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The Unproductive “Overconstitutionalization” of EU Copyright and Trademark Law – Fundamental Rights Rhetoric and Reality in CJEU Jurisprudence

Martin Senftleben

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Abstract In EU copyright and trademark law, the protection of the right to intellectual property is the rule, and breathing space for competing fundamental rights, such as freedom of expression and the right to a healthy environment, is the exception. While formally recognizing the need to balance protection interests against other fundamental rights and values, the Court of Justice of the European Union (CJEU) fails to use competing fundamental rights productively. Instead, the Court has developed a meaningless fundamental rights rhetoric that produces the false impression that there is sufficient room for all competing rights and interests within the existing copyright and trademark systems. However, the current configuration of EU copyright and trademark law fails to offer users the chance of meeting right holders as equals, even if their fundamental rights are of equal ranking in the Charter. By adding fundamental rights cosmetics to imbalanced protection systems, the CJEU only cements and further stabilizes the existing rule/exception edifice that is strongly in favour of right holders. Introducing the mantra of internal balancing – requiring the reconciliation of competing rights and interests within the confines of secondary copyright and trademark legislation – the Court has even created a considerable risk of sacrificing competing fundamental rights on the altar of the EU harmonization agenda. By letting the harmonization objective reign supreme, the CJEU has also given the three-step test in copyright law and the honest practices proviso in trademark law a quasi-constitutional status. As a result, these open-ended provisions undermine limitations of exclusive rights that could support competing fundamental rights. To remove the imbalances in current EU copyright and trademark law, it would be necessary to introduce upfront gatekeeper

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requirements that prevent illegitimate infringement claims from the outset when competing fundamental rights are at stake.

Keywords Trademark law · Freedom of expression · Parody · Three-step test · Right to a healthy environment · Sustainability · Upcycling · Referential use · Decorative use · Honest practices

1 Introduction

In intellectual property law, court decisions and policy challenges have fuelled the discussion on the need to reconcile intellectual property protection – and the underlying right to property¹ – with other fundamental rights and freedoms.² In principle, the enrichment of the intellectual property discourse with fundamental rights considerations is positive and desirable. By factoring competing fundamental rights into the equation, lawmakers and judges can devise more balanced, tailor-made regulatory solutions. The right to health,³ freedom of expression and information,⁴ freedom of the arts and sciences,⁵ equal treatment and the prohibition of discrimination,⁶ the right to a healthy environment,⁷ the protection of privacy and personal data,⁸ and freedom to conduct a business⁹ enter the picture and influence the delineation of intellectual property rights and enforcement options.

¹ Article 17(2) CFR. Cf. Jongsma (2019), pp. 163–168; Griffiths and McDonagh (2013), p. 75; Geiger (2009), p. 113.

² Geiger (2006a), p. 371.

³ Thambisetty et al. (2022), p. 387; Fischman-Afori, Marcowitz-Bitton and Michiko Morris (2021), pp. 104–106; Reichman and Abbott (2007), pp. 957–958; Cottier (2007), p. 173; Abbott (2005), p. 357; Matthews (2004), p. 89.

⁴ CJEU, 1 December 2011, case C-145/10, *Painer*, paras. 134–135; CJEU, 3 September 2014, case C-201/13, *Deckmyn*, paras. 25–27; CJEU, 27 February 2020, case C-240/18P, *Constantin Film v. EUIPO* (“*Fack Ju Göhte*”), para. 56. Cf. Senftleben (2020a), pp. 135–138; Izyumenko (2020), pp. 440–446; Bohaczewski (2020), p. 856; Żelechowski (2018), pp. 115–135; Jacques (2016), p. 479; Senftleben (2015), p. 354; Ramsey and Schovsbo (2013), p. 671; Simon Fhima (2013), p. 293; Sakulin (2010), pp. 247–282; Geiger (2010), p. 163; Burrell and Gangjee (2010), p. 544; Nasser (2009), p. 188; Assaf (2008), p. 56; Geiger (2007), p. 317; Ramsey (2010), p. 405; Weckström (2007), p. 671; Gulasekaram (2005), p. 887; McGeveran (2008), p. 1205; Strowel, Tulkens and Voorhoof (2006), Leval (2004), p. 187; Voorhoof (2002), p. 636; Dreyfuss (1990), pp. 415–418.

