Robert Cohen could have worn a jacket saying ‘I Strongly Resent the Draft.’”²⁷³

The reference to Paul Robert Cohen is a reference to one of the most famous symbolic speech cases decided by the U.S. Supreme Court. In a decision in 1971, the Supreme Court upheld Cohen’s First Amendment right to publicly wear a jacket saying “Fuck the

U.S. District Court, N.D. California. 20 August 1982 *International Olympic Comm. v. San Francisco Arts & Athletic*, at 2980 n.13.

²⁷³ U.S. Supreme Court 7 June 1971 *Cohen v. California*.

Draft". The jacket was accepted as valid criticism of the drafts issued to young Americans to fight in Vietnam. In that case, the U.S. Supreme Court rightly recognised the role of particular words in the process of meaning making as it acknowledged that

“words are not always fungible, and that the suppression of particular words "run[s] a substantial risk of suppressing ideas in the process.”²⁷⁴

Hence, one should have concluded that the SFAA was fully justified under the First Amendment in using the term olympic for the organisation of the games. The prohibition of the use of the sign was violating the association’s freedom of expression.

Under European trademark law there may be a need to introduce legislative provisions clarifying that third parties are allowed to use trademarks in an expressively generic sense, as the current means for balancing, in particular relating to Article 5.1 TMDir are insufficient.

The limited possibilities of balancing such use under the TMDir, in particular in relation to Article 6.1.b TMDir are, in my opinion, ad odds with other provisions of trademark law. Where the expansion of trademark rights is at stake, courts are not hesitant to accept theories of indirect confusion, post sale confusion, or a broadened concept of ‘use in relation to goods or services’ and the provision on acquired distinctiveness accepts that the meaning of signs is not static, i.e. that it may change over time, and that signs may have multiple meanings. These concepts all entail the recognition of the fact that consumers may understand signs in a whole variety of manners, i.e. of the idiosyncrasy of trademarks.

Where the limitation or loss of trademark rights is concerned, only Article 6.1.b TMDir and Article 12.2 TMDir on loss of trademark rights due to a trademark becoming ‘the common name in trade’ are of avail, both of which are interpreted too restrictively to take account of the changing meaning of trademarks.

One compromise that I mentioned in section 4.3 is that under Article 10 TMReg and Section 16 Markengesetz strike which aid right holders in safeguarding the distinctiveness of their trademarks while ensuring that development of language is not hindered. They state that:

“If the reproduction of a [Community] trade mark in a dictionary, encyclopaedia or similar reference work gives the impression that it constitutes the generic name of the goods or services for which the trade mark is registered, the publisher of the work shall, at the request of the proprietor of the Community trade mark, ensure that the reproduction of the trade mark at the latest in the next edition of the publication is accompanied by an indication that it is a registered trade mark.”

The publisher of a dictionary can thus indicate that e.g. MSN is a registered trademark but that nevertheless ‘MSNen’ has become a Dutch verb for using any type of an internet chat program. This provision is thus a fair and proportionate restriction of the freedom of expression of the publisher. I do however think that in the context of other use, it would be disproportionate to require of third parties to always indicate that a sign is also a trademark.

²⁷⁴ *Ibid.*, as quoted in U.S. Supreme Court 25 June 1987 *San Francisco Arts & Athletics v. United States Olympic Comm.*

Therefore, I think that it would only be consistent to apply the broad understanding of idiosyncrasy that is used in favour of trademark right holders also in the reverse case, i.e. in the interpretation of Article 6.1.b TMDir. Consequently, trademark law should provide for an exception to trademark rights when one of the multiple meanings of a sign is used descriptively or in an (expressive) generic sense.

b. Expressive Diversity

In section 5.3.2.2, I analysed whether the ECJ makes room for the consideration of the interests in expressive diversity of citizens. I indicated that, a solution to the problem would be to limit Article 5.1.a TMDir to confusing uses, when use of a sign of high social, cultural, or political importance on expressive goods is concerned. In the Opel decision, where the ECJ held that no relevant harm under Article 5.1.a TMDir would be caused if a national court found, as a matter of fact, that consumers are not confused. However, as I also indicated in that section, the application of this reasoning to expressive goods is unlikely, as the ECJ specifically rejected such a reasoning in the Arsenal judgement. Therefore, I concluded that under Article 5.1 TMDir there is little room to protect to interests of expressive diversity of citizens vis-à-vis trademark rights.

If a third party could invoke a limitation like Article 6.1.b TMDir the result of limiting prohibitions to confusing uses could be achieved, as this limitation applies unless the use is confusion (or takes unfair advantage, is denigrating or presents the goods as imitations).²⁷⁵ However, at present an interpretation of Article 6.1.b TMDir that would cover such use is unlikely, as the ECJ held in its Marca II decision,

“the requirement of availability cannot in any circumstances constitute an independent restriction of the effects of the trade mark in addition to those expressly provided for in Article 6(1)(b) of the Directive.”²⁷⁶

In that case, the question was whether that Article would also cover decorative use and the ECJ decided that it would not. Equally, also in the prior Opel case, the ECJ decided that that Article will not cover the faithful representation of an automobile trademark on a toy car,²⁷⁷ and in the Arsenal case that the use of the Arsenal logo on the scarves sold by Mr. Reed, were not accepted as indicating the allegiance of the fans with the Arsenal Football Club.²⁷⁸ Consequently, the concerns raised in section 5.3.2 with regard to expressive diversity, can currently not be addressed in any manner by Article 6.1.b TMDir.

A possibility to create room for the protection of expressive diversity may lie in adding a limitation to Article 6.1 TMDir specifically for signs of high social, cultural or political value in relation to expressive goods and services. However, that might leave right holders with a severely curtailed right as most problems with regard to expressive diversity occur in the regular exploitation of trademark rights (i.e. (i.e. uses of identical or similar signs in relation to identical or similar goods or services).

²⁷⁵ See above section 5.5.2.

²⁷⁶ ECJ 10 April 2008 *Adidas v. Marca II*, para. 48.

²⁷⁷ ECJ 25 January 2007 *Adam Opel*, para. 44.

²⁷⁸ ECJ 12 November 2002 *Arsenal Football Club*, para. 54.

Therefore, I think that it would be more appropriate that those signs that are not properly functioning as trademarks - i.e. the Arsenal sign, which may be representing allegiance and not the trade origin, or Picasso, Obelix, and Asterix signs, which represent the persons or characters and not trade origin - are refused registration. Preferably, a ground for refusal of signs of high social, political, or cultural value in relation to expressive goods and services should be added. Alternatively, stricter requirements of assessing distinctiveness should be introduced.²⁷⁹

5.5.3.3 *Use of Trademarks in ‘Meaning Making’ and a Possible Parody Exception*

One aspect of the jurisprudence relating to Article 10 ECHR is that even value judgements must be sufficiently grounded in facts and that any sort of criticism must be factually justified.²⁸⁰ This could imply that third party trademark use is only justified when it criticises and comments on or uses directly the trademark’s denotation, i.e. the trademark, the goods or services, or the rights holders, which would be the case in critical messages aimed directly against e.g. the environmental policies of oil companies.

Since trademarks are idiosyncratic, they may also be used in a manner that is not directly referring to the its denotations, i.e. the trademark, the product or the producer. In art, parody and also in criticism trademarks can be used in a manner that employs or plays with the connotations, i.e. the meanings that are further removed and more abstract, rather than its denotations. In section 3.4.2, I explained that such use can play an important role in social, cultural and political meaning making. Prohibition of such use because of a lack of factual justification is in my opinion not in accordance with Article 10.2 ECHR and it is of particular importance that courts adequately recognise the idiosyncratic nature of trademarks and their role in social, cultural or political meaning making.

In the following paragraphs, I will to discuss a few examples of such meaning making and I will explore whether a parody exception should be added to trademark law to protect such use.

a. *Examples of Meaning Making in Art, Parody and Criticism*

Trademarks are used in art often in a manner that stimulates people to reflect upon the ordinary commercial meaning and usage of trademarks, consumerism in general or other issues and ideas. Well-known examples are Andy Warhol’s Campbell soup can paintings, which transform the message of the trademark by taking it out of the ordinary context placing it in a new context and thereby trigger a reflective process in the minds of viewers, who are invited to think amongst others about the pervasiveness of advertising messages or about the meaning of mass production. The same may hold true for Mel Ramos’ paintings of a nudes with famous trademarks such as a Coca Cola bottle.

When such unrelated use is made in art, a large discretion in favour of third party use should be granted. From the perspective of freedom of expression, the purpose of art is often to *transform* or *change* the dominant meanings of signs or to trigger reflection

²⁷⁹ See sections 4.2.2 and 4.2.4.

²⁸⁰ ECtHR 24 February 1997 *De Haes and Gijssels v. Belgium*, para. 47; ECtHR 12 July 2001 *Feldek v. Slovakia*, para. 86; ECtHR 27 October 2005 and *Wirtschafts-Trend Zeitschriften-Verlags GmbH v. Austria*, para. 35; ECtHR 15 February 2005 *Steel and Morris v. The United Kingdom*, para. 87.

about the meaning of signs. In such a process of transformation, art may thus create connotations that have not previously existed. If trademark right holders were allowed to prohibit use that is unrelated to themselves or their products, artists could significantly be impaired in their freedom to create and change the meaning of the everyday world around us.²⁸¹

A similar reasoning can be applied to trademark use in parody, where the meaning of trademarks is changed through a humorous transformation and trademarks may be used to reinforce the effect of a message.

A good example for heightened effectiveness, use of the altered Louis Vuitton bag in relation to a design sold on T-shirts. The T-shirts were sold by Nadia Plessner, a Danish artist, in order to raise awareness for the humanitarian disaster in Darfur. The design is a parody of Paris Hilton and the artefacts that usually accompany her when she is pictured in a glossy magazine. It mocks the media attention that is given to stars like Hilton and criticises the fact that almost no attention is given to the suffering of millions of people in Darfur. The use of an alteration of the Louis Vuitton trademark simultaneously raises questions about the meaning of class and 'eliteness', which advertising would make us believe, are represented by that trademark. This is thus a key example, in which a trademark is used to question dominant meaning in society and to gain influence on the process of meaning making in society. Moreover, the artist used the trademark to make the message more effective, which she was entitled to do pursuant to Article 10 ECHR. The case never made it to court since the artist ceased to use the Louis Vuitton trademark after receiving several cease and desist letters.²⁸²

In the German *Lila Postkarte* case, the parody employed the recognition value of the trademark Milka and its trademarked colour purple.²⁸³ Most Germans immediately think of Milka chocolate when seeing the colour purple. In addition, they will often think about the purple coloured cow, the advertising mascot of Milka, which is always shown in an idyllic mountain surroundings on healthy green pastures. The post card poking fun at these associations. It transforms a famous idyllic verse by Göthe into a banal verse about a mooing cow thereby accentuating the banality of the idyll constantly showed in Milka advertisements. In addition, it transforms the name of the poet Rainer Maria Rilke into Rainer Maria Milka, thereby joking with the fact that more people will be able to recite advertising slogans of Milka than German poetry. The German BGH in that case gave a large room to the freedom of the artist protected under Article 5.3 GG. It confirmed the lower court's assessment that the postcard neither blurred nor tarnished the trademarks of Milka, since the audience would recognise the funny message of the post card.²⁸⁴ It concluded that since the maker of the postcard had not used the trademarks in a purely

²⁸¹ Aoki 1998, p. 542. "The recodification of cultural imagery by nonowners is central to the process of creating culture because meanings expressed through systems of signification are, by definition, perpetually unstable, they are always capable of being deployed against the grain."

²⁸² Louis Vuitton sent a cease and desist letter to the artist. This spurred a considerable debate about the legality of the trademark. A few months after having received the cease and desist, the artist discontinued the use of the bag on the design. According to Mrs. Plessner, the debate about the legality of the trademark use had completely clouded the original message of the T-shirts.

²⁸³ BGH 3 February 2005 (*Lila Postkarte*).

²⁸⁴ In this case the BGH carried out the balancing not under the criterion of due cause. It balanced constitutional right of property protection against the constitutional right of artistic freedom externally in the constitutional framework.

commercial manner to sell goods that could otherwise not be sold, the artistic freedom of the third party prevailed and the trademark use was justified.

While in the case of the T-shirt for Darfur and the Lila Postkarte, the trademark use employed the trademarks to criticise or comment upon the connotations themselves, a third party may also use connotations to criticise or comment on something else. Take for instance the example of the poster designed by the Dutch section of the International Socialists.²⁸⁵ It's a warning against Dutch right-wing politician Geert Wilders, and in order to make the warning visually effective, the campaigners chose the format of the red Marlboro package.

The underlying message of the poster depends upon and is reinforced by the use of the Marlboro trademarks. The trademarks are not used as a reference to Marlboro, nor its products or smoking in general. Rather the package, including the trademark, is used to convey the *warning* about the dangerous, yet to some 'addictive' politician. The connotation used is that of danger and addiction. In my opinion, this use of the trademark is justified, since the red Marlboro package is the prototype of one of the most addictive and hazardous products that one can purchase - cigarettes. It expresses that meaning in a very powerful manner and Article 10 ECHR protects such effective communication. It grants speakers a large freedom to criticise, to exaggerate²⁸⁶ and to choose means of expression that communicate messages in the most effective form.²⁸⁷ Therefore, I think that such expression should not be prohibited for lack of a factual connection to the products or the company. I do however recognise that one may take a different position with regard to this particular type of use.

²⁸⁵ This case was settled out of court after the International Socialists had received a cease and desist letter from Philip Morris.

²⁸⁶ See also ECtHR 15 May 2005 *Steel and Morris v. The United Kingdom*, para. 90 „journalists are allowed ‘recourse to a degree of exaggeration, or even provocation’ (see, for example, *Bladet Tromsø and Stensaas*, § 59, or *Prager and Oberschlick v. Austria*, judgment of 26 April 1995, Series A no. 313, p. 19, § 38), and [...] in a campaigning leaflet a certain degree of hyperbole and exaggeration is to be tolerated, and even expected.”

²⁸⁷ BVerfG NJW 1993, p. 1462; BGH (Verdachtsberichterstattung); BGH 10 November 1994 (Dubioses Geschäftsgebaren); BGH 17 April 1984 (Grosses Mordoro Poker).



Nadia Plessner
'simple living – SL'



Lila Postkart signed 'Rainer Maria Milka'



International Socialists, Dutch Section, Campaign Poster 2008
'Geert Wilders - Extremist – causes grave harm to you and society'

b. A Parody Exception for Trademark Law?

The key to the protection of the expression in the above cases is that courts recognise that there are multiple manners to interpret expression that uses trademarks in social, cultural and political meaning making. In relation to some of such uses, it has been argued, in various European jurisdictions, that in analogy to copyright law, a parody exception should be applied to limit trademark rights.²⁸⁸

In my opinion, parody is an important cultural form of expression that deserves protection, and, a parody exception may be of aid in protecting transformative use. For example, the Information society directive, it has been made optional for Member States of the European Union to implement an exception for “use for the purpose of caricature, parody or pastiche”.²⁸⁹ One of the stated aims of this exception is to,

“help to implement the four freedoms of the internal market and relates to compliance with the fundamental principles of law and especially of property, including intellectual property, and freedom of expression and the public interest.”²⁹⁰

French, Belgian, or Dutch national copyright laws contain parody exceptions.²⁹¹ An in depth discussion of these provisions is beyond the scope of this book.²⁹² Rather, I want to focus on a problem, which may arise when a parody exception were to be included in trademark law.

Under the parody exceptions contained in national copyright laws, courts set a number of criteria for lawful parodies, and it are these criteria, which may be problematic when transferred to the trademark context. Courts typically require that the third party expression is humorous, that it keeps a distance to the original and that it is not confusing.²⁹³ *Voorhoof* highlights that such criteria may be paradoxical when applied to parodies: the reproduction of the work of authorship is necessary, but not too much must be reproduced; the parody must resemble the original, but it must cause no confusion; the parody must be critical, but not defamatory.²⁹⁴

With a view to including a parody exception in trademark law, I want to specifically point out problems with two of these criteria, i.e. the criterion of humour and the criterion of transformation or deviation from the original.

²⁸⁸ The Netherlands: Rb. Den Bos 21 July 2006 *Interall BV v. Johan Vleminx*. Rb Zwolle, 2 June 2008, *CNV v. Aldi*; Belgium, Cour de Cassation (Belgium) 5 April 2001 (*l’Avenir Vert*); France: Cour d’Appel de Paris 17 February 1990 (*Attention j’Accoste*) holding that parody could not play a role in a purely commercial field; See further Foschi 2003; Strowel & Tulkens eds. 2006; Voorhoof 2006; Jansen 2007.

²⁸⁹ Information Society Directive, Article 5.3.k.

²⁹⁰ *Ibid.*, Recital 3.

²⁹¹ Article L 122.5 Code of Intellectual Property Law; Article 18 Dutch Copyright Code; Article 46.5 Belgian Copyright Code; German copyright law contains a provision on “freie Benutzung”, which covers the use in parody § 24.1 Urheberrechtsgesetz; Likewise the U.S. Lanham Act and jurisprudence accept the limitation of trademark rights in case of parody. McCarthy 2008, § 31:153. An elaborate discussion of the jurisprudence developed is beyond the context of this research. On the interpretation of limitations to copyright law see generally Senfileben 2004; Guibault *diss.* 2002.

²⁹² See e.g. Grosheide *ed.* 2006; Gredley & Maniatis 1997; Spence 1998; Hugenholtz 2000.

²⁹³ Voorhoof 2004c, p. 60; Foschi 2003, p. 198.

²⁹⁴ Voorhoof 2004c, p. 68; Voorhoof 2006.

First, it is semantically correct that most parodies are humorous. However, ‘humour’ is not an appropriate normative criterion, as it is something that cannot be objectified. Asking judges to assess whether an expression is humorous may lead to arbitrary, i.e. overly restrictive or surprisingly lenient, judgements. I think that, while humour can play a role in diminishing harm, i.e. it can help to forestall confusion or it can forestall harm to the repute of a trademark, it should not be used as a normative requirement.

Second, the criterion that use made by a third party must be transformative or it must deviate sufficiently from the original is entirely understandable in the copyright context, where a work is protected because of its originality, against copying by third parties. In the context of trademarks, this criterion may, however, not be appropriate, as the protection of trademarks is not aimed against copying *pre se*. Moreover, in the trademark context, a transformation is not always a *visible* transformation of the trademark itself; it can also be brought about by a transformation of context, like in the example of the Darfur T-shirt, where putting a Louis Vuitton bag in a different context was sufficient for achieving a transformation. If a criterion of transformation were to be applied in the trademark context, judges may not always be able to correctly interpret that transformation, which may lead to a gap in protection of freedom of expression.

In sum, I think that while a parody exception would help to point judges to the fact that trademark use in parody is of social value and that it may need to be protected strongly under Article 10 ECHR, the foreseeable transportation of criteria for copyright jurisprudence to trademark law may lead to a narrow interpretation of such an exception. Taken by itself, a parody exception may thus prove too limited to adequately protect trademark use in ‘meaning making’. As part of a set of limitations, including a non-commercial use exception, it may however be a welcome addition to trademark law as it may point judges specifically to the importance of protecting uses of trademarks in parody.

5.5.3.4 *Balancing Harm with Freedom of Expression*

Criticism, comment, art and parody that involve trademarks may often harm the distinctive character or repute of those trademarks. In the case of a boycott, it may even be the very intention to cause economic harm. Critical expression and calls for boycott may however be permissible forms of expression and Article 10 ECHR grants heightened protection even to expression that shocks, offends, or disturbs.²⁹⁵ Moreover, it grants speakers a large freedom to criticise, to exaggerate²⁹⁶ and to choose means of expression that communicate messages in the most effective form,²⁹⁷ meaning the fact *that* harm is

²⁹⁵ ECtHR 7 December 1976 *Handyside v. The United Kingdom*; see also ECtHR 15 May 2005 *Steel and Morris v. The United Kingdom*, para. 88 „‘political expression’, including expression on matters of public interest and concern, requires a high level of protection under Article 10 (see, for example, *Thorgeir Thorgeirson v. Iceland*, judgment of 25 June 1992, Series A no. 239, and also *Hertel*, cited above, p. 2330, § 47).”

²⁹⁶ See also ECtHR 15 May 2005 *Steel and Morris v. The United Kingdom*, para. 90 „journalists are allowed ‘recourse to a degree of exaggeration, or even provocation’ (see, for example, *Bladet Tromsø and Stensaas*, § 59, or *Prager and Oberschlick v. Austria*, judgment of 26 April 1995, Series A no. 313, p. 19, § 38), and [...] in a campaigning leaflet a certain degree of hyperbole and exaggeration is to be tolerated, and even expected.”

²⁹⁷ BVerfG NJW 1993, p. 1462; BGH (Verdachtsberichterstattung); BGH 10 November 1994 (Dubioses Geschäftsgebaren); BGH 17 April 1984 (Grosses Mordoro Poker)..

caused to the distinctive character or repute of a trademark cannot be the decisive factor in prohibiting third party trademark use in non-commercial expression or mixed expression. Rather, the particular expression needs to be balanced against the interests of the trademark right holder.

In balancing the harm with freedom of expression, a number of important considerations play a role.

Overall, the fierceness of the expression and the harm caused must be proportionate to the aim that is sought to be achieved. Fore one, this means that, as set out in section 5.5.3.1, expression that is purely commercial or follows an almost exclusive commercial aim, will not qualify for heightened protection under Article 10 ECHR.

Moreover, it is of importance whether the expression is a value judgement or a statement of fact.²⁹⁸ Stricter standards apply to statements of fact, which must be true and the person expressing them may be required to provide prove of the allegations.²⁹⁹ Trademarks are more often used in polemic expression and value judgements, i.e. those judgments that cannot be proven or disproved by factual evidence. Such, opinions and value judgements do enjoy a larger freedom, though they must be grounded in factual evidence.³⁰⁰ Pejorative terms like ‘crook’ or ‘cutthroat’ are, dependent on the particular factual situation, be seen as value judgements rather than factual allegations.³⁰¹ Translated to the filed of trademark use this means that pejorative use or polemic use of trademark can be justified but, as I set out in section 3.5.1, the limit of acceptable value judgements should be drawn at the level of defamation or “Schmäkritik”.³⁰² This means that a prohibition is justified when the use of the trademark in criticism or comment no longer bears any factual relationship to an issue of public interest connected to the trademark, but rather primarily disparages the trademark at stake.

Finally, in this assessment, it is important that courts recognise various possibilities of interpreting the expression.³⁰³

²⁹⁸ ECtHR 8 July 1986 *Lingens v. Austria*, para. 46, “In the Court’s view, a careful distinction needs to be made between facts and value-judgements. The existence of facts can be demonstrated, whereas the truth of value judgements is not susceptible of proof. The Court notes in this connection that the facts on which Mr Lingens founded his value-judgement were undisputed, as was also his good faith.”

²⁹⁹ ECtHR 15 May 2005 *Steel and Morris v. The United Kingdom*, para. 89 „As to the complaint about the burden of proof, the Court notes that in *McVicar* it held that it was not in principle incompatible with Article 10 to place on a defendant in libel proceedings the onus of proving to the civil standard the truth of defamatory statements. The Court there referred to *Bladet Tromsø and Stensaas*, in which it commented that special grounds were required before a newspaper could be dispensed from its ordinary obligation to verify factual statements.” Making reference to ECtHR 7 August 2002 *McVicar v. United Kingdom*.

³⁰⁰ ECtHR 24 February 1997 *De Haes and Gijssels v. Belgium*; see also BGH 29 January 2002 (Schmäkritik).

³⁰¹ ECtHR 8 July 1986 *Lingens v. Austria*; ECtHR 7 May 2002 *McVicar v. The United Kingdom*; ECtHR 24 February 1997 *De Haes and Gijssels v. Belgium*; BGH 29 January 2002 (Schmäkritik); BGH 1 February 1977 (Halsabschneider).

³⁰² BVerfG 26 June 1990 (Postmortale Schmäkritik), „Einer verfassungsrechtlichen Nachprüfung hält aber auch die Einordnung der Äußerung als Schmäkritik nicht stand. Eine Meinungsäußerung wird nicht schon wegen ihrer herabsetzenden Wirkung für Dritte zur Schmäkung. Auch eine überzogene und selbst eine ausfällige Kritik macht für sich genommen eine Äußerung noch nicht zur Schmäkung. Eine herabsetzende Äußerung nimmt vielmehr erst dann den Charakter der Schmäkung an, wenn in ihr nicht mehr die Auseinandersetzung in der Sache, sondern die Diffamierung der Person im Vordergrund steht. Sie muß jenseits auch polemischer und überspitzter Kritik in der Herabsetzung der Person bestehen.“ (citations omitted).

³⁰³ HR 15 May 2009 (kwakzalver).

In the subsequent paragraphs, I want to lift out three areas for special discussion: (a) the rule, which prohibits to mention one trademark when criticism is aimed at a whole group of goods; (b) the criticism of individuals; and (c) a number of (hypothetical) examples of balancing in extreme cases.

a. *Prohibition to Criticise one of Many Producers?*

In a few cases German and Austrian courts have applied a rule that in not in accordance with the previous considerations. They held that it would not be justified to criticise just one out of several producers of identical goods, when the criticism is aimed at all of the goods and not so much at the one producer. This rule was applied in cases relating to anti-smoking campaigns as well as in a case relating to a campaign against the deportation of illegal aliens. In my opinion, this rule restricts the freedom to criticise in a manner that is not justified under Article 10.2 ECHR.

The Austrian Supreme Court prohibited the use of the Camel trademark in an anti smoking advertisement. The campaigners had used the slogan ‘ONLY A CAMEL WALKS MILES FOR A CIGARETTE’ (‘NUR EIN KAMEL GEHT MEILENWEIT FÜR EINE ZIGARETTE’). In German, ‘Kamel’ is a pejorative term for a person acting in a foolish or stupid manner.

In its judgement, the Austrian Supreme Court had

“referred to the right to freedom of expression and considered that the tobacco industry had to tolerate a public debate concerning the risks of smoking even if information about health risks was presented in an ironical or satirical manner. However, without special reason such as misleading advertising for tobacco using health symbols, a particular brand must not be disparaged as a substitute for a whole category of products. A considerable part of the general public would understand the applicants' publicity as a clear allusion to the plaintiff's cigarettes as being specially strong and unhealthy.”³⁰⁴ [underline added]

In the opinion of the Austrian Supreme Court, voicing criticism about a particular producer may only be justified in exceptional circumstances. For instance, it may be justified to criticise a particular cigarette advertisement for the fact that it pictures health symbols such as lakes and untouched nature while selling cigarettes.³⁰⁵

In my opinion, this type of restriction of third party expression is a disproportionate impairment of Article 10.2 ECHR. I think that the requirement of not naming individual companies only makes sense in a competitive situation. However, even there consumers

³⁰⁴ Austrian Supreme Court (OGH) 13 September 1988 *Österreichische Schutzgemeinschaft für Nichtraucher v. R.J. Reynolds Tobacco Company* as translated in ECommHR 2 December 1991, *Österreichische Schutzgemeinschaft für Nichtraucher v. Austria*.

³⁰⁵ Austrian Supreme Court (OGH) 13 September 1988 *Österreichische Schutzgemeinschaft für Nichtraucher v. R.J. Reynolds Tobacco Company* „In Ausnahmefällen kann freilich auch eine individuelle Bezugnahme auf bestimmte Marken zulässig sein, so zB dann, wenn mit der Anti-Raucherwerbung irreführenden Tendenzen einer bestimmten Tabakwerbung begegnet werden soll, wie etwa der Heranziehung typischer Gesundheitssymbole wie klare Gewässer, unberührte Landschaften usw., für die Zigarettenwerbung; solche Umstände liegen aber hier nicht vor.“

may derive great benefits from being informed about negative consequences of goods and services.

In an earlier but very similar case, the German BGH had found a way around this prohibition to aim criticism at one individual company. In the *Mordoro Poker* case, the BGH ruled that the use of the trademark Marlboro in a parody of a Marlboro commercial was justified. The parody was sold as part of a calendar by an anti-smoking lobby. According to the BGH, the Marlboro trademark had been used merely as a ‘prototype’ for all cigarette brands and not to indicate Marlboro as a specific producer.

In my opinion, this reasoning of the BGH does leave a little more room for freedom of expression than the ruling of the Austrian Supreme Court, it does however not take sufficient account of the fact that non-commercial expression on matters of public interest must, as a matter of principle, receive a higher level of protection. By confirming the underlying rule, the BGH paved the way for decision of the Austrian Supreme Court as well as for a similar decision by the Landgericht Frankfurt that prohibited campaigners to use an alteration of the trademark of the biggest German Airline Lufthansa. The campaigners had used the slogan ‘Luftransa – Deportation Class’ against Lufthansa because of its cooperation with the German Government in deporting illegal aliens. The Landgericht Frankfurt prohibited the critical expression on the basis of a violation of the general tort provision of civil law, because it was directed directly against Lufthansa.³⁰⁶

What is most disturbing about the Austrian *Camel* case is that the European Commission on Human Rights dismissed an application of the Austrian non-smoking campaigners. They had claimed that the Austrian Supreme Court’s violated their rights under Article 10 ECHR. In the very short decision on applicability, the ECommHR showed itself satisfied with the reasoning of the Austrian Supreme Court and held that no violation of Article 10.2 ECHR had taken place.³⁰⁷

In my opinion, this endorsement of the reasoning of the Austrian Supreme Court is not in line with other jurisprudence of the ECtHR. *Camel*, at the time and now, is a cigarette brand with one of the largest market shares. While it is true that an anti-smoking campaign could also aim to criticise smoking in general, the campaigners are fully justified to address and attack one of the major protagonists of the cigarette industry directly.

³⁰⁶ LG Frankfurt/Main, 31 October 2001, ‘Luftransa – deportation class’, “Der Auftritt der Beklagten richtet sich nicht gegen Fluggesellschaften allgemein, sondern ganz gezielt gegen die Antragstellerin. Sie, und nur sie, soll in den Augen der angesprochenen Verkehrskreise herabgewürdigt und diffamiert werden. Es wird bezweckt, Fluggäste dazu anzuhalten, nicht mit der Antragstellerin zu fliegen, sondern mit einer anderen Fluggesellschaft, die keine abgewiesenen Asylbewerber ausfliegt. Der Eingriff der Antragsgegner ist damit eindeutig “betriebsbezogen”. In einem Fall, in dem, wie hier, der Rechtsinhaber gezielt angegriffen wird und seine wirtschaftlichen Belange beeinträchtigt werden sollen, muß der Rechtsinhaber nach der Rechtsprechung des Bundesgerichtshofs nicht dulden, daß der von ihm geleistete Werbeaufwand, seine Zeichen und sein guter Ruf als “Vorspann” für eine “Antiwerbung” in diffamierender Weise eingesetzt werden. Das gilt auch vor dem Hintergrund, daß es den Antragsgegnern ohne weiteres möglich gewesen wäre, ihre Kritik in einer Art und Weise zu üben, bei der keine Diffamierung der Antragstellerin oder eine Nutzung ihrer Zeichen stattgefunden hätte. Die Antragstellerin muß eine Schädigung ihres Betriebs nicht in einer Weise erlauben, daß sie unter Nutzung ihrer eigenen Rechtsgüter herabgewürdigt und der Lächerlichkeit preisgegeben wird. Das Verhalten der Antragsgegner ist damit auch bei gebotener Abwägung rechtswidrig und verletzt vorsätzlich die Rechte der Antragstellerin gemäß § 823 Abs. 1 BGB.“

³⁰⁷ ECommHR 2 December 1991, *Österreichische Schutzgemeinschaft für Nichtraucher v. Austria*.