⁵ CJEU, 29 July 2019, case C-476/17, *Pelham*, paras. 32–34; Benelux Court of Justice, 14 October 2019, case A2018/1/8, *Moët Hennessy v. Cedric Art*, para. 9. Cf. Geiger and Jütte (2023), pp. 1–86; Geiger and Jütte (2022), Senftleben (2022b), p. 12; Senftleben (2022a), pp. 567–570; Senftleben (2020a), pp. 191–192 and 468–469; Geiger and Izyumenko (2020), p. 282.

⁶ Cf. CJEU, 3 September 2014, case C-201/13, *Deckmyn*, paras. 29–31; CJEU, 23 November 2023, case C-260/22, *Seven.One Entertainment Group*, C-260/22, para. 40–53. Cf. Senftleben, Quintais and Meiring (2023), pp. 1006–1009.

⁷ Izyumenko (2024), pp. 882–887.

⁸ CJEU, 16 February 2012, case C-360/10, *Sabam v. Netlog*, para. 51. Cf. Senftleben and Angelopoulos (2020), pp. 11–13.

⁹ CJEU, *id.*, 51; CJEU, 27 March 2014, case C-314/12, *UPC Telekabel Wien*, para. 52. Cf. Senftleben (2020b), pp. 309–310.

Nonetheless, it is important to add nuances. Instead of jumping to the conclusion that the invocation of competing fundamental rights by definition leads to better results in intellectual property cases, the following analysis asks whether the increasing number of fundamental rights invocations in CJEU judicial practice may be a harbinger of “overconstitutionalization”.

Overconstitutionalization occurs when the invocation of fundamental rights is *unnecessary because the intended result could also have been achieved by simply applying the regular norm canon of the intellectual property system concerned*. If the reference to fundamental rights is not made to recalibrate the routine machinery of the intellectual protection system at issue, it only adds a fundamental rights gloss to the standard application of intellectual property norms. In the EU, these norms stem from directives and regulations. They are elements of secondary EU legislation. By invoking fundamental rights (a central element of primary EU legislation) to arrive at standard intellectual property solutions, the CJEU runs the risk of cementing EU intellectual property regimes: the standard application of intellectual property norms suddenly appears as a matter of constitutional necessity. Once this step is taken, a plea for a departure from standard routines becomes particularly difficult. Paradoxically, the continuous reference to fundamental rights within the regular intellectual property framework may thus ultimately frustrate attempts to lend weight to competing fundamental rights because the application of standard intellectual property norms is already regarded as an inescapable fundamental rights necessity.

For instance, it is remarkable that the CJEU deems it necessary to rely on freedom of expression to “enable the effectiveness”¹⁰ of copyright limitations, such as the exemption for quotations, parodies and pastiches in EU copyright law.¹¹ There can be little doubt that statutory limitations of exclusive rights should be interpreted in a way that allows these limitations to play a meaningful role in the protection systems in which they are embedded. If the lawmaker had not wanted copyright limitations to be applied effectively, it could have refrained from adopting them in the first place. An approach ensuring the effectiveness of copyright limitations as elements of the statutory norm canon is thus not something exceptional that requires underpinning by fundamental rights. It belongs to the standard repertoire of judicial practice. The effective application of legal norms is a basic task which judges can be expected to accomplish routinely. Moreover, it is a truism that the proper, effective application of copyright limitations supports fundamental rights on which these copyright limitations rest. The CJEU’s reliance on freedom of expression to arrive at an effective interpretation of limitations, such as the rules enabling quotations, parodies and pastiches, is thus mere rhetoric. If the CJEU had refrained from adopting the doubtful mantra of a strict interpretation of copyright limitations in early decisions addressing this aspect of the copyright system,¹² it would not have been necessary to use fundamental rights fireworks to

¹⁰ CJEU, 1 December 2011, case C-145/10, *Painer*, para. 133; CJEU, 3 September 2014, case C-201/13, *Deckmyn*, paras. 23–26.