The very idea that it may not be allowed to criticise just one of many producers is not in accordance with Article 10 ECHR. In the field of non-commercial expression, it would be somewhat awkward if a producer of hazardous products could shield himself from public debate or negative public attention purely because others are producing similarly hazardous products. From the perspective of freedom of expression, the correct approach is that a producer who exposes himself to the public in million-dollar advertising campaigns to promote the positive sides of its product, must tolerate criticism or comment by members of the public.³⁰⁸ In my opinion, therefore the restriction of the trademark use in the *Camel* case was neither necessary in a democratic society nor proportionate. A prohibition may only be justified when the criticism or comment would aim primarily at defaming the cigarette trademark and no more at providing criticism or commentary.

b. The Criticism of Individuals

A form of criticism that occurs quite often is that of disgruntled individuals, who, in today's media environment, easily can vent their anger on the internet on complaint sites, e.g. by choosing domain names like www.companyX-sucks.com, or www.screwcompanyY.com.³⁰⁹

A newer version of such use is to purchase trademarks as ad-words so that a link to their webpage is listed prominently in the sponsored results of a search engine.

When weighing the harm caused by such expression, one may wonder whether the venting of anger by individuals should receive the same level of protection under Article 10 ECHR as e.g. the expression of the press. In relation to pressure groups, the ECtHR held that,

“in a democratic society even small and informal campaign groups [...] must be able to carry on their activities effectively and that there exists a strong public interest in enabling such groups and individuals outside the mainstream to

³⁰⁸ ECtHR 15 May 2005 *Steel and Morris v. The United Kingdom*, para. 94 “It is true that large public companies inevitably and knowingly lay themselves open to close scrutiny of their acts and, as in the case of the businessmen and women who manage them, the limits of acceptable criticism are wider in the case of such companies.” See further LG Hamburg 10 June 2002 (www.stoppesso.de), “Die Antragstellerinnen müssen sich jedoch wie alle in der Öffentlichkeit agierenden Personen und Unternehmen eine kritische Befassung gefallen lassen und können nicht verhindern, dass auch Marke und unternehmensname in Bezug genommen werden.” Rb Amsterdam 22 December 2006 *The Netherlands v. Greenpeace*, “Dit is naar het voorlopig oordeel van de voorzieningenrechter niet het geval. Weliswaar wordt de Staat (althans zijn huidige beleid) door middel van deze actie kritisch door Greenpeace bejegend, met als blikvanger zijn eigen logo, maar deze reden moet in een democratische samenleving als een geldige reden ? ook in merkenrechtelijke zin ? worden aangemerkt. Het gebruik is dus geoorloofd, ook al trekt Greenpeace daaruit (ideeel) voordeel en ook al wordt aan de reputatie van het merk afbreuk gedaan doordat het in een controversieel daglicht wordt geplaatst. Gelet op het voorgaande is het gebruik door Greenpeace Nederland van het logo van de Staat evenmin onrecht matig te achten.”

³⁰⁹ E.g. LG Düsseldorf 30 January 2002 ('scheiss-t-online.de'); LG Hamburg 10 June 2002 (www.stoppesso.de); OLG Hamburg 18 December 2003 ('awd-aussteiger.de'), Kammergericht Berlin 23 October 2001 ('Oil-of-elf.de'); Cour d'Appel de Paris 30 April 2003 *Assoc. Le Réseau Voltaire pour la liberté d'expression v. Sté Gervais Danone* (www.jeboycottedanone.fr); Rb. 's-Gravenhage, 21 June 2005, *InHolland v. Kaasjager* (www.injeholland.nl).

contribute to the public debate by disseminating information and ideas on matters of general public interest such as health and the environment.”³¹⁰

Whether the ECtHR would extend the same protection to disgruntled individuals is not entirely clear. In the *Jacobowski* case, it found for instance that the prohibition of criticism of one disgruntled former employee had been justified. However, in my opinion, the key element in that specific case was that *Jacobowski's* main aim had been to lure away clients from the old employer and not primarily to voice his criticism.³¹¹

Apart from such competitive situations or situations of a predominantly commercial aim, I think that also the expression of individuals should enjoy strong protection. The use of trademarks to express criticism in domain names simply is a consequence of the importance of domain names in overall communication in the late 1990ies and early years of the new millennium. From the perspective of freedom of expression, a domain name can play an important role in such criticism, as this use operates like a headline of an article or a sign on a rooftop, thereby drawing attention.³¹²

Likewise, the use of ad-words is a (necessary) consequence of the increased importance of search engines in today's communication and it can be a very important means to generate attention for the spread of information or ideas that are of public interest.

Moreover, consumer criticism just as organised consumer boycott can be a means to assert a democratic influence on politically and socially influential companies. Especially if such companies operate internationally and are thus largely beyond the checks and balances that apply in democratic legal systems, consumer criticism may play an important role.

Finally, when weighing consumer criticism against trademark rights, one must also consider that the circulation of opinions of consumers about goods or services can help other consumers to make an informed choice,³¹³ which is an aim of one of the rationales of trademark law itself, i.e. search cost theory.

³¹⁰ ECtHR 15 May 2005 *Steel and Morris v. The United Kingdom*, para. 89. Compare also with ECtHR 15 May 2005 *Steel and Morris v. The United Kingdom*, para. 90 „journalists are allowed ‘recourse to a degree of exaggeration, or even provocation’ (see, for example, *Bladet Tromsø and Stensaas*, § 59, or *Prager and Oberschlick v. Austria*, judgment of 26 April 1995, Series A no. 313, p. 19, § 38), and [...] in a campaigning leaflet a certain degree of hyperbole and exaggeration is to be tolerated, and even expected.”

³¹¹ ECtHR 23 June 1994 *Jacobowski v. Germany*, para. 28.

³¹² See e.g. U.S. Court of Appeals of the Sixth Circuit, 8 July 2001 *Taubman Co. v. Webfeats*, “We find that [defendant's] use of Taubman's mark in the domain name "taubmansucks.com" is purely an exhibition of Free Speech, and the Lanham Act is not invoked. And although economic damage might be an intended effect of [defendant's] expression, the First Amendment protects critical commentary when there is no confusion as to source, even when it involves the criticism of a business. Such use is not subject to scrutiny under the Lanham Act. In fact, Taubman concedes that [defendant] is "free to shout 'Taubman Sucks!' from the rooftops...." [] Essentially, this is what he has done in his domain name. The rooftops of our past have evolved into the Internet domain names of our present. We find that the domain name is a type of public expression, no different in scope than a billboard or a pulpit, and [defendant] has a First Amendment right to express his opinion about Taubman, and as long as his speech is not commercially misleading, the Lanham Act cannot be summoned to prevent it.”

³¹³ See also ECtHR 20 November 1989 *Markt intern v. Germany*, para. 35, “In a market economy an undertaking which seeks to set up a business inevitably exposes itself to close scrutiny of its practices by its competitors. Its commercial strategy and the manner in which it honours its commitments may give rise to criticism on the part of consumers and the specialised press. In order to carry out this task, the specialised

In that context, I think that third party trademark use by individuals voicing criticism may have to be granted as much protection as the campaigns of e.g. Greenpeace.

c. Balancing in Extreme Cases

In this paragraph, I want to discuss a few examples of trademark use in criticism and art that, to my mind, are at the very limit of what a trademark right holder may need to tolerate. They concern trademark use in combination with swearwords or defecation, obscenity, or mentioning trademarks in relation with racism and mass murder.

Using *swearwords* or a depiction of *defecation* may also be protected under Article 10 ECHR. A German court has held that it an anti-hunting campaign group was justified to use a drawing of a little person urinating on the trademark of the German hunting federation, since that depiction personified the anti-hunting lobby's disgust of the practice of hunting.³¹⁴

In this context, it was, for instance, not in line with Article 10.2 ECHR (or Article 5 GG) that the LG Düsseldorf prohibited the use of the domain name 'www.scheiss-t-online.de' simply because it found the use of the word "scheiss" (shit) in the domain name to be devoid of any funny or ironic element and that it would purely defame the trademark.³¹⁵ In my opinion, the use of such a swearword is justified to draw the attention to justified criticism of a major company, if that website indeed contains substantiated criticism.

Obscene expression is usually not highly protected, as it will be deemed not to be of the highest public interest. In particular, if the aim is merely commercial, a prohibition will not raise many concerns from the perspective of freedom of expression.³¹⁶

However, if there is sufficient reason to make an obscene parody, then the expression may have to be tolerated. For instance, a postcard with the slogan 'Fick for fun' (transl. "Fuck for fun") mocking the magazine 'Fit for Fun' was held to be justified because the magazine Fit for fun itself had published a variety of articles dealing with sexual topics in

press must be able to disclose facts which could be of interest to its readers and thereby contribute to the openness of business activities."

³¹⁴ OLG Köln 10 March 2000 (Kampagne gegen die Jagd), „Denn auch das berechtigte Interesse, sich an der öffentlichen Auseinandersetzung der Meinungen zu beteiligen und hierzu mit einer u.U. scharfen und schonungslosen, sogar ausfälligen Kritik beizutragen, deckt nicht ein dem Betroffenen nachteiliges Werturteil, das in keinem inneren Zusammenhang mit dem erörterten Gegenstand steht und das lediglich aus dem äußeren Anlass der Interessenwahrnehmung gemacht ist, in Wirklichkeit aber ausschließlich dazu dient, den Kritisierten zu diffamieren. Um eine solche, von der in Art. 5 Abs. 1 GG gewährleisteten Meinungsfreiheit nicht mehr gedeckte, ausschließlich die Diffamierung des Klägers bezweckende sog. "Schmähhkritik" handelt es sich bei der im Streitfall zu beurteilenden Markendarstellung jedoch nicht.“ (citations omitted).

³¹⁵ LG Düsseldorf 30 January 2002 ('scheiss-t-online.de'), „Durch die diffamierende Voranstellung des Wortes "scheiss" ist ein Bezug zu den Dienstleistungen der Klägerin gewollt und beabsichtigt. Dieser Bezug stellt ohne jedes scherzhafte oder ironisierende Element eine bloße Herabwürdigung der Marken der Klägerin dar.“

³¹⁶ For a prohibition of the use of trademarks in obscene expression see e.g. Pres. Rechtbank van Koophandel te Brussel 24 February 1987 *Guerlain v. Societe Anonyme Editons Magic Strip*. Pres. Rechtbank van Koophandel te Brussel 29 April 1975 *Marsverkoop Maatschappij v. Playboy*. In the second case, the Court held that use of a trademark on the Magazine cover of Playboy must be considered non-commercial expression.

a manner that was ‘above what ordinarily could be expected from such a magazine.’ The gist of the value judgement and joke was grounded in enough factual basis.³¹⁷

The poster of the ‘Boycott Outspan Aksie’, depicted below on page 290, may however be at the very limit of what needs to be tolerated. It was used in the 1980ies in an anti-apartheid boycott against South African orange trader Outspan. Its dissemination was very limited and the campaign was entirely non-commercial. Still, the poster was prohibited by the Dutch Advertising Commission (Reclame Code Commissie), a self-regulatory body, for being offensive and against good taste (thus not on grounds of trademark infringement). In an appeal, the High Court Amsterdam ruled that a prohibition of this advertisement would only be justified,

“if a large majority of the population in the Netherlands would find the drawing seriously offensive and of bad taste.”³¹⁸

Since I deem this a very good example for exploring balancing considerations, let us assume for argument’s sake, that the Apartheid regime would still exist today, that Outspan would apply for an injunction based on its trademark rights and let us disregard that the use of the poster is entirely non-commercial. In this example, balancing could be conducted in the following manner.

On the one hand, the interests of Outspan may be seriously harmed the poster were used today e.g. on the Internet. On the other hand, the expression may be justified if the depiction, a very extreme value judgement, is sufficiently grounded in facts.

If, for instance, Outspan was heavily involved in collaborating with the Apartheid regime and heavily profited from the apartheid policy, or actively engaged in the suppression of e.g. workers, then the insinuation that Outspan itself exploited South Africans is, in my opinion, justified. If Outspan however, was just another Orange trader operating in South Africa who was not involved with the regime, the insinuation of exploitation (and murder?) may be stretching too far.

As a final example, I want to turn to, the use of trademarks in art in relation to mass murder where there is no direct factual relationship between the trademark and the subject. A good example for such trademark use are the pieces of art of the 2002 exhibition ‘Mirroring Evil’ of the Jewish Museum in New York, which, to my knowledge, have not been part of a litigation. They are all depicted below on page 291.

Weighing the tarnishment caused by the trademark use against freedom of expression in these cases may be difficult. The pieces of art may have a repulsive and possibly morally reprehensible effect, which in turn may severely affect the commercial value of the trademarks while there is no direct factual connection to the companies concerned.

However, provocation and playing with moral norms is one of the very functions of art in a society. These pieces of art play with existing dominant connotations of trademarks and use them in a process of meaning making, transmitting quite complex, yet powerful messages. Tom Sach’s Giftgas Giftset, imitating perfume packaging of Chanel, Hermes and Tiffany & Co. and the Prada Death camp can for instance be understood as a powerful criticism of the level of attention that is given to fashion in modern media and

³¹⁷ OLG Hamburg 1 April 1999 (‘fit for fun’).

³¹⁸ Hof Amsterdam 30 October 1981 ‘Boycott Outspan Aksie’.

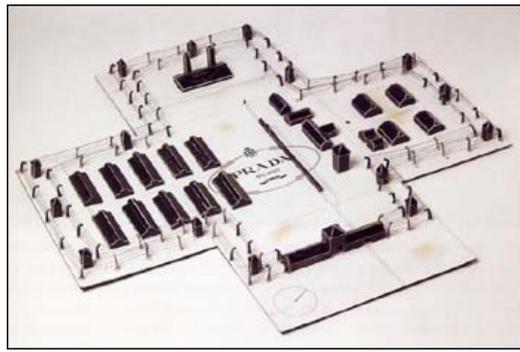
the neglect of events like the holocaust. Alan Schechner's collage of the famous photograph from the Buchenwald concentration camp uses the Diet Coke slogan 'It's the real thing!', aiming at criticising the dominion of United States and imagery in Israeli society and the neglect of the past. As such, the pieces of art may thus deserve strong protection under Article 10 ECHR.

An important consideration could be that the use of the trademarks in this art should be permitted because it is clearly recognisable as art and the works had been exhibited in a museum in a manner that induces people to thoroughly reflect upon the content of the message. It is that process of reflection, which diminishes the harm caused to the trademarks. Yet, I think that also if the works had been widely disseminated on the Internet, it may be a disproportionate impairment of the freedom of artistic expression of the artists to prohibit the expression because many of the possible interpretations of the art, can be of great public interest and should, in my opinion, thus be protected strongly under Article 10 ECHR.³¹⁹



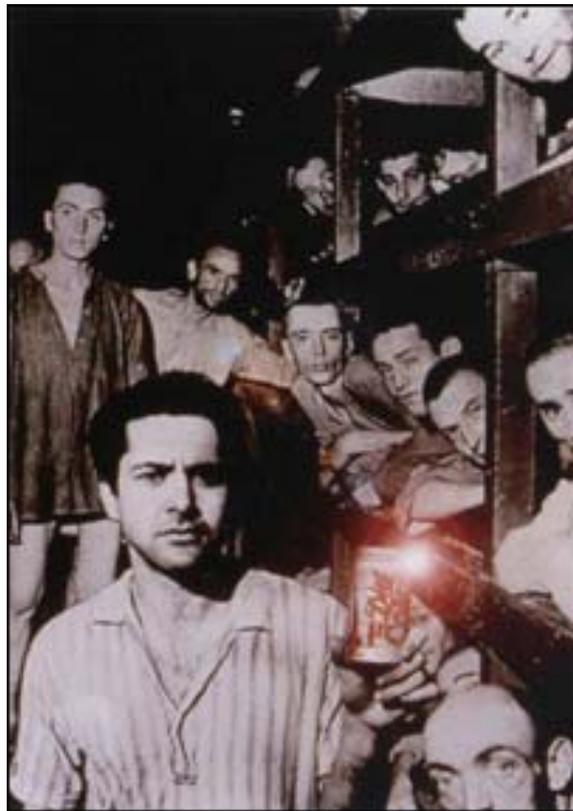
Outspan Bloodorganges
'Do not squeeze South Africans!'

³¹⁹ I think that ECtHR itself, had it been asked to decide about the case, may have allowed a prohibition of extensive publishing, as it seems to be too lenient with restrictions on expression that may be morally reprehensible or that may hurt feelings of holocaust survivors. See above section 3.5.1.3.



Tom Sachs *'Giftgas Giftset'*

'Prada Deathcamp'



Alan Schechner Self-Portrait at Buchenwald – *'It's the Real Thing'*

5.5.3.5 *Chilling Effects*

The final point I will discuss relates to the chilling effects caused by Article 5 TMDir. In the introduction, I indicated that solutions for balancing trademark rights with freedom of expression should be included clearly within trademark law so as to minimise chilling effects. Throughout the analysis, I argued that the lack of limit provided by the ‘use in the course of trade’ criterion creates chilling effects that should be compensated by a non-commercial use exception. Also an additional parody exception may help to provide the legal certainty for third party users, which is would forestall chilling effects.

There remains, however, one crucial point of concern, i.e. the costs involved in intellectual property litigation, in particular caused by Article 14 of the Directive on the enforcement of intellectual property rights stating that defendants using trademarks in art, political expression, in comment or parody run a considerable risk to lose their case and consequently need to reimburse the costs of the winning party, unless this is not equitable. In the Netherlands, even if a case is decided in a preliminary ruling, as most intellectual property cases are, the costs will usually be between 8000,- and 20000,- Euros. For a small party, these costs may be prohibitive. Moreover, for a defendant, the risk of losing a proceeding for a preliminary injunction is high, as in proceedings for a preliminary injunction, the trademark right holder does not have to adduce proof in the same manner as he would in main proceedings; a likelihood of harm is sufficient.

Consequently, many parties will quickly discontinue their political, cultural and other non-commercial or mixed expression when receiving a cease and desist letter. Most of such incidents occur secretly, which means that it is difficult to tell on what scale Article 2.20.1.d TMDir produces such chilling effects. It did however occur to my knowledge in the case of the Marlboro Poster of the International Socialists, in the case of the T-shirt by artist Nadia Plessner, and in a case where Dutch police uses a parody of the of popular drink Bacardi Breezer in an anti-drinking campaign.³²⁰

Likewise, in relation to U.S. trademark law, scholars indicate that it remains problematic for third parties to invoke the the protection of the First Amendment.³²¹ This is the case even though U.S. law leaves more room for balancing under the limitations than European law.

Some pressure groups like Greenpeace will of course not be affected by chilling effects as easily, as being dragged to court is part of their campaigning strategy and the association can easily pay the cost involved. Likewise, art manifestations with great media coverage may have such leverage in public discourse that they can permit themselves to ignore lawsuits. In fact, in some cases, trademark right holders have opted to co-operate with art manifestations rather than pursuing the legal path.³²²

In my opinion, however, it would not be proportionate under Article 10.2 ECHR to restrict the possibility to voice opinions by using trademarks to those parties who already

³²⁰ The artist Nadia Plessner decided not to take her case to court since she did not like the fact that a law-suit by Louis Vuitton would divert all the attention from the original aim of her design, i.e. raising awareness for the dramatic situation in Darfur. She decided to discontinue the use of the design, that bore similarity to Louis Vuitton’s trademark. In my opinion, the use of the design was fully justified by Article 10 ECHR.

³²¹ McGeveran 2008.

³²² This was the case in a temporary art manifestation, which imitated and transformed the concept of the famous Dutch warehouse HEMA by setting up a temporary Islamic version of the shop called “El-Hema”.

have a major influence on public discourse. Article 10 ECHR protects also minority views and therefore, it requires that the possibility of individuals to take part in the process of meaning making is kept available.

Therefore, I think that, as the Article 14 of the Enforcement Directive may create severe chilling effects, it is crucial not to apply the provision on payment of the costs of the opposing party in cases involving freedom of non-commercial or mixed expression. Such a requirement to reimburse the winning party may contravene Article 10 ECHR and neither would it be equitable as required under Article 14 of the Enforcement Directive itself.

5.6 CONCLUSION

In this chapter, I examined the second stage of balancing, i.e. balancing the *scope* of trademark rights with freedom of expression. I took the position that it is crucial to bring the considerations of Article 10 ECHR within trademark law as the best respect for freedom of expression is achieved and the least chilling effects are caused, when trademark law itself provides clear limitations and room for balancing with third party freedom of expression. Therefore, I concentrated on examining various constitutive criteria and limitations of trademark rights with a view to identifying appropriate places for weighing freedom of expression with trademark rights and to providing an evaluation of the need for amendment. In particular, I examined whether the scope of trademark rights as set by constitutive criteria, limitations and their interpretation can be interpreted in a manner to ensure that the exercise of trademark rights will not pose disproportionate limitations of *commercial* and *non-commercial* expression of third parties.

In relation to the *freedom of commercial expression* of third party traders, I argued that a prohibition of confusing use is in line with freedom of commercial expression as that freedom is granted in order to inform consumers and confusing use that clearly misinforms consumers, does not serve that aim. However, as Article 5.1 TMDir stretches further than prohibiting purely confusing use I analysed elements of the scope of that Article. Article 5.1.a TMDir covers referential use, use in comparative advertising and most forms of descriptive use, which means that any balancing needs to take place under the limitations to that Article. In the assessment of the likelihood of confusion analysis I argued that courts need to take care not to protect weak and descriptive signs such as “Lief!” for baby clothing or “Kinder” for chocolate. Moreover, when third party use confuses some consumers and is of great information benefit to others, I argued that courts need to take the interest of a third party trader to inform consumers into account.

In section 5.5.2, I analysed the balancing of trademark rights with freedom of commercial expression under the limitations of Article 6.1 TMDir, the criteria of unfairness and due cause contained in Article 5.2 and 5.5. TMDir and the Comparative Advertising Directive. I took the position that the limitation of Article 6.1 TMDir as well as the CompAdvDir are subsumed under the criteria of unfairness and due cause, and do thus not play a separate role in balancing with Article 5.2 TMDir and article 5.5 TMDir.

Overall, I argued that, from the perspective of freedom of expression, a strong focus on the aims of the limitations would help greatly to influence balancing processes in a manner that no disproportionate impairments of freedom of commercial expression are caused. Under Article 6.1.b TMDir these aims are expressed by a criterion of availability and in relation to the CompAdvDir this is the protection and furtherance of consumer interests. Both of these aims are congruent to the aim of freedom of commercial expression, i.e. to allow a trader to inform consumers.

Difficulties to achieve these aims may arise since the limitations of Article 6.1 TMDir and the CompAdvDir both contain limitative criteria, which means that third party descriptive use, referential use or use in comparative advertising: (a) does not create the “impression that there is a commercial connection between the third party and the trade mark owner,” or that it is not causing confusion(CompAdvDir); (b) does not take an unfair advantage of the (distinctive character (TMDir)) or repute of the trademark, (c) does not discredit or denigrate the mark, and (d) does not present the third party products as an imitation.

In relation to Article 5.1 TMDir, it became clear that identity protection under Article 5.1.a TMDir must be balanced against all the criteria mentioned above, whereas Article 6.1 TMDir does in fact not provide a limitation to the prohibition of confusing use, as, according to criterion (a), its application is excluded in such a case.

In relation to the limitation of descriptive use, I argued it may have to be use by courts to provide a counterbalance if a third party uses a trademark that should arguably have been refused for reasons of descriptiveness; in relation to referential use, I argued that, weight should also be give to consumer interests as is the case under the Comparative Advertising Directive. The restriction of referential use to cases of necessity is, in my opinion, not always justifiable under Article 10 ECHR as it completely reverses the proportionality test under Article 10.2 ECHR.

In relation to the prohibition of *free-riding*, I proposed that a requirement of image-transfer may help to limit the scope of Article 5.2 TMDir in a manner that does not go further than necessary in a democratic society. This would mean that the category of ‘taking advantage of the distinctive character’, which is interpreted as ‘taking advantage of the level of attention’ or, in German, ‘Aufmerksamkeitsausbeutung’ should not be applied *at all* as such prohibitions are not necessary in a democratic society. They interfere unduly with the freedom of expression of third party traders to inform consumers, as they apply to many forms of referential use, comparative advertising and even to descriptive use and in such use, taking advantage of the level of attention is an inherent feature of any sort of competition. Where an image is transferred, as may be the case in comparative advertising, referential use and some descriptive use, I argued that careful balancing must take place under the criterion of unfairness.

In relation to this process of balancing, I argued that the CompAdvDir has added vital breathing space to the TMDir in respect of comparative advertising and that it would be fully in line with freedom of commercial expression to introduce similar considerations in the balancing process in relation to referential use and descriptive use under the TMDir. Consequently, where a comparison, referential use, or descriptive use is truthful and not misleading, a certain transfer of reputation cannot, in my opinion, be regarded as unfair. Rather, proof by the plaintiff of an additional criterion of unfairness remains essential, otherwise the freedom of expression of a third party trader to inform consumers may be

impaired too severely. That unfairness needs to be more substantiated than indicated by the ECJ in its *l'Oréal* decision.

In relation to the prohibition of *blurring and tarnishment* I argued that they are both justifiable limitations to the freedom of commercial expression, if the level of harm and proof thereof is sufficiently high. Care should be taken where signs are used descriptively to inform consumers or where the use, which causes tarnishment, would provide vital information to consumers.

Where third party use is truthful and non-misleading, but causes harm, a careful balancing process should be carried out and it is, in my opinion, not proportionate to prohibit e.g. a price comparison solely because it may shed a negative light on a competitor and because it did not compare all characteristics of goods or services, or if referential use would only be allowed in case of necessity. Yet, I have argued that the freedom of commercial expression of a third party would probably not be disproportionately impaired if it were prohibited from providing information to consumers in a humorous, yet denigrating manner (e.g. in a comparative advertisement), in a case where there is no public interest implicated in the expression.

Turning to the *freedom of non-commercial expression*, I have first analysed the interpretation of the criterion of 'use in the course of trade' under Articles 5.1 and 5.2 TMDir, respectively. Courts do not use the criterion to restrict the scope of trademark rights to only those purely commercial third party uses that should receive lowered protection under Article 10 ECHR. On the contrary, this criterion is interpreted as covering all uses that take place "in the context of a commercial activity with a view to economic advantage and not as a private matter," thereby including many forms of non-commercial and mixed expression, such as cultural expressions or the contents of publications or news reports. Consequently, the necessary restriction of the scope of trademark rights pursuant to Article 10 ECHR needs to be sought in the interpretation of the other criteria of Article 5 TMDir or in its limitations.

Articles 5.1.a and b TMDir do not have a strong impact on non-commercial and mixed expression, yet the scope of these provisions may cover some forms of trademark use in mixed expression that is of public interest. Moreover, these provisions allow for the prohibition of uses that would increase expressive diversity, e.g. alternative expressive goods or services that are covered by culturally, socially, or politically important signs, such as the name Elvis Presley. The limitations of Article 6 TMDir are of no avail to such third party use, thereby leaving no room for courts to consider expressive interest within trademark law.

Moreover, the lack of consideration of the effects of trademark protection on non-commercial and mixed expression is evident in the interpretation of the constitutive criteria of *Article 5.2 TMDir*. In relation to the criterion of 'use in relation to goods and services' I analysed that the German jurisprudence before the *Adidas* case, which interpreted the criterion as requiring third party use as a source identification. While I argued that that the practical chances to restrict actionable use under Article 5.2 TMDir to such an interpretation are slim, the analysis of the jurisprudence showed that the criterion of 'use in relation to goods and services' did play a useful role in properly judging mixed expression, by limiting trademark rights to the commercial sphere. It served to distinguish

between cases that use trademarks to bring across a point of public interest from those cases in which trademarks were used in a more commercial manner as a source identifier for the third party's own goods or services. Thereby, this criterion helped to keep trademark rights within the sphere of trade.

Also the criteria of *distinctiveness*, *repute*, *taking advantage*, *blurring* or *tarnishment* have not been specifically limited to the commercial context. This allows trademark right holders to gain far-reaching control over the use and thus the meaning of a trademark not just in commercial life, but also in many spheres of social, cultural and political life, which is potentially in severe conflict with Article 10 ECHR.

Most importantly, under prohibition of *taking unfair advantage*, courts interpret "advantage" as the 'level of attention' carried by a trademark, which is, in my opinion, absolutely not proportionate under Article 10.2 ECHR. The existence of a level of attention inherent in a trademark may exactly be the *reason why* strong freedom of expression may be granted to third party trademark use in non-commercial expression. It is one of the most basic principles of freedom of expression that the higher the public interest in expression is, the less impairments of freedom of expression are tolerable. Therefore, I argued that only if third party trademark use in non-commercial or mixed expression would clearly take advantage of the image of a trademark by transferring (transferrable) elements of the mark, should the prohibition apply, and, only in such a case should there be a need to balanced that use against the interests of the trademark right holder under the criteria of unfairness and due cause.

Likewise, the prohibition of *blurring* is more problematic when applied to expression that is of public interest, as right holders cannot reserve 'a space in peoples' minds in public discourse. Also here, it is one of the most basic principles of the protection under Article 10 ECHR, that the more attention is accumulated by an idea, person or symbol, the sooner a third party is justified in making that idea, person or symbol the subject of public debate and thus in breaking through the hold of a trademark on the public's mind. Therefore, the prohibition of blurring should, in my opinion, not be applied, where people use trademarks in an expressively generic sense, e.g. where they have gained a new expressive meaning or where the expression is otherwise of public interest.

In relation to the prohibition of *tarnishment*, I have specifically mentioned two areas that, in my opinion, should not be considered as constituting relevant harm to trade mark right holders. The first of these involves the imaginary parts of the image, such as associations of youthfulness and playfulness with Coca-Cola; the second involves the harm to the "repute" of trademarks protecting government policies, as such policies always need to be vigorously discussed.

I discussed Article 2.20.1.d BVIE, which implements *Article 5.5 TMDir*, separately because the situation under this provisions is most critical as it allows for the protection of trademarks that do not even have a reputation also *outside* of trade. The scope of that provision is extremely far-reaching as it covers all use of trademarks even outside of trade, i.e. in art, politics, news and other publications, comedy, all sorts of parody and the like. Not surprisingly, it has a severe impact on freedom of non-commercial and mixed expression and it provides significant chilling effects. Moreover, the provision is not justified under any of the rationales for trademark law. In light of the disproportionate impairment of Article 10 ECHR caused by Article 2.20.1.d BVIE, I argued that Benelux legislators should consider to abolish Article 2.20.1.d BVIE.

In section 5.5.3, I assessed the *balancing* of trademark rights with freedom of non-commercial and mixed expression. In that section I also suggested solutions to the problems indicated.

Generally, I argued that use of trademarks in opinions and value judgements enjoys a wide-reaching freedom under Article 10 ECHR. Even pejorative use, or polemic use of trademarks, or use that contains swearwords, obscenity, associations with death, or racism, may be justified, as long as there is a sufficient factual relationship between the trademark and the criticism and the use does not primarily defame the subject of criticism. This is also the case when the criticism is voiced by a disgruntled individual. In relation to such expression it is also crucial that courts are open-minded to various possible interpretations, as expression containing signs and trademarks can often be interpreted in a variety of manners. If courts focussed only on one possible interpretation, they may falsely apply a lower level of protection under Article 10 ECHR, as they may not give proper weight to the public interest in the expression.

Furthermore, I specifically turned to the assessment of commerciality in mixed expression. I argued that courts should take into account, wherever possible, at least the following factors: (1) the intensity of the public interest as opposed to the commerciality, (2) whether the use has taken place in an editorial manner, i.e. in the contents of a commercial (news) publication or film (3) whether the trademark has been used in a source-identifying manner, (4) the intent of the speaker.

As Article 5.1 TMDir does not allow for such balancing and, under Article 5.2. TMDir, all depends on courts' willingness to recognise and protect the public interest elements in mixed expression, I explored the possibility of adding a non-commercial use exception to trademark law. In this respect, I examined the non-commercial use exception under the U.S. Lanham Act and concluded that this exception should be an example for the European trademark law. By creating such an exception trademark law would make clear that, in line with Article 10 ECHR and the rationales for trademark rights, mixed expression that is of public interest must, in most cases, be kept out of the reach of trademark rights.