¹¹ Article 5(3)(d) and (k) ISD; Art. 17(7) CDSMD.

¹² CJEU, 16 July 2009, case C-5/08, *Infopaq*, paras. 56–57.

correct this aberration and return to standard results of norm interpretation in later judgments. While it is certainly accurate to describe copyright limitations that enable quotations, parodies and pastiches as exponents of freedom of expression,¹³ it is unnecessary – and an indication of overconstitutionalization tendencies – to make an effective (standard) application of these copyright norms dependent on the invocation of this fundamental freedom.

The unnecessary invocation of fundamental rights in intellectual property cases may bring in its wake another undesirable manifestation of overconstitutionalization: the *unproductive invocation of fundamental rights that weakens (or at least fails to strengthen) the legal position at issue*. The CJEU's approach to the three-step test in EU copyright law¹⁴ and the honest practices proviso in EU trademark law¹⁵ can serve as examples. In the context of copyright law, the Court has expressed the view that the three-step test contributes to a fair balance between the right to (intellectual) property recognized in Article 17(2) of the Charter of Fundamental Rights of the EU (CFR)¹⁶ and “the protection of the interests and fundamental rights of users of protected subject matter as well as of the public interest”.¹⁷ As the following discussion will show, this approach de facto elevates the three-step test to a quasi-constitutional norm that delineates the maximum space for competing fundamental rights in EU copyright law.¹⁸ A similar pattern is apparent when examining the role of the honest-practices test in EU trademark law: limitations of trademark protection that can support competing fundamental rights¹⁹ only shield competitors and other users against infringement claims if they manage to establish compliance with honest practices.²⁰ In consequence, the three-step test and the honest-practices proviso – norms of secondary EU copyright and trademark law – place constraints on the enjoyment of primary fundamental rights, such as freedom of expression and freedom to conduct a business.²¹

This development raises delicate questions. In contrast to the broader field of application of corresponding international provisions,²² the three-step test and the honest-practices proviso in EU copyright and trademark law only serve the specific

¹³ CJEU, 1 December 2011, case C-145/10, *Painer*, paras. 134–135; CJEU, 3 September 2014, case C-201/13, *Deckmyn*, paras. 25–27.

¹⁴ Article 5(5) ISD; Art. 7(2) CDSMD. Cf. Senftleben (2021), pp. 83–105.

¹⁵ Article 14(2) EUTMR; Art. 14(2) TMD. Cf. Senftleben (2022a), pp. 585–590.

¹⁶ Charter of Fundamental Rights of the European Union, OJ 2000 C 364, 1.

¹⁷ CJEU, 29 July 2019, case C-476/17, *Pelham*, paras. 32 and 62.

¹⁸ CJEU, *id.*, paras. 59–60 and 64. Cf. Senftleben (2022d), pp. 194–195 and 199–200; Senftleben (2010a, b), pp. 67–82; Senftleben 2009, 1; Griffiths (2009), p. 495; Geiger (2006b), p. 683; Koelman (2003), p. 6.

¹⁹ Article 14 EUTMR; Art. 14 TMD.

²⁰ CJEU, 19 September 2013, case C-661/11, *Martin Y Paz Diffusion*, paras. 54–55; CJEU, 17 March 2005, case C-228/03, *Gillette v. LA-Laboratories*, para. 49; CJEU, 8 July 2010, C-558/08, *Portakabin*, para. 69.

²¹ Articles 11 and 16 CFR. Cf. Senftleben 2022a, 585–590.

²² Article 9(2) BC; Art. 10(1) WCT; Art. 10^{bis}(2) PC. Cf. Senftleben (2010a), pp. 67–82.

purpose of restricting limitations of exclusive rights:²³ limitations that offer indispensable flexibility to safeguard competing fundamental rights. The elevation of the three-step test and the honest practices proviso to quasi-constitutional regulatory tools is thus unproductive. Instead of contributing to a fair balance, the approach taken by the Court introduces a bias in favour of the right to (intellectual) property and reduces the chances of establishing an equilibrium between intellectual property protection and other fundamental rights and freedoms.