In relation to *newly developed meanings* of trademarks, I argued that Article 6.1.b TMDir should be expanded in a manner to cover the use in non-commercial or mixed expression of meanings such as the Mc prefix indicating cheap and fast solutions. I argued that it would be consistent to apply the broad understanding of idiosyncrasy that is used in favour of trademark right holders also in the reverse case, i.e. in the interpretation of Article 6.1.b TMDir. Consequently, trademark law should provide for an exception to trademark rights when one of the multiple meanings of a sign is used descriptively or in an (expressive) generic sense.

In relation to the need for protecting *expressive diversity* (i.e. where trademark rights exist in signs of high social, cultural or political value for expressive goods or services), I have held that it may be possible to create room for its protection by adding a limitation to Article 6.1 TMDir specifically for signs of high social, cultural or political value in relation to expressive goods and services. However, such a limitation may be difficult to define and as the main problem consist in the regular exploitation of such trademark rights (i.e. many uses of identical or similar signs in relation to identical or similar goods or services) trademark right holders may end up with a severely curtailed right. Therefore, as I indicated in chapter 4, a more appropriate solution may be to refuse the

registration of such signs as trademarks in relation to expressive goods and services. Preferably, this should be achieved by a ground for refusal of signs of high social, political or cultural value in relation to expressive goods and services. Another solution would be to apply stricter requirements of assessment under the ground for refusal of non-distinctiveness to those signs that are not properly functioning as trademarks - i.e. the signs that may express an allegiance and not primarily the trade origin, or the names of famous characters or persons like Picasso, Obelix, and Asterix, which primarily represent the persons or characters and not trade origin. Yet, as I indicated in chapter 4, the current interpretation of the ground for refusal of non-distinctiveness may not allow registering authorities or courts to treat one type of signs differently.

In relation to the use and transformation of trademarks in processes of social, cultural or political *meaning making*, I have argued that courts, when assessing such expression, must carefully consider *various interpretations*. Only by doing so will they be able to offer protection to expression that is of public interest, as they are obliged to do under Article 10 ECHR.

I furthermore explored whether a *parody exception*, as contained in copyright law, would offer a solution for the adequate balancing of such use. While I am of the opinion that there is a need to provide a limitation that allows courts to balance transformative use of trademarks, I argued that a parody exception as contained in copyright law may be too limited for such purposes. In particular, the transportation of criteria developed under copyright law may provide results that are too limited. I argued that, taken by itself, a parody exception might be providing insufficient protection to third parties who want to use trademarks in processes of 'meaning making'. Yet, as part of a set of limitations, including a non-commercial use exception, a parody exception may be a welcome addition to trademark law as it may point judges specifically to the importance of protecting uses of trademarks in parody.

Finally, I have argued that, in order to allow also small parties and individuals to participate in public discourse or in processes of meaning making, it is necessary to *remove chilling effects*. Most importantly, the rule contained in the Article 14 of the Directive on the enforcement of intellectual property rights, which allows judges to order the losing party to reimburse all the costs of a winning party in intellectual property disputes, must, in my opinion, absolutely not be applied to cases involving non-commercial or mixed expression.

6 Summary and Recommendations

6.1 SUMMARY

The research question that was posed at the beginning of this book was whether the exercise of ‘European trademark rights’ - i.e. the rights granted to right holders under the European Trademark Regulation and the national trademark rights harmonised by the European Trademark Directive - causes a disproportionate impairment of the freedom of expression of third parties as protected by Article 10 ECHR.

In order to answer this research question, I have first examined the justified interests protected by trademark rights and by freedom of expression, respectively. In chapter 2, I examined if, in view of the need for balancing trademark rights and the justified interests behind them with freedom of expression, European trademark rights are justified by the rationales for trademark rights. In chapter 3, I addressed the question whether freedom of expression, as granted under Article 10 ECHR, can or must serve as a limitation to trademark rights and, if so, what level of protection it would grant to third parties.

I took the position that best possible respect for freedom of expression can be achieved and the least chilling effects will be caused when trademark law itself provides clear limitations and room for taking into account third party freedom of expression. I analysed two stages of balancing trademark rights with third party freedom of expression. In chapter 4, I explored the first stage of balancing, i.e. that relating to the grant and revocation of trademark rights and freedom of expression as reflected in the grounds for refusal and revocation of trademark registrations. In chapter 5, I analysed the second stage of the balancing, i.e. that between the scope of protection of trademark rights and freedom of expression.

In my research, I have examined the relevant European laws and jurisprudence from the European courts adjudicating in these matters, i.e. the European Court of Justice and the Court of First Instance, as well as the European Court of Human Rights. Furthermore, I have analysed German and Dutch law and jurisprudence. In some cases, I have referred to the legal systems of other European countries, as well as to the law and jurisprudence in the United States of America.

In **chapter 1**, I laid out the key elements of the conflict by way of a brief introduction to the conflict. I started with the two basic functions of trademarks: (1) the *identifier function*, which refers to the part of the trademark that informs consumers about product characteristics and, thus, enables them to take a rational decision about the product and (2) the *communicator function*, which features in advertising, where trademarks are used as communicators, thus allowing advertisers to transport messages to consumers. I then

explained that trademarks are idiosyncratic, i.e. that trademarks can have multiple meanings at the same time, such as one or several commercial meanings, as well as a cultural, social or political one. In my opinion, trademark law needs to distinguish between these different meanings and, in this process, a choice has to be made as to which meaning has to be protected and which must be left available to third parties. Subsequently, I explained that the conflict between trademark protection and freedom of non-commercial expression is a conflict between two incompatible modes of communication, i.e. monologic and dialogic modes of communication. Trademark rights are monologic, because they grant right holders control over (the meaning of) their trademarks and do not aim at generating a response by third parties. In contrast, freedom of non-commercial expression is dialogic, because it grants the freedom to change or influence the meaning of signs and is (implicitly) aimed at generating responses.

Furthermore, in chapter 1 I discussed that conflicts between trademark rights have dramatically increased over the past 25 to 30 years, as trademarks have gained social, cultural and political roles and the scope of protection under freedom of expression has been extended to commercial expression.

In **chapter 2**, I analysed European trademark rights in light of their rationales. In doing so, I have dispelled the myth that everything of value deserves protection and that, consequently, expenditure in advertising should automatically trigger an entitlement to trademark protection. Instead, I argued that, from the viewpoint of distributive justice, exclusive trademarks rights need to be justified by a proper, i.e. well-grounded, rationale, as they *exclude* third parties from certain uses of signs. I have shown that trademark rights that provide protection against confusing use can be justified by economic rationales, such as the search cost rationale or the dynamic efficiency rationale and that the right to protect the distinctiveness and repute of trademarks may possibly be justified by an extended version of the Lockean labour rationale. While that latter rationale focuses on the moral entitlement of a right-holder, it makes it abundantly clear that rights, if they are based on a 'moral' entitlement, will need to be limited so that third parties are not overly restricted in their own freedom of action. Lockean labour theory tries to achieve this by requiring amongst others that 'enough and as good' must be left to third parties.

In my analysis of rationales, I also considered the interpretative tool or 'rationale' employed by the ECJ and national courts, i.e. the 'essential function doctrine'. In doing so, I exposed the clear and inherent conceptual limitations of this doctrine, which confines itself to a descriptive assessment of the positive functions of trademarks. To some extent, it has the air of a utilitarian or economic justifications of trademark rights, as it is connected to the functions of trademarks. However, it misses the core normative element of a utilitarian rationale, i.e. that rights should *only* be protected *to such an extent* that positive effects outweigh negative effects. Consequently, functions that do not create *overall* positive effects should not be protected. Regrettably, though not surprisingly, the lack of normative qualities of the essential function doctrine has led the ECJ in recent judgements to enormously expand the scope of protection granted to trademarks by extending protection to *all* functions of trademarks without carefully weighing the negative and positive consequences of that choice.

In applying the rationales to the substantive provisions of European trademark law, I showed that in many areas, such as identity protection, indirect confusion and post-sale confusion, and in respect of the protection of distinctiveness and repute, the protection

garnted by European trademark law stretches further than what can be justified. In fact, trademark protection has continuously been extended and now impairs types of commercial expression that could be of great benefit to consumers; in addition, trademark rights now have the potential to limit social, cultural and political discourse. I concluded that the fact that European trademark rights are not fully justified by the rationales for trademark rights needs to be taken into account when balancing rights and interests in conflicts between trademarks right and freedom of expression.

The analysis in **chapter 3** showed that freedom of expression, as granted under Article 10 of the European Convention on Human Rights and Fundamental Freedoms (“ECHR”), may provide a potentially forceful protection to third parties who want to use a particular trademark. Member States of the ECHR are under an obligation to ensure that the exercise of trademarks right will not contravene Article 10 ECHR and they have a positive obligation under Article 10 ECHR to guarantee that the exercise of such rights will not overly impair expressive diversity. I argued that it is crucial to integrate solutions to the conflict with Article 10 ECHR within trademark law, as the best respect for freedom of expression is achieved and the least chilling effects are caused, when trademark law itself provides clear limitations and room for balancing with third party freedom of expression. This can be achieved at various levels. First, legislators should structure trademark law in a manner that it does not disproportionately restrict the freedom of expression of third parties. Second, also trademark registering authorities should interpret open norms of trademark law in accordance with freedom of expression, to the extent this is permitted. Third, individuals in the Member States of the ECHR can invoke Article 10 ECHR before national courts in a conflict involving trademark rights and courts are obliged to protect their freedom of expression. This is also referred to as indirect horizontal effect vis-à-vis trademark law. Courts can balance freedom of expression and trademark rights in two manners. First, they can balance the two within the framework of trademark law itself, by interpreting ‘open’ provisions of trademark law in light of freedom of expression. Second, if internal balancing does not lead to the required result or if it is excluded, as in the case of Article 5.3 the German Grundgesetz, courts can balance freedom of expression and trademark rights externally in a human rights framework. This means that trademark rights as protected by Article 1 1st AP ECHR, i.e. the right to protection of property, will be balanced against Article 10 ECHR.

In order to provide a proper interpretation of freedom of expression, I examined the rationales for that freedom. The classic rationales of freedom of non-commercial expression explain that expression on matters of public interest deserves strong protection even if it is exaggerated, offensive, oppositional, or false, because such expression may contribute to the quest for truth or to various processes in a democracy. In addition, freedom of expression should be granted because it contributes to individual self-fulfilment. While these classic rationales focus on processes, institutions and participants and, thereby, justify a general freedom of non-commercial expression, they fail to provide a specific rationale for the protection of a freedom of third parties to use certain signs that are protected by trademark rights.

I have found an additional, more specific rationale in the theory of dialogic democracy. This theory explains that social, cultural, and political processes in society are not solely determined by *participants* and *institutions*, but that the aim of these processes is often to fix or change the dominant *meaning* in society, which is embodied in dominant signs (e.g. flags or state emblems) and increasingly also in trademarks. As a

result, the theory of dialogic democracy views social, cultural and political processes as processes of ‘meaning making’. For individuals and groups the ability to influence the meaning carried by dominant signs is an important condition to take part in social, cultural and political processes and to participate fully in a democracy. The theory thus justifies not only a general freedom of expression to speak, but also a specific freedom to use and change the dominant meanings carried by signs, including trademarks that (potentially) carry social, cultural, and political value.

The rationale for the protection of commercial expression, including the freedom of third parties to use signs protected by trademark rights, can be found in the positive effects of commercial expression for a citizen in today’s society; it is thus a freedom to provide information to (potential) consumers. Since commercial expression can also cause direct and clear negative effects (e.g. when it is misleading, or about harmful products such as cigarettes), this rationale allows for more leniency in restricting freedom of commercial expression.

Freedom of expression under Article 10 ECHR is not absolute, but rather subject to varying levels of protection. I have explored this varying level of the protection of freedom of commercial and non-commercial expression, while also drawing on the rationales of freedom of expression. In principle, trademark rights may place a restriction on the freedom of non-commercial expression only if there is a *pressing social need* and if the restriction does extend *not further than necessary*; in relation to freedom of commercial expression, restrictions must be *justifiable in principle and proportionate*.

In addition to this clear division in scrutiny between purely commercial and non-commercial or mixed expression, the ECtHR has defined a range of criteria that can be used in determining the appropriate level of protection.

Purely commercial expression, which includes descriptive, referential use of trademarks or use in comparative advertising, may be restricted even if it is truthful and non-misleading. However, it may not be severely restricted. The ECtHR, for instance, did find that a restriction, which made price comparisons virtually impossible, was a disproportionate impairment of Article 10 ECHR.

According to the ECtHR, *non-commercial* expression that contributes to matters that are of public interest enjoys strong protection. It does not need to be nice and polite, but may also *shock, offend, or disturb*. Since expression about public figures, i.e. figures and institutions that are the object of public interest, receives particular strong protection, I have argued that, by analogy, expression that uses ‘public symbols’, including certain trademarks that are of social, cultural or political value, should receive protection of equal strength.

Moreover I have made it clear that freedom of non-commercial expression must prevail over trademark rights, even if a degree of economic harm is present. The limits of freedom of non-commercial expression must be found, e.g. where, taking all the relevant facts and factors in an individual case into account, criticism or comment no longer bears any factual relationship to an issue of public interest connected to the trademark, but rather primarily disparages the trademark at stake.

The examination of jurisprudence concerning artistic expression showed that, if courts want to take full account of the role of artistic expression that uses or transforms trademarks in the process of social, cultural, and political meaning making, they would need to take an open-minded and differentiated view when it comes to assessing the meaning of that expression.

The examination of jurisprudence relating to mixed expression, i.e. expression that contains both commercial and non-commercial elements, showed that the strength of protection granted must not be determined, e.g. solely by the fact that an expression is contained in a commercial medium, that it is voiced in advertising, or that it would fall under provisions of unfair competition law or trademark law. Instead, the expression must be judged carefully and independently, by taking all relevant factors into account, since a wrong qualification would lead to the application of the significantly lower level of protection that applies to commercial expression. For example, even a simple and, at the face of it, plainly commercial trademark parody sold on T-shirts may entail a contribution to a discussion on matters of public interest and may thus be entitled to a higher level of protection. In cases that remain unclear, I have argued that it would be best to grant heightened protection under Article 10 ECHR.

Finally, I have pointed out that, chilling effects created by both substantive and procedural requirements that cause or increase inequalities between litigants or severe punitive sanctions may, by themselves, constitute a disproportionate impairment of freedom of expression.

In **chapter 4**, I dealt with the first stage of balancing, i.e. the balancing of the grant and revocation of trademark rights with a *public interest* of third parties who may be affected in their freedom of commercial and non-commercial expression. As this public interest of freedom of expression has two aspects, I have referred to it as a 'two-fold public interest'. The first aspect relates to the *freedom of commercial expression* of third party traders to use trademarks in a descriptive or otherwise informative manner in order to inform consumers about their own goods and services. The second aspect is the public interest of the *freedom of non-commercial expression* of third parties to use the prospectively trademarked signs in a non-commercial manner as well as the interests of the recipients of such expression, and a more general interest in not impairing expressive diversity. The interest in protecting expressive diversity may be impaired if trademark rights come into existence in signs of high social, cultural, or political value for expressive goods or services, e.g. a trademark right in the name Elvis Presley for the organisation of festivals, shows, or merchandise. Such rights may grant the right holder far-reaching control over the representation of the idol 'Elvis' in the public sphere.

I pointed out that the interest in protecting expressive diversity differs from the interest in protecting cultural heritage that has been identified by some scholars and recognised by a number of courts. While that second interest aims at protecting cultural meaning embodied in cultural signs primarily against commercialisation, the interest in expressive diversity does not aim to forestall commercialisation, but desires to ensure the availability of a diversity of (commercial and non-commercial) representations of the signs concerned.

In the analysis, I focused on the grounds for refusal and revocation of the registration of trademarks, as these can be interpreted in a manner that allows balancing trademark rights with freedom of expression. Registering authorities already have the necessary discretion to carry out the type of balancing that is required from the perspective of freedom of expression, because the ECJ has ruled that they have to carry out a full and stringent examination by balancing the interests of the prospective right holders against specific public interests.