The undesirable, corrosive effect of this development is self-evident. As a result of increasingly unnecessary and unproductive fundamental rights rhetoric in intellectual property cases, the recourse to fundamental rights degenerates into mere “noise”. Instead of changing the equation and the outcome of a case, references to fundamental rights only serve the purpose of stabilizing the standard configuration of protection systems. Several paragraphs about fundamental rights are added routinely to an intellectual property judgment – not because the decision is the result of meaningful fundamental rights balancing but simply because the fundamental rights gloss seems to enhance the credibility of the judgment. The incessant invocation of fundamental rights at EU level may also induce lower national courts to include fundamental rights reasoning in their judgments – simply because it seems to have become a necessity and a standard ingredient of intellectual property decisions. Even if a case does not pose specific difficulties and does not require a foray into fundamental rights balancing outside the regular, well-trodden paths of intellectual property law, judges may feel obliged to include several fundamental rights paragraphs to reduce the risk of an appeal.

The following closer inspection of overconstitutionalization tendencies in CJEU judicial practice starts with a short overview of central statements in which the Court has addressed competing fundamental rights in intellectual property cases and confirmed the need to strike a proper balance (section 2). The analysis then turns to the development of assessment factors for distinguishing between a meaningful application of fundamental rights and unproductive fundamental rights rhetoric (section 3). Revisiting CJEU copyright and trademark decisions in the light of these assessment factors, it becomes clear that the Court has not managed to arrive at a meaningful application of fundamental rights (section 4). Instead, the Court has significantly reduced the impact of fundamental rights by establishing the doubtful dogma of internal balancing and insisting on the reconciliation of competing rights and interests within the system of exclusive rights and limitations in EU copyright and trademark law (section 5). By taking this approach, the Court de facto rubberstamps the existing copyright and trademark legislation, refuses to correct protection rules where this is necessary to safeguard competing fundamental rights and, in consequence, also fails to give impulses for necessary legal reforms (section 6). In both protection regimes under examination – copyright and trademark law – users relying on competing fundamental rights face substantial difficulties, including narrowly-defined limitations of protection and additional restrictions, in

²³ CJEU, 19 September 2013, case C-661/11, *Martin Y Paz Diffusion*, paras. 54–55; CJEU, 10 April 2014, case C-435/12, *ACI Adam*, paras. 26–27; CJEU, 29 July 2019, case C-476/17, *Pelham*, paras. 59–60 and 64.

particular the three-step test in copyright law and the honest-practices proviso in trademark law. This is highly problematic when considering the equal rank of the competing fundamental rights at stake (sections 7 to 9). In sum, the analysis shows that the CJEU must change course (section 10). By introducing upfront gatekeeper requirements that oblige right holders to justify their infringement claims in cases involving competing fundamental rights, the Court can re-establish an equilibrium in EU copyright and trademark law – in the sense of allowing right holders and users to meet as equals when competing fundamental rights are at stake (section 11).

2 Constitutionalization

The discussion of overconstitutionalization risks must not be misunderstood as an initiative to discredit the important and fruitful discourse on the need to factor fundamental rights into the equation when granting, applying and enforcing intellectual property rights.²⁴ At the level of fundamental rights, the tension between the protection interests of intellectual property owners and the competing rights and freedoms of others can be aptly described as a tension between different legal positions that have been recognized in the Charter. By taking the right to property as a starting point, the constitutionalization discourse recognizes that intellectual property protection falls under the umbrella of Art. 17 CFR. The first paragraph of this provision sets forth the right to “own, use, dispose of and bequeath [...] lawfully acquired possessions”. The second paragraph clarifies in this context that “[i]ntellectual property shall be protected”.²⁵ The exclusive rights granted in intellectual property law thus fall within the scope of the right to property.

However, this legal position is not absolute.²⁶ It follows from Art. 52(1) CFR that the right to property may be limited as long as the limitation is provided for by law and leaves the essence of the right intact. Subject to the principle of proportionality, limitations are possible if they are “necessary and genuinely meet objectives of general interest recognised by the Union or the need to protect the rights and freedoms of others”.²⁷

Good reasons for limiting intellectual property rights can be derived from the catalogue of fundamental rights itself. The right to property is not the only legal position with fundamental rights status that becomes relevant in intellectual property cases. Article 11(1) CFR contains the right to freedom of expression, including “freedom to hold opinions and to receive and impart information and ideas”.²⁸ Article 13 adds that “arts and scientific research shall be free of

²⁴ Geiger (2006a), p. 371; Senftleben et al. (2015), p. 337.

²⁵ For a more detailed discussion of this global statement, see Jongsma (2019), pp. 163–168; Griffiths and McDonagh (2013), p. 75; Geiger (2009), p. 113.

²⁶ Cf. CJEU, 26 April 2022, case C-401/19, *Poland*, para. 92; CJEU, 29 July 2019, case C-469/17, *Funke Medien NRW*, para. 72.

²⁷ Article 52(1) CFR. Cf. CJEU, 26 April 2022, case C-401/19, *Poland*, paras. 63–66.

²⁸ CJEU, 4 October 2011, cases C-403/08 and C-429/08, *Football Association Premier League v. QC Leisure*, paras. 162–164; CJEU, 1 December 2011, case C-145/10, *Painer*, para. 132; CJEU, 3 September

constraint”.²⁹ Article 16 sets forth the freedom to conduct a business, while Arts. 20 and 21 require equal treatment and prohibit discrimination.³⁰ In rights clearance and enforcement scenarios, the right to privacy and the protection of personal data under Arts. 7 and 8 enter the picture as well.³¹ The strong societal interest in environmental protection and sustainable development has made its way into Art. 37, which points out that “a high level of environmental protection and the improvement of the quality of the environment” must be integrated into EU policies.³² As Elena Izyumenko has explained, measures to reconcile intellectual property protection with repair and reuse initiatives in the circular economy are also necessary in the light of individual fundamental rights that are affected by the climate crisis, in particular the right to life, respect for private and family life, and the right to property (Arts. 2, 7, 17).³³ In intellectual property law, all these rights, freedoms and overarching societal objectives must be factored into the equation to ensure compliance with the multiple value system of the Charter.

In this vein, the CJEU has included fundamental rights considerations in its intellectual property decisions. In cases concerning freedom of expression and information, the Court enunciated that a “fair balance” had to be found between “the rights and interests of authors on the one hand, and the rights of users of protected subject-matter on the other”.³⁴ After earlier references to freedom of expression in quotation and parody cases,³⁵ the Court confirmed its willingness to follow a “user rights” approach in the triad of copyright decisions of 29 July 2019.³⁶ In *Funke Medien* and *Spiegel Online*, the Court stated – more clearly than in previous decisions – that copyright limitations serving freedom of expression and information “do themselves confer rights on the users of works or of other subject

Footnote 28 continued

2014, case C-201/13, *Deckmyn*, para. 26; CJEU, 29 July 2019, case C-469/17, *Funke Medien NRW*, paras. 67–76; CJEU, 26 April 2022, case C-401/19, *Poland*, para. 66.

²⁹ Cf. CJEU, 29 July 2019, case C-476/17, *Pelham*, paras. 32–34. For a more detailed discussion of the right to research in the Charter, see Geiger and Jütte (2022), Senftleben (2022b), p. 12, Geiger and Jütte (2023), pp. 1–86.

³⁰ CJEU, 16 February 2012, case C-360/10, *Sabam v. Netlog*, para. 51; CJEU, 27 March 2014, case C-314/12, *UPC Telekabel Wien*, para. 52. As to Arts. 20 and 21, see CJEU, 3 September 2014, case C-201/13, *Deckmyn*, paras. 29–31; CJEU, 23 November 2023, case C-260/22, *Seven.One Entertainment Group*, C-260/22, paras. 40–53. Cf. Senftleben, Quintais and Meiring (2023), pp. 1006–1009.