While none of the public interests hitherto considered by the ECJ relate to the protection of freedom of expression, a number of the grounds for refusal and revocation may play a role in protecting the two-fold public interest stemming from freedom of

expression. In particular, these are the grounds of descriptiveness, customariness, and non-distinctiveness; the ground for refusal of *bad faith* and the grounds related to *public policy*, do however not allow for such protection.

The ground of descriptiveness protects the public interest in keeping descriptive (and generic) signs available to all competitors, which is a very similar interest to that stemming from the freedom of commercial expression of third party traders to use descriptive and generic signs in order to inform consumers, meaning that this ground has the effect of protecting the freedom of commercial expression of third party traders. In addition, this provision may have the effect of protecting the public interest stemming from non-commercial expression, as it ensures that the descriptive meanings of signs of high social, cultural, or political value will be kept free. I argued for a widened application of this ground for refusal in order to take full account of the two-fold public interest stemming from freedom of expression.

The ground for refusal of non-distinctiveness protects the public interest of consumers to use trademarks in order to orient themselves in markets by restricting the registration of signs that are devoid of any distinctive character; put differently, it is used to assess the *de facto* capability of a sign to distinguish. Various courts, including the ECJ, have also used this ground to restrict the *de jure* capability of a sign to distinguish, so that it remains available for others, i.e. courts have found that certain signs are *not allowed to be used* to distinguish goods and services. These courts have done this either implicitly, by holding that consumers will not recognise certain types of sign (slogans, expressive signs on T-shirts or very famous names) as distinctive, or sometimes explicitly by holding that such signs must be kept available for *normative* reasons. I argued that such interpretations must be seen as a clear indication of *opinio juris* to the fact that the existing grounds for refusal insufficiently protect the need to keep certain signs available for third parties. I examined whether this approach could be used to safeguard the public interest stemming from freedom of non-commercial expression, and in particular that of protecting expressive diversity.

Furthermore, I examined Article 3.3 TMDir, which allows for the registration of descriptive, customary, or non-distinctive signs once they have acquired distinctive character. As this provision may lead to the impairment of the two-fold public interest stemming from freedom of expression, I argued that this provision should not be applied to certain highly descriptive signs and signs of high social, cultural or political value.

Finally, I examined the ground for revocation for signs that have become a common name in trade, which entails the necessary recognition of the fact that many trademarks may become the common name for certain goods or services. In doing so, it has the effect of protecting the public interest stemming from the freedom of commercial expression of traders. However, in its current form, it forces right holders to ‘police’ against their trademarks becoming generic, which may result in chilling effects. In order to counter these effects, I argued for an amendment to this provision and for a clearer limitation to the scope of trademark rights, which would allow third parties to use trademarks as generic indications in non-commercial expression.

In **chapter 5**, I examined the second stage of balancing trademark rights with freedom of expression, by focussing on the *scope* of *protection*. In particular, I have examined whether the criteria defining the scope of trademark rights as set by European trademark law, i.e. the constitutive criteria as well as the limitations, can be interpreted in a manner

to ensure that the exercise of trademark rights will not pose disproportionate limitations of *commercial* and *non-commercial* expression of third parties.

In relation to Article 5.1 TMDir I have argued that a prohibition of confusing use is in line with *freedom of commercial expression*, as this freedom is granted in order to inform consumers. Confusing use will, in most cases, not serve that aim, as it misinforms consumers. However, as Article 5.1 TMDir extends beyond prohibiting purely confusing use, I have analysed the different elements of the scope of that provision.

Furthermore, I have analysed the balancing of trademark rights with freedom of commercial expression under the limitations of Article 6.1.b and c TMDir, which allow for descriptive use and referential use, as well as the limitation provided by the Comparative Advertising Directive. By and large, I have argued that a strong focus on consumer interests, as that contained in the jurisprudence under the CompAdvDir, would help a great deal in influencing the balancing processes in a manner the exercise of trademark rights will not cause disproportionate impairments the freedom of commercial expression under Article 10 ECHR.

In relation to Article 5.2 TMDir, I have analysed the criteria relating to taking advantage, blurring and tarnishment as well as the limiting criteria of unfairness and due cause. I have proposed a number of ways to interpret these criteria in line with Article 10 ECHR; the most important results of this analysis can be found in the following section.

Turning to the *freedom of non-commercial and mixed expression*, I have started with analysing the interpretation of the criterion of ‘*use in the course of trade*’ under Articles 5.1 and 5.2 TMDir, respectively, which is not used by courts to restrict the scope of trademark rights to only those purely commercial third party uses that should receive lowered protection under Article 10 ECHR.

The analysis showed that Articles 5.1.a and b TMDir do not have a strong impact on non-commercial and mixed expression; yet, the scope of these provisions may cover some forms of trademark use in mixed *expression that is of public interest*. Moreover, these provisions allow for the prohibition of uses that would increase *expressive diversity*.

The interpretation of most of the constitutive criteria of Article 5.2 TMDir lacks consideration of the effects of trademark protection on non-commercial and mixed expression. For instance, before the *Adidas* case, the criterion of ‘use in relation to goods and services’ was used to limit trademark rights to uses that, seen from the perspective of freedom of expression also enjoyed less protection. However, since the ECJ’s *Adidas v. Fitnessworld* decision, the criterion of use in relation to goods and services is satisfied already when the public makes a *link* or *association* between the trademark and the sign used by the third party. Likewise, the definitions of *distinctiveness*, *repute*, *taking advantage*, *blurring* or *tarnishment* are not specifically limited to the commercial context. This allows trademark right holders to gain far-reaching control over the use and the meaning of a trademark, not just in commercial life, but also in many spheres of social, cultural and political life. This development is potentially in severe conflict with Article 10 ECHR and I have proposed ways to interpret these criteria in line with the demands of Article 10 ECHR.

In the remainder of the chapter, I assessed in depth the *balancing* of trademark rights with freedom of non-commercial and mixed expression. In that part of chapter 5, I have also suggested a number of legislative and interpretative solutions, which are presented in the following section.

6.2 RECOMMENDATIONS

Throughout this book, I have indicated a number of problematic areas of trademark law, which may need to be amended by legislators. I have also indicated a variety of manners, in which courts can interpret trademark law in conformity with the demands of Article 10 ECHR. To conclude this book, I want provide this overview of my most important recommendations.

The exercise of trademark rights may disproportionately impair the *freedom of commercial expression* of third party traders in particular where it hinders them in informing consumers by using descriptive or generic signs or by using registered trademarks descriptively, in a referential manner or in comparative advertising. Steps to ensure the conformity of trademark rights with freedom of commercial expression can be taken, both, when trademarks are registered and in the definition and interpretation of the scope of trademark rights.

Overall, trademark law already takes account of similar interests than those protected by freedom of commercial expression, i.e. that of consumers and that of third party traders to use descriptive signs or to use registered trademarks descriptively or generically. Yet, the strong focus placed on the commercial interests of trademark right holders in many areas of trademark law, may have to be counterbalanced by putting a stronger focus on consumer interests. A model for such a focus can be found in the jurisprudence under the Comparative Advertising Directive.

In relation to the grant of trademark rights, I argued that in order to take full account of the public interest stemming from freedom of non-commercial expression the ground for refusal of descriptiveness may have to be extended to, what I referred to as, 'indirectly descriptive signs'. By this, I mean signs that do not just describe directly 'characteristics of the goods or services' themselves, but also signs that describe circumstances surrounding the goods and services, such as the consumers of these goods, or that may be understood as exclamations on the part of the users, e.g. the sign 'New Born Baby' for baby dolls, 'Kinder' (trans. 'children') for chocolate or 'Lief!' (transl. 'Sweet!') for baby clothing. In relation to Article 3.3 TMDir, which allows for the registration of descriptive, customary, or non-distinctive signs once they have acquired distinctive character, there may be a need to exclude signs that are highly descriptive or generic from becoming registerable as trademarks.

In relation to the scope of trademark rights, I have argued that the limitation of descriptive use, contained in Article 6.1.b TMDir, should be used by courts to provide a counterbalance if a third party uses of a trademark, which should arguably have been refused for reasons of descriptiveness (e.g. the signs "Lief!" for baby clothing or "Kinder" for chocolate against descriptive use by third parties). In relation Article 6.1.c TMDir, allowing for referential use, decisive weight should be given to the protection of consumer interests, as is the case under the Comparative Advertising Directive. The restriction of referential use to cases of necessity is not always justifiable under Article 10 ECHR, as it completely reverses the proportionality test under Article 10.2 ECHR.

Also the criteria of taking unfair advantage, blurring, and tarnishment under Article 5.2 TMDir should be interpreted more in light of consumer interests. In particular, the prohibition of *taking unfair advantage* may lead to a disproportionate impairment of the

freedom of commercial expression of third parties. It has been interpreted as covering the ‘taking advantage of the level of attention’ inherent in a trademark, which would cover many forms of trademark use that are necessary in competition to inform consumers. I have proposed to introduce a requirement of image-transfer, which may help in limiting the scope of the prohibition of *taking unfair advantage* as it means that only those third party uses become actionable, which entail the transfer of an identifiable part of the image.

In relation to *freedom of non-commercial expression* (including mixed expression that is of public interest), the extension of trademark rights in order to protect the increased commercial value of trademarks, taken together with the increased social, cultural and political role of trademarks, cause an increasing potential for conflicts. The impact of trademark rights on freedom of expression has not been sufficiently recognised by the drafters of the TMDir, TMReg and national trademark, as well as by many courts. There seems to be a general neglect of the fact that high commercial importance of trademarks and high investments will go hand in hand with an important social, cultural, or political role of those signs and that there is thus a need to carefully balance the conflicting interests. As a result, trademark rights as applied in practice now extend to many forms of expression that must be highly protected under Article 10 ECHR.

In this book, I analysed a variety of possible interpretative solutions that can aid courts balancing trademark rights with freedom of expression and in granting the appropriate level of protection pursuant to Article 10 ECHR; I also suggested a number of legislative amendments. To start with, there are four important considerations following from the jurisprudence relating to Article 10 ECHR, which may guide legislators, courts and registering authorities.

First, since expression about *public figures*, i.e. figures and institutions that are the object of public interest, receives particular strong protection, by analogy, expression that uses ‘public symbols’, including certain trademarks that are of social, cultural or political value, should receive protection of equal strength.

Second, use of trademarks in opinions and value judgements may enjoy a wide-reaching freedom under Article 10 ECHR. In fact, freedom of non-commercial expression must, in many cases, prevail over trademark rights, even if a degree of economic harm is present. Even pejorative use, or polemic use of trademarks, or use that contains swearwords, obscenity, associations with death, or racism, may be justified, as long as (i) the criticism or comment bears a factual relationship with an issue of public interest connected to the trademark (ii) the use does not primarily disparage the subject of criticism. This is also the case when the criticism is voiced by a disgruntled individual.

Third, third party use of trademarks can very often be interpreted in many possible ways. This is, in particular, the case with the use of trademarks in processes of social, cultural or political ‘*meaning making*’. It is essential that courts, when assessing such expression, consider, with an open mind, *various interpretations of the expression*. Only by doing so will they be able to identify those elements of expression that are of public interest, leading them to apply the appropriate (heightened) level of protection under Article 10 ECHR.

Fourth, in order to allow also small parties and individuals to participate in public discourse or in processes of meaning making, it is necessary to remove *chilling effects*. Such chilling effects may arise due to obstacles to the exercise of freedom of expression such as the prospect of severe sanctions, significant costs of litigation, a need to litigate to

the highest court in order to get the freedom respected, or a lack of equality of arms between litigants. In my opinion, it would be particularly important to address the obstacle that is posed by the rule contained in the Article 14 of the Directive on the enforcement of intellectual property rights, which allows judges to order the losing party to reimburse all the costs of a winning party in intellectual property disputes. This rule must not be applied to cases involving non-commercial or mixed expression.

As Article 10 ECHR requires courts to grant a heightened level of protection to non-commercial and mixed expression, I have specifically analysed whether this entitlement to heightened protection is reflected in the scope of trademark rights.

The assessment showed that the criterion of '*use in the course of trade*' contained in Article 5.1 and 5.2 TMDir is not interpreted in a manner that would limit the scope of trademark rights to purely commercial expression. Likewise, the definitions of *use in relation to goods and services, distinctiveness, repute, taking advantage, blurring or tarnishment* under Article 5.2 TMDir are not specifically limited to the commercial context and neither do the limitations to the scope specifically reflect the need to grant heightened protection to third parties.

I have proposed a number of interpretative solutions to this problem. Overall, I argued that courts should take into account, wherever possible, at least the following factors: (1) the intensity of the public interest as opposed to the commerciality, (2) whether the use has taken place in an editorial manner, i.e. in the contents of a commercial (news) publication or film (3) whether the trademark has been used in a source-identifying manner, (4) the intent of the speaker.

A specific problem relates to the prohibition of *taking unfair advantage*, whereby courts interpret "advantage" as the 'level of attention' carried by a trademark. In my view, this is not proportionate under Article 10.2 ECHR. The existence of a level of attention inherent in a trademark may be the exact reason why a higher level of protection under Article 10 ECHR may have to be granted to a third party. It is one of the most basic principles of freedom of expression that the higher the public interest in expression is, the less tolerable are impairments of freedom of expression. Therefore, I suggested that only if third party trademark use in non-commercial or mixed expression would clearly take advantage of the image of a trademark by transferring (transferrable) elements of the mark, should the prohibition apply. Where an image is indeed transferred, a careful balance under the criteria of unfairness and due cause must be carried out.

Also the prohibition of *blurring* is problematic when applied to expression that is of public interest, as right holders cannot reserve 'a space in peoples' minds' in public discourse. Under Article 10 ECHR, the more attention is accumulated by an idea, person or symbol, the sooner a third party is justified in making that idea, person or symbol the subject of public debate and, thus, in breaking the hold of a trademark on the public's mind. Therefore, the prohibition of blurring should be applied with great care where trademarks have gained a new expressive meaning or where the expression is otherwise of public interest.

Besides such interpretative solutions, I have explored the possibility of adding a *non-commercial use exception* to trademark law. In this respect, I have examined the non-commercial use exception under the U.S. Lanham Act and concluded that this exception should be an example for European trademark law. By creating such an exception, trademark law would make clear that, in line with Article 10 ECHR and the rationales for trademark rights, mixed expression that is of public interest must receive heightened

protection; often, this may result in keeping it out of the reach of trademark rights altogether. I have argued that there is probably no single satisfactory definition of “non-commercial use”, but that a non-commercial use exception should be used by courts to balance the criteria which I mentioned above.

Another important concern is to create better recognition, within trademark law, of the fact that trademarks can gain new *meanings in general language*, which third parties should be able to use, e.g. the Mc prefix to indicate cheap and fast solutions. Currently, only the ground for revocation for signs that have become ‘a common name in trade’ specifically applies to trademarks that have become generic. While that ground protects the interest of consumers to be able to use trademarks as distinctive signs and the interest of third party traders to use generic signs, the provision creates unnecessary chilling effects. It forces right holders to ‘police’ against their trademarks becoming generic, meaning that they are stimulated to invoke their trademark rights not just against third party traders, but also against third parties who use the trademarks generically in non-commercial or mixed expression, e.g. in news reports or other publications. As such chilling effects can amount to a disproportionate limitation of freedom of expression, the obligation to police should be removed.

In addition, a clear limitation of trademark rights in case of third party generic use in non-commercial or mixed expression is necessary. While, a proper application of the above-mentioned criteria of commerciality or a non-commercial use exception may provide a limitation of trademark rights, it may be a better solution to add a specific limitation to Article 6.1 TMDir, which allows a third party to use newly developed meaning of trademarks in non-commercial or mixed expression.