³¹ CJEU, 16 February 2012, case C-360/10, *Sabam v. Netlog*, para. 51.

³² Cf. Senftleben (2024), pp. 99–100.

³³ Cf. Izyumenko (2024), pp. 882–887.

³⁴ CJEU, 4 October 2011, cases C-403/08 and C-429/08, *Football Association Premier League v. QC Leisure*, paras. 162–164; CJEU, 1 December 2011, case C-145/10, *Painer*, para. 132; CJEU, 3 September 2014, case C-201/13, *Deckmyn*, para. 26; CJEU, 29 July 2019, case C-469/17, *Funke Medien NRW*, paras. 67–76; CJEU, 26 April 2022, case C-401/19, *Poland*, para. 66. For a critique of the concept of “fair balance”, see Jongsma (2024), pp. 272–274; Sganga (2019), pp. 683–685 and 695.

³⁵ CJEU, 1 December 2011, case C-145/10, *Painer*, paras. 132–134; CJEU, 3 September 2014, case C-201/13, *Deckmyn*, paras. 25–27.

³⁶ For a discussion of the fundamental rights dimension of these decisions, see Geiger and Izyumenko (2020), pp. 292–298.

matter”.³⁷ Referring to user “rights”, the Court clarified that the legal position of users invoking freedom of expression and information was not *a priori* weaker than the protection status which a holder of copyright or database rights enjoyed by virtue of EU law.

Similar developments can be observed in trademark law. In *Constantin Film Produktion v. EUIPO (“Fack Ju Göhte”)*, the General Court had expressed the view that there was, “in the field of art, culture and literature, a constant concern to preserve freedom of expression which does not exist in the field of trade marks”.³⁸ The CJEU corrected this statement by pointing out that freedom of expression, enshrined in Art. 11 CFR, had to be taken into account.³⁹ EU trademark law had to be applied “in such a way as to ensure full respect for fundamental rights and freedoms, in particular freedom of expression”.⁴⁰

3 Meaningful Application of Fundamental Rights

These statements of the Court shed light on the dualism that enters the picture with a fundamental rights analysis: from the perspective of the right to property, intellectual property protection may be a rule that requires neither explanation nor justification. But this is only one side of the coin. From the viewpoint of competing fundamental rights and values, intellectual property protection is an exception to the rule of freedom that requires further explanation and a sound justification. More specifically, the curtailment of competing fundamental rights resulting from the grant of protection must comply with the requirements set forth in Art. 52(1) CFR. This dualistic perspective – recognizing not only the right to property but also the inroads made into competing fundamental rights and freedoms – is of particular importance.

Moreover, it is important to recognize that there is no hierarchy between fundamental rights: as an exponent of the right to property, intellectual property protection has the status of a fundamental right. However, this does not imply that intellectual property is stronger or *a priori* more important than other fundamental rights positions, such as freedom of expression, the right to a healthy environment and the freedom to conduct a business. This insight allows the introduction of a quality test for the meaningful application of fundamental rights: *the invocation of competing fundamental rights in intellectual property cases can be deemed productive when it allows users relying on competing fundamental rights to meet intellectual property owners as equals*. To achieve this result, it can be necessary to depart from the standard rule/exception configuration of intellectual property

³⁷ CJEU, 29 July 2019, case C-516/17, *Spiegel Online*, paras. 50–54; CJEU, 29 July 2019, case C-469/17, *Funke Medien NRW*, paras. 65–70. Cf. Aplin and Bentley (2020), 75–84.

³⁸ GCEU, 24 January 2018, case T-69/17, *Constantin Film Produktion v. EUIPO (“Fack Ju Göhte”)*, para. 29.

³⁹ CJEU, 27 February 2020, case C-240/18P, *Constantin Film v. EUIPO (“Fack Ju Göhte”)*, para. 56.