Furthermore, I have explored whether a *parody exception*, as contained in several national copyright laws, would offer a solution for the adequate balancing of third party trademark use in a transformative manner or in ‘meaning-making’. While there is a need to provide a limitation that will allow courts to balance trademark rights with transformative use of trademarks, I think that a parody exception as contained in copyright law may be too limited for such purposes. In particular, the foreseeable transportation of balancing criteria developed under copyright jurisprudence into trademark law may provide results that are too limited. Therefore, taken by itself, a parody exception might be providing insufficient protection to third parties who want to use trademarks in processes of ‘meaning making’. Yet, a parody exception may be a welcome addition to trademark law as part of a set of limitations including a non-commercial use exception, as it may point judges specifically to the importance of protecting uses of trademarks in parody.

One specific problem concerns the BVIE and, in particular, Benelux courts and legislators. *Article 2.20.1.d BVIE*, the implementation of the optional Article 5.5 TMDir in the Benelux countries, creates the most critical situation with respect to the freedom of expression of third parties. It protects the distinctiveness and repute of *all* trademarks, hence also those without a reputation, against ‘all other uses’, even if the third party use takes place outside of trade. The analysis in this book showed that this provision has a stifling influence on a whole range of artistic or political expressions, because it allows right holders to prohibit use of their marks in a discourse that is wholly unrelated to any sort of trade or commercial activity.

Trademark right holders and even governments may see, and have seen themselves authorised to invoke trademark rights in order to stifle public debate. In my opinion, it is extremely hard to reconcile with Article 10 ECHR that trademark rights can be invoked in order to prohibit e.g. a campaign group from responding to policies of a trademark right holder outside any sort of commercial context. The crucial point is that such a far-reaching scope of trademark rights creates chilling effects. Possibly, the mere existence of the overzealous protection under Article 2.20.1.d BVIE may be seen a disproportionate limitation on freedom of expression, as it cannot be justified by any of the rationales for trademark rights, as there is no pressing social need for this far-reaching scope, and as it creates potentially severe chilling effects. In order to address these concerns, I suggested that the Benelux legislators should consider amending or maybe entirely abolishing that provision.

Finally, I also examined the impact of trademark rights on *expressive diversity* at various places in this book. Under Article 10 ECHR, states are under a positive duty to guarantee expressive diversity, which means that they must ensure that the exercise of trademark rights will not overly impair expressive diversity.

Expressive diversity may be impaired when trademark rights in signs of high social, cultural or political value for expressive goods or services are exercised.¹ I have contended that it may be necessary to create room for the protection of expressive diversity by adding a limitation to Article 6.1 TMDir specifically for signs of high social, cultural or political value in relation to expressive goods and services. However, such a limitation may be difficult to define and, as the main problem consists in the regular exploitation of such trademark rights (i.e. uses of identical or similar signs in relation to identical or similar goods or services), trademark right holders may end up with a severely curtailed right.

A more appropriate solution may be to refuse the registration of signs of high social, cultural, or political value as trademarks in relation to expressive goods and services. One possibility to achieve this would be to widen the application of the ground for refusal of descriptiveness, or to apply the ground for refusal of non-distinctiveness to those signs that are not properly functioning as trademarks - i.e. signs that may express an allegiance and not primarily trade origin, or the names of famous characters or persons like Picasso, Obelix, and Asterix, which primarily represent the persons or characters and not trade origin. Yet, the current interpretation of the ground for refusal of non-distinctiveness may not allow registering authorities and courts to apply the ground more strictly in relation to such signs. Therefore, legislators should consider adding a new ground for refusal of signs of high social, political or cultural value in relation to expressive goods and services.

¹ For a definition see section 4.1.

Samenvatting

Dit boek bevat een analyse van het conflict tussen merkrechten en de vrije meningsuiting in de Europese context. Daarbij stond de volgende onderzoeksvraag centraal: Vormt de uitoefening van 'Europese merkrechten' - dat zijn (i) de rechten uit de Europese Merkenverordening en (ii) nationale merkrechten die door de Merkenrichtlijn zijn geharmoniseerd - een disproportionele inperking op de vrije meningsuiting van derden zoals deze is beschermd onder art. 10 EVRM?

Om deze vraag te beantwoorden, heb ik in eerste instantie gekeken naar de belangen die worden beschermd door enerzijds merkrechten en anderzijds de vrije meningsuiting en de rechtvaardiging voor de bescherming van deze belangen. Dit omdat bij het afwegen tussen merkrechten en de vrije meningsuiting de noodzaak bestaat om de gerechtvaardigde belangen achter deze rechten tegen elkaar af te wegen. In hoofdstuk 2 heb ik onderzocht of Europese merkrechten gerechtvaardigd kunnen worden door bepaalde rechtvaardigingstheorieën. In hoofdstuk 3 ben ik de vraag nagegaan of de vrije meningsuiting van art. 10 EVRM kan, of moet, fungeren als een beperking van merkrechten, en zo ja, welk beschermingsniveau deze vrijheid aan derden zou bieden.

Ik heb verdedigd dat het beste evenwicht tussen merkrechten en de vrije meningsuiting kan worden gevonden en het minste *chilling effect* zal optreden als het merkenrecht zelf duidelijke beperkingen zou bevatten en als het ruimte zou bieden voor een afweging met de vrije meningsuiting. In dit kader heb ik twee treden van mogelijke afweging binnen het merkenrecht onderzocht. In hoofdstuk 4 onderzocht ik de eerste trede: de afweging tussen merkrechten en de vrije meningsuiting bij het toekennen of terugroepen van merkrechten. Een dergelijke afweging kan worden gemaakt onder bepaalde weigeringsgronden van de inschrijving van merken en gronden van verval. In hoofdstuk 5 onderzocht ik de tweede trede: de afweging tussen de beschermingsomvang van merken en de vrije meningsuiting van derden.

Dit boek richt zich op relevante Europese regelingen, en jurisprudentie van Europese instanties, m.n. het Hof van Justitie van de Europese Gemeenschappen ('HvJEG'), het hof van eerste Aanleg van de Europese Gemeenschappen ('HvEAEG') en het Europese Hof voor de Mensenrechten ('EHRM'). Daarnaast heb ik wetten en uitspraken van rechters uit Duitsland en Nederland nader onderzocht en ging ik in enkele gevallen dieper in op andere Europese rechtssystemen. Een aantal keer wordt verwezen naar regelingen en uitspraken uit de Verenigde Staten van Amerika.

In **hoofdstuk 1** heb ik uitgelegd dat het conflict tussen merkrechten en de vrije meningsuiting in de afgelopen 25 tot 30 jaar dramatisch is gegroeid, omdat merken sociale, culturele of politieke betekenissen zij gaan aannemen en omdat de vrije

meningsuiting is uitgebreid naar commerciële communicatie. Verder heb ik de belangrijkste elementen van het conflict uiteengezet. Daarbij begon ik met het schetsen van twee basisfuncties van merken: (1) de *identificatiefunctie*: het deel van het merk dat consumenten informeert over producteigenschappen en hun daardoor in staat stelt economische besluiten te nemen; en (2) de *communicatiefunctie*: een functie die door merkhouders in de reclame wordt gebruikt om met consumenten te communiceren.

Daarnaast is het belangrijk om te stil te staan bij het feit dat merken idiosyncratisch zijn. Daarmee bedoel ik dat merken meerdere betekenissen tegelijkertijd kunnen hebben. Dit kunnen één of meerdere commerciële betekenissen zijn naast eventuele sociale, culturele of politieke betekenissen. Ik heb verdedigd dat het merkenrecht een onderscheid moet maken tussen de verschillende betekenissen en dat een keuze moet worden gemaakt tussen te beschermende betekenissen en betekenissen die vrij moeten blijven voor het gebruik door derden. Een laatste belangrijke element van het conflict tussen merkbescherming en de vrije meningsuiting is dat het hierbij gaat om een conflict tussen twee onverenigbare communicatievormen: *monologische* en *dialogische communicatie*. Merkrechten vallen in de monologische categorie omdat zij merkhouders controle verschaffen over (de betekenis van) hun merken en omdat zij niet gericht zijn op een antwoord of repliek. De vrije meningsuiting valt in de dialogische categorie omdat zij de vrijheid omhelst de inhoud en betekenis van merken te beïnvloeden of te veranderen en omdat zij (impliciet) erop gericht is een antwoord of repliek uit te lokken of om het publieke debat aan te wakkeren.

In **hoofdstuk 2** heb ik de Europese merkrechten geanalyseerd tegen de achtergrond van rechtvaardigingstheorieën. Daarbij heb ik gebroken met de mythe dat alles van waarde juridische bescherming zou verdienen of dat het investeren in (merkgerelateerde) reclame automatisch een vorm van merkbescherming zou rechtvaardigen. Vanuit het perspectief van verdelende rechtvaardigheid zijn exclusieve merkrechten alleen te rechtvaardigen als deze te verklaren zijn door een gefundeerde rechtvaardigingstheorie. Dit omdat merkrechten derden uitsluiten van bepaalde soorten gebruik van het merk.

Ik heb aangetoond dat merkrechten tegen verwarringwekkend gebruik door derden gerechtvaardigd kunnen worden door economische theorieën zoals de zoekkosten theorie of de theorie van dynamische efficiëntie. Merkrechten die het onderscheidend vermogen of de reputatie van een merk beschermen kunnen mogelijk worden gerechtvaardigd door een afgeleide versie van John Locke's theorie van het recht op de vruchten van de eigen arbeid. Deze laatste theorie rechtvaardigt eigendomsrechten met beroep op de arbeid of inspanning van de rechthouder, maar zij maakt daarbij heel duidelijk dat rechten die zijn gebaseerd op een dergelijk morele grondslag, ingeperkt dienen te worden zodat derde partijen niet overmatig worden beperkt in hun handelingsvrijheid. In Locke's theorie wordt dit bereikt door te stellen dat 'voldoende van gelijke waarde' moet overblijven voor derden.

In de analyse van de rechtvaardigingstheorieën ben ik ook ingegaan op het interpretatie vehikel of de 'grondslag' die door het HvJEG wordt aangehaald, de doctrine van de wezenlijke functie van het merk. Daarbij heb ik gewezen op de inherente beperkingen van deze doctrine. Zij beperkt zich tot een beschrijving van een positieve functie van een merk – de onderscheidingsfunctie – en heeft daardoor de schijn van een utilitaire of economische theorie. Echter mist zij het essentiële normatieve element van een utilitaire theorie, namelijk dat een rechtvaardiging voor rechten alleen dan en alleen in die omvang bestaat als de positieve effecten zwaarder wegen dan de negatieve.

Merkfuncties die per saldo geen positieve effecten creëren moet geen bescherming toekomen. Het is spijtig, maar niet verbazingwekkend dat het HvJEG in recente uitspraken ertoe is overgegaan de beschermingsomvang van merkrechten op te rekken tot *alle* merkfuncties. Het Hof heeft daarbij nagelaten een normatieve afweging te maken tussen die positieve en negatieve gevolgen van een dergelijke uitbreiding.

In het vervolg van hoofdstuk 2 heb ik belangrijke elementen van het Europese merkenrecht gelegd langs de lat van de rechtvaardigingstheorieën. Daarbij werd duidelijk dat bepalingen zoals de identiteitsbescherming, de bescherming tegen indirecte verwarring of ‘post-sales’-verwarring, en de bescherming van het onderscheidend vermogen of de reputatie verder strekken dan een mogelijke rechtvaardiging door de theorieën. In feite is de omvang van merkbescherming continu uitgebreid en omvat deze nu de verstrekkende verbodsmogelijkheden. Merkhouders kunnen soorten van merkgebruik verbieden die positief zijn voor consumenten of die van sociale, culturele of politieke waarde kunnen zijn.

Ik concludeerde dat merkrechten niet geheel kunnen worden gerechtvaardigd door rechtvaardigingstheorieën en ik heb verdedigd dat dit gemis stellig in aanmerking moet worden genomen bij afwegingen tussen merkrechten en de vrije meningsuiting van deden.

Hoofdstuk 3 heeft getoond dat de vrije meningsuiting, zoals beschermd door artikel 10 van het Europese Verdrag tot Bescherming van de Rechten van de Mens en de Fundamentele Vrijheden (‘EVRM’), sterke bescherming kan bieden aan derden die een merk willen gebruiken. Lidstaten van het EVRM zijn verplicht te waarborgen dat de uitoefening van merkrechten niet in strijd is met art. 10 EVRM. Daarnaast rust op hen de *positieve verplichting* om te garanderen dat merkrechten de diversiteit van uitdrukkingvormen en mogelijkheden niet overmatig belemmeren.

Zoals ik boven heb gesteld zou de best mogelijke waarborg voor de vrije meningsuiting worden gevonden en zouden *chilling effects* het meest worden teruggedrongen als oplossingen voor het conflict worden geïntegreerd in het merkenrecht zelf. Dit kan op verschillende manieren worden bereikt. Als eerste ligt er een taak voor de wetgever om het merkenrecht zo in te richten dat er geen onevenredige beperking van de vrije meningsuiting zal optreden. Ten tweede kunnen merkregistratiebureaus de ‘open’ voorwaarden voor merkregistratie interpreteren in het licht van de vrije meningsuiting. Ten derde kunnen individuen in lidstaten van het EVRM voor de nationale rechter de bescherming van art. 10 EVRM inroepen in juridische procedures vanwege vermeent merkinbreuk. Artikel 10 EVRM werkt in deze zin door in rechtsverhoudingen tussen individuen. Nationale rechters moeten ervoor zorgen dat art. 10 EVRM niet wordt geschonden. Dit kan op twee verschillende manieren. Ten eerste kunnen rechters de ‘open’ normen van het merkenrecht zelf interpreteren in het licht van de vrije meningsuiting. Als deze vorm van interne afweging niets oplevert of niet mogelijk is – zoals in het geval van art. 5.3 van het Duitse Grundgesetz - bestaat er een tweede mogelijkheid. Rechters kunnen een merkrecht en de vrije meningsuiting extern tegen elkaar afwegen in een mensenrechtelijk toetsingskader. Daarbij wordt het merkrecht zoals beschermd door art.1 van het Eerste Additionele Protocol van het EVRM – het recht op eigendom – afgewogen tegen art. 10 EVRM.

Verder heb ik de rechtvaardigingstheorieën van voor de vrije meningsuiting bekeken, omdat deze een belangrijke rol spelen bij interpretatie van de vrijheid. De klassieke rechtvaardigingstheorieën van de niet-commerciële uitingsvrijheid benadrukken dat

maatschappelijk relevante uitingen sterke bescherming verdienen ook al zijn deze overdreven, beledigend, tegendraads, of onjuist. Ook deze uitingen kunnen bijdragen aan het vinden van de waarheid en aan bepaalde processen in een democratie. Een andere theorie stelt dat de vrije meningsuiting bijdraagt aan de zelfontplooiing van individuen. De klassieke theorieën rechtvaardigen de vrije meningsuiting voor maatschappelijk relevante uitingen en leggen de nadruk op deelnemers aan een publiek debat, op instituties en communicatieprocessen. Zij bevatten echter geen specifieke rechtvaardiging voor het gebruik van beschermde merken in uitingen van derden.

In aanvulling op de klassieke theorieën kan een specifieke rechtvaardiging worden gevonden in de theorie van de dialogische democratie. Deze theorie gaat ervan uit dat sociale, culturele of politieke processen niet allen afhangen van instituties of deelnemers, maar dat het doel van dergelijke processen vaak ligt in het beïnvloeden van *dominante betekenissen* in de maatschappij. Draggers van deze betekenissen zijn dominante tekens (bijv. vlaggen of emblemen) en vaak ook merken. De theorie ziet in sociale, culturele of politieke processen het ‘maken van betekenis’. Voor individuen en groepen is de kans om de betekenis van dominante tekens te beïnvloeden een belangrijke voorwaarde voor volledige deelname aan sociale, culturele of politieke processen. Zodoende, rechtvaardigt de theorie van de dialogische democratie niet alleen een algemene uitingsvrijheid, maar ook een specifieke vrijheid om de betekenis van dominante tekens, en dus ook van sommige merken, te gebruiken en te beïnvloeden.