⁴⁰ CJEU, *id.*, para. 56. Cf. Recital 27 TMD; Recital 21 EUTMR. For a critique of these fair use provisions, see Senftleben (2022a), pp. 567–603; Senftleben (2020a), pp. 159–162 and 224; Schovsbo (2018), pp. 568 and 578–579; Senftleben et al. (2015), pp. 337–343.

regimes. Productive fundamental rights reasoning introduces a reverse logic, according to which protection is no longer the rule and freedom of use without prior authorization is no longer the exception. In cases involving competing fundamental rights, the alleged infringer must have an equal opportunity to prevail in the dispute.

4 Critique of CJEU Judicial Practice

Applying this quality test to CJEU decisions, it becomes apparent that, despite numerous references to fundamental rights, the judicial practice of the Court fails to change the equation. The invocation of competing fundamental rights is not productive. The Court merely confirms and cements the rule/exception configuration of intellectual property regimes that is in favour of right holders.

In *Painer*, the Court employed the aforementioned “fair balance” formula to clarify that “on the one hand, the rights and interests of authors, and, on the other, the rights of users of protected subject-matter”⁴¹ had to be safeguarded in copyright law. More specifically, the Court stated that the quotation right enshrined in Art. 5(3)(d) of the 2001 Information Society Directive (ISD),⁴² was intended to strike a fair balance “between the right to freedom of expression of users of a work or other protected subject-matter and the reproduction right conferred on authors”.⁴³ To achieve this goal, it was necessary to interpret the conditions laid down in Art. 5(3)(d) ISD in a way that “enable[s] the effectiveness of the exception thereby established to be safeguarded and its purpose to be observed”.⁴⁴ In later decisions, the Court has applied the same amalgam of “fair balance” and “effectiveness” considerations to the parody exemption,⁴⁵ library and press privileges,⁴⁶ and sound sampling that remains unrecognizable to the ear.⁴⁷ At first glance, these developments leading to established “fair balance” and “effectiveness” case law⁴⁸ may appear as shining examples of laudable Court activism seeking to safeguard competing fundamental rights in copyright law.

However, disillusionment sets in quickly when looking back at these decisions in the light of the described quality test: namely, fundamental rights reliance must change the equation and, if necessary, even break the rule/exception configuration of intellectual property systems. In this re-evaluation, it must not be overlooked that

⁴¹ CJEU, 1 December 2011, case C-145/10, *Painer*, para. 132; CJEU, 4 October 2011, cases C-403/08 and C-429/08, *Football Association Premier League v. QC Leisure*, paras. 162–164.

⁴² Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001, on the harmonisation of certain aspects of copyright and related rights in the information society, OJ 2001 L 167, 10.

⁴³ CJEU, 1 December 2011, case C-145/10, *Painer*, para. 134.

⁴⁴ CJEU, *id.*, para. 133.

⁴⁵ CJEU, 3 September 2014, case C-201/13, *Deckmyn*, paras. 23–26.

⁴⁶ CJEU, 11 September 2014, case C-117/13, *Technische Universität Darmstadt*, paras. 31–32; CJEU, 29 July 2019, case C-469/17, *Funke Medien NRW*, paras. 70–71.

⁴⁷ CJEU, 29 July 2019, case C-476/17, *Pelham*, paras. 32–34.

⁴⁸ See also the precursor in CJEU, 4 October 2011, cases C-403/08 and C-429/08, *Football Association Premier League*, paras. 162–164.

the landmark decision in *Infopaq* preceded the described “fair balance” case law. In *Infopaq*, the Court had affirmed the unsubstantiated and outdated civil law mantra that limitations to exclusive rights – subversive, unwanted “fierce creatures”⁴⁹ of the copyright system – had to be interpreted strictly:

it should be borne in mind that, according to settled case-law, the provisions of a directive which derogate from a general principle established by that directive must be interpreted strictly ... This holds true for the exemption [of temporary acts of reproduction] provided for in Article 5(1) of Directive 2001/29, which is a derogation from the general principle established by that directive, namely the requirement of authorisation from the rightholder for any reproduction of a protected work.⁵⁰