De laatste theorie, die werd besproken, bevat een rechtvaardiging van een vrijheid van commerciële uitingen. Deze kan worden gevonden in de positieve effecten van het ontvangen van commerciële boodschappen door burgers in de hedendaagse maatschappij. Het gaat erbij om de vrijheid met het doel om informatie te verstrekken aan (potentiële) consumenten. Echter, commerciële informatie kan ook duidelijk negatieve gevolgen hebben als deze misleidend is, over al deze over schadelijke producten gaat zoals sigaretten. Daarom geeft de theorie aan dat er meer beperkingen op deze vrijheid zijn toegestaan dan op de niet-commerciële uitingsvrijheid.

In het laatste deel van hoofdstuk 3 heb ik het beschermingsniveau van de commerciële en niet-commerciële uitingsvrijheid bestudeerd. Dit omdat de bescherming van art. 10 EVRM niet absoluut is, maar omdat zij verschillende beschermingsniveaus biedt. Bij deze analyse heb ik ook verbanden gelegd naar de rechtvaardigingstheorieën.

In principe mogen merkrechten de niet-commerciële uitingsvrijheid alleen beperken als er een *dringende sociale behoefte* is en een beperking mag *niet verder gaan dan noodzakelijk*; beperkingen van de commerciële uitingsvrijheid moeten *in principe gerechtvaardigd en evenredig* zijn. Naast dit onderscheid in het beschermingsniveau van commerciële en niet-commerciële uitingen heeft het EHRM een aantal criteria gedefinieerd die gebruikt kunnen worden om het juiste beschermingsniveau vast te stellen.

Puur commerciële uitingen, die ook het descriptieve en refererende merkgebruik omvatten alsmede gebruik in vergelijkende reclame, mogen worden beperkt, ook al zijn deze juist en niet misleidend. Echter mag de beperking niet te strikt zijn. Het EHRM heeft bij voorbeeld geconcludeerd dat een beperking die zuivere prijsvergelijkingen onmogelijk maakte in strijd was met art. 10 EVRM.

Niet-commerciële uitingen die maatschappelijk relevant zijn verdienen volgens het EHRM sterke bescherming. Vriendelijkheid of terughoudende argumentatie zijn geen vereiste voor dergelijke uitingen. Zij mogen ook kwetsend, schokkend dan wel verontrustend zijn. Uitingen over publieke figuren, dat zijn personen of instituties die

maatschappelijk relevant zijn, genieten bijzonder sterke bescherming. Ik heb beargumenteerd dat een analoge en even sterke bescherming moet toekomen aan uitingen over ‘publieke symbolen’. Hieronder vallen vlaggen en emblemen, maar ook bepaalde merken met sociale, culturele of politieke relevantie.

Verder werd duidelijk dat de vrije meningsuiting kan prevaleren boven merkrechten zelfs als er een mate van economische schade aanwezig is. Een grens van de niet-commerciële uitingsvrijheid is bijvoorbeeld bereikt als niet de kritiek of het commentaar op een onderwerp van maatschappelijke relevantie op de voorgrond staat maar als het de spreker puur erom gaat te denigreren.

De analyse van de rechtspraak over artistieke uitingsvrijheid heeft aangetoond dat rechters alleen dan het juiste, hoge beschermingsniveau zullen toekennen als zij de uiting beoordelen met een open en gedifferentieerde visie. Dit is vooral van belang bij uitingen die merken vervormen in het kader van het ‘maken’ van sociale, culturele of politieke betekenis.

De rechtspraak met betrekking tot gemengde commerciële en niet-commerciële uitingen laat zien dat een zorgvuldige beoordeling nodig is van de daadwerkelijke inhoud van een boodschap. Het feit dat uitingen zijn geplaatst in een commercieel medium, dat zij de vorm van reclame hebben of dat zij vallen onder het bereik van het oneerlijke mededingingsrecht of merkenrecht mag niet *alleen* bepalend zijn. Er bestaat namelijk het risico dat ten onrechte het significant lagere beschermingsniveau voor commerciële uitingen wordt toegepast. Bijvoorbeeld een eenvoudige en kennelijk puur commerciële merkenparodie op een T-shirt kan bij gedifferentieerde betrachting wel een bijdrage leveren aan het maatschappelijke debat. Voor een dergelijke uiting zou dus een hoger beschermingsniveau moeten gelden. In gevallen die onduidelijk zijn, heb ik gepleit om een hoger beschermingsniveau toe te kennen.

Ten slotte ben ik ingegaan op de *chilling effect* die kan worden gecreëerd door hoge boetes of door materiële of formele bepalingen die resulteren in een scheve verhouding tussen procespartijen. Een dergelijke *chilling effect* kan zelf ook een onevenredige beperking vormen op de vrije meningsuiting.

Hoofdstuk 4 onderzocht de eerste trede van een mogelijke afweging tussen merkrechten en de vrije meningsuiting: de afweging bij het toekennen of terugroepen van merkrechten met een *algemeen belang* dat voortkomt uit de belangen van derden die mogelijk worden geraakt in hun vrije meningsuiting. Dit algemeen belang heeft twee delen, het is dus een *tweedelig-algemeen belang*. Het eerste deel komt voort uit het belang van andere handelaren, die mogelijk zijn geraakt in hun commerciële uitingsvrijheid. Gevolg van het bestaan van een merkrecht kan zijn dat zij een teken niet meer mogen gebruiken in beschrijvende zin of gehinderd worden om consumenten anderszins te informeren over hun producten of diensten. Het tweede deel komt voort uit het belang van derden die mogelijk worden geraakt in hun niet-commerciële uitingsvrijheid. Daarbij kan het gaan om de belangen van derden die mogelijk gehinderd worden om een teken in niet-commerciële uitingen te gebruiken, de ontvangers van dergelijke uitingen en om de diversiteit van uitingen in het algemeen. De diversiteit van uitingen kan bijvoorbeeld worden beperkt als merkrechten worden toegekend m.b.t. tekens van grote sociale, culturele of politieke waarde en in relatie tot uitingsgerelateerde goederen of diensten – bijvoorbeeld het merk Elvis Presley voor de organisatie van shows, festivals of merchandise. Het is mogelijk dat een houder van zulke merkrechten te veel invloed mag uitoefenen op de publieke representatie van een idool als ‘Elvis’.

Het belang om de diversiteit van uitingen te beschermen verschilt van het door sommigen aangehaalde belang bij de bescherming van cultureel erfgoed. Dit laatste belang richt zich op de bescherming van culturele betekenissen tegen commercialisering. Het belang van diversiteit is echter niet gericht tegen commercialisering, maar op het waarborgen van diverse (commerciële of niet-commerciële) representatie van een teken.

De analyse richtte zich op weigeringsgronden en gronden van verval van merkregistraties. Een afweging tussen merkrechten en de vrije meningsuiting kan mogelijk worden geïntegreerd in de interpretatie van deze gronden. Merkgereguleerders zijn in staat om een dergelijke afweging te maken, omdat zij reeds verplicht zijn een strenge en volledige toetsing uit te voeren onder deze gronden. Daarbij moeten zij het belang van de toekomstige merkhouders afwegen tegen bepaalde algemene belangen van derden.

Er zijn dus een aantal algemene belangen onderkend door het HvJEG, maar tot nog toe is geen van deze belangen gebaseerd op de vrije meningsuiting van derden. Ik heb verdedigd dat een aantal weigeringsgronden en gronden voor verval een rol kunnen spelen bij de bescherming van het tweeledige algemeen belang dat voortvloeit uit de vrije meningsuiting. Dit geldt vooral voor de weigeringsgrond voor uitsluitend beschrijvende tekens, degenen voor tekens die gebruikelijk zijn geworden in het handelsverkeer of die voor tekens die elk onderscheidend vermogen missen; de gronden van kwader trouw of van de bescherming van de openbare orde kunnen echter geen bijdrage leveren.

De weigeringsgrond voor uitsluitend beschrijvende tekens beschermt het algemeen belang van derden dat beschrijvende tekens door eenieder ongestoord moeten kunnen worden gebruikt. Dit belang komt grotendeels overeen met het belang van derden handelaren die mogelijk in hun commerciële uitingsvrijheid worden beperkt omdat zij consumenten niet met behulp van deze tekens kunnen gaan informeren. Zodoende heeft deze weigeringsgrond een positief effect op de bescherming van het algemeen belang dat voortvloeit uit de commerciële vrije meningsuiting van andere handelaren. Ook heeft deze grond een positief effect op de bescherming van het belang dat voortvloeit uit de niet-commerciële uitingsvrijheid van derden. De grond zorgt ervoor dat beschrijvende betekenissen van tekens met sociale, culturele of politieke relevantie beschikbaar blijven. Ik heb ervoor gepleit om de toepassing van deze weigeringsgrond uit te breiden.

De weigeringsgrond voor tekens die elk onderscheidend vermogen missen beschermt het algemeen belang van consumenten om zich door middel van onderscheidende tekens te oriënteren op markten; de grond is erop gericht te waarborgen dat merken feitelijk *kunnen* onderscheiden. Verscheidene rechters, en zelfs de rechters van het HvJEG, hebben deze grond echter ook gebruikt om de registratie tegen te gaan van merken die uit normatief oogpunt niet *mogen* onderscheiden. Dit is enerzijds gedaan door impliciet te stellen dat consumenten bepaalde groepen van tekens (slogans, uitdrukkingen op T-shirts of heel bekende namen) niet opvatten als onderscheidend, of door expliciet te wijzen op een normatieve noodzaak en op een vrijhoudingsbehoefte ('*Freihaltebedürfnis*'). In mijn ogen zijn zulke uitspraken een duidelijke *opinio iuris* met de strekking dat de bestaande weigeringsgronden het algemeen belang bij vrijhouding onvoldoende beschermen. Ik heb onderzocht of de weigeringsgrond van het missende onderscheidend vermogen kan worden gebruikt om het algemeen belang te beschermen dat voortvloeit uit de niet-commerciële uitingsvrijheid en in het bijzonder het belang bij het waarborgen van diversiteit.

Verder heb ik art. 3.3. Merkenrichtlijn bekeken, dat in een uitzondering voorziet op bovengenoemde drie weigeringsgronden voor het geval dat een teken onderscheidend

vermogen verkrijgt ('inburgert'). Deze uitzondering kan botsen met de belangen die voortkomen uit de vrije meningsuiting van derden. Ik heb ervoor gepleit dat deze uitzondering niet moet worden toegepast op tekens die in hoge mate beschrijvend zijn of tekens met grote sociale, culturele of politieke waarde.

Tot slot heb ik de grond voor verval bekeken van merken die gebruikelijke benamingen zijn geworden van waren of diensten. Deze grond omhelst de erkenning van het feit dat merken gebruikelijk kunnen worden of kunnen 'uitburgeren'. Eveneens heeft deze grond een positief effect op de bescherming het algemeen belang dat voortvloeit uit de commerciële uitingsvrijheid. Echter, in zijn huidige vorm, verplicht deze grond merkhouders om op te treden tegen gebruik door derden dat bijdraagt aan het gebruikelijk maken van een merk. Dit is onnodig en kan een *chilling effect* te weeg brengen. Om dit effect tegen te gaan heb ik gepleit voor een aanpassing van deze bepaling. Daarnaast is het in dit verband nodig om de beschermingsomvang van merken duidelijker te beperken zodat derden merken mogen gebruiken als gebruikelijke aanduidingen in niet-commerciële uitingen.

Hoofdstuk 5 onderzocht de tweede trede van een mogelijke afweging tussen merkrechten en de vrije meningsuiting: de afweging van de beschermingsomvang van merken met de vrije meningsuiting van derden. In het bijzonder heb mogelijkheden onderzocht om de criteria van de beschermingsomvang van Europese merkrechten te interpreteren in overeenstemming met de vrije meningsuiting.

Het verbod van verwarringwekkend merkgebruik onder art. 5.1 Merkenrichtlijn levert geen onevenredige beperking op van de *commerciële uitingsvrijheid* van derden. Deze vrijheid wordt toegekend met het doel de informatieverstrekking aan consumenten te bevorderen maar verwarringwekkend gebruik zal dat doel vaak niet dienen. Echter strekt art. 5.1 Merkenrichtlijn verder dan een verbod op verwarringwekkend gebruik. Daarom heb ik verschillende elementen van dit artikel nader bekeken.

Verder heb ik de beperkingen van art. 6.1.b en c Merkenrichtlijn geanalyseerd alsmede de Richtlijn Vergelijkende Reclame. Art. 6.1.b en c Merkenrichtlijn staat het derden toe merken in beschrijvende of refererende zin te gebruiken; de Richtlijn Vergelijkende Reclame fungeert als een uitzondering op merkrechten, mits aan de daarin genoemde voorwaarden is voldaan. De rechtspraak onder deze laatste Richtlijn legt een sterke nadruk op de belangen van de consument bij vergelijkende reclame. Ik heb verdedigd dat, vanuit het perspectief van de commerciële uitingsvrijheid, deze nadruk ook een rol zou moeten spelen bij de interpretatie van het merkenrecht zelf.

In relatie tot art. 5.2 Merkenrichtlijn heb ik een aantal voorgestellen gedaan voor mogelijke interpretatie in overeenstemming met art. 10 EVRM. Dit zijn voorstellen zoals het meewegen van belangen van consumenten of een beperking van het criterium van ongerechtvaardigd voordeel trekken.

Bij het bespreken van *niet-commerciële uitingsvrijheid* heb ik mij ten eerste gericht op het criterium van 'gebruik in het economisch verkeer'. Dit criterium wordt door rechters niet gebruikt om merkrechten te beperken tot puur commercieel gebruik, maar omvat ook gebruik door derden welk een hoge bescherming moet toekomen onder art. 10 EVRM.

Artikel 5.1.a en b Merkenrichtlijn veroorzaken geen grote beperkingen van de niet-commerciële uitingsvrijheid. Echter kunnen deze bepalingen sommige vormen van gemengde uitingen beperken. Daarnaast hebben zij mogelijk een negatief effect op de diversiteit van uitingen.

De sterkste beperkingen op de niet-commerciële uitingsvrijheid komen voort uit art. 5.2 en art. 5.5 Merkenrichtlijn. De meeste criteria van deze bepalingen worden geïnterpreteerd ten gunste van merkhouders en zonder aandacht voor de uitingsvrijheid van derden. Ooit was bijvoorbeeld het criterium van ‘gebruik voor waren of diensten’ een beperking van merkrechten tot gebruik dat tegelijkertijd een lage bescherming toekwam onder art. 10 EVRM. Sinds de uitspraak van het HvJEG in *Adidas t. Fitnessworld* is aan dit criterium al voldaan als het publiek een mentale link legt of een associatie maakt tussen een merk en het gebruikte teken. Hier zal heel snel sprake van zijn.

Ook criteria zoals ‘onderscheidend vermogen’, ‘reputatie’, ‘ongerechtvaardigd voordeel trekken’, of ‘afbreuk doen’ worden niet beperkt tot een commerciële context. Dit staat merkhouders toe om vergaand invloed nemen op het gebruik en de representatie van merken in het sociale, culturele of politieke leven. Daardoor kunnen art. 5.2 en 5.5 Merkenrichtlijn in strijd zijn met art. 10 EVRM.

Ik heb diverse manieren voorgesteld om meer overeenstemming te bereiken met art. 10 EVRM. Echter, wat betreft art. 5.5 Merkenrichtlijn en zijn implementatie in art. 2.20.1.d BVIE heb ik gewezen op de missende rechtvaardiging voor deze bepaling en op het bestaan van een sterke *chilling effect*. Er ligt hier mijns inziens een taak voor de Benelux wetgever om deze bepaling aan te passen.

Het laatste deel van hoofdstuk 5 was geweid aan het herstellen van een evenwicht tussen merkrechten en de niet-commerciële uitingsvrijheid onder de beperkingen van merkrechten. Naast een uitwerking van interpretatiemogelijkheden heb ik daarbij een aanzet gegeven voor discussie over mogelijke wetswijzigingen zoals invoering van een beperking voor niet-commercieel gebruik of een eventuele parodie-exceptie.

Hoofdstuk 6 bevat naast de Engelstalige samenvatting een overzicht en uitwerking van aanbevelingen die worden gedaan in dit boek en die deels zijn genoemd in deze samenvatting.

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