After establishing this doubtful “strict interpretation” dogma as a reference point, any step – no matter how small – which the Court took in the opposite direction of a more flexible application of copyright limitations appeared as a welcome surprise. When *Painer* was handed down in 2011, commentators were simply relieved that, despite the necessity of a strict interpretation established in *Infopaq*, the Court was generous enough not to erode copyright limitations altogether.⁵¹

On its merits, however, there is hardly anything revolutionary about the series of decisions that softened the strict interpretation dogma. The CJEU only stated the obvious when it had recourse to “fair balance” and “effectiveness” considerations. While it is certainly true that the right to freedom of expression and information underpins the restriction of copyright in favour of quotations, parodies, library use and press privileges, it is misleading to qualify the willingness to adopt an interpretation that safeguards the effectiveness of copyright limitations in these areas as a precious achievement that warrants laurels for the Court.

The true story is this: with references to fundamental rights, such as the right to freedom of expression and information, the Court *explains* why copyright limitations serving quotation, parody, library and press purposes have been introduced. This explanation, however, must not be misinterpreted as a successful invocation of freedom of expression and information in the sense of a productive use of fundamental rights. With its “fair balance” and “effectiveness” rhetoric, the CJEU only excuses the departure from its own – wrong and misguided – dogma of strict interpretation. The Court only invokes fundamental rights to correct its own *Infopaq* mistake. It was simply wrong to state in *Infopaq* that copyright limitations had to be interpreted strictly. The Court, however, is loath to enunciate openly that it no longer upholds the mantra of strict interpretation. Instead, it wastes fundamental rights arguments in order to compensate for its own misstep. This type of fundamental rights use does not change the equation in intellectual property cases. It remains unnecessary, unproductive fundamental rights rhetoric.

⁴⁹ Cf. Hugenholtz (1997), pp. 2–4.

⁵⁰ CJEU, 16 July 2009, case C-5/08, *Infopaq*, paras. 56–57.

⁵¹ For instance, see Senftleben (2012), p. 382.

In the absence of the doubtful *Infopaq* mantra of strict interpretation, an effective interpretation of copyright limitations would follow naturally and effortlessly from the simple letter of EU copyright legislation itself. By introducing copyright limitations in Art. 5 ISD, the legislator has clearly indicated that it favours freedom of use – without prior permission – in several cases. It goes without saying that the CJEU must implement this legislative decision effectively. How could the Court assume that the legislator wanted certain elements of the copyright *acquis* to be applied ineffectively? Therefore, it is misleading to give the impression that a strong underpinning with fundamental rights is necessary to arrive at an effective application of copyright limitations. The necessity of effective application follows directly from EU copyright legislation itself. Primary rights of the Charter need not be asserted to tip the scales in favour of users. It is unproductive to waste the powder of fundamental rights for this purpose – and even more unproductive to feign the need for fundamental rights considerations to safeguard the mere effectiveness of copyright limitations.

In difficult cases where the copyright limitations infrastructure fails to accommodate competing fundamental rights, the approach adopted by the CJEU may exhaust the fundamental rights firepower before the battle has even begun. In broad daylight, the increasing recourse to fundamental rights in the context of “fair balance” and “effectiveness” considerations can be unmasked as a destabilizing trend. It wears out fundamental rights arguments without lending them any real weight in copyright decisions: instead of employing fundamental rights to recalibrate the rule/exception system of copyright law, the Court deems the invocation of fundamental rights necessary to justify the routine application of copyright norms. Rightly understood, this routine work of copyright judges encompasses the effective application of limitations introduced by the EU legislature. The invocation of fundamental rights in the context of this routine task is unproductive fundamental rights rhetoric.

The corrosive effect of the Court’s “fair balance” and “effectiveness” approach clearly came to the fore in the sound sampling case *Pelham*. As in earlier decisions, the CJEU recognized the need to reconcile copyright protection with competing fundamental rights.⁵² However, this starting point did not prevent the Court from confining the arsenal of regulatory tools to the rule/exception elements of secondary EU copyright law. It did not trouble the Court that, in contrast to the fundamental rights in the Charter, the EU copyright framework does not have the status of primary EU legislation. Passing over this central point, the Court stated that:

[t]he mechanisms allowing those different rights and interests to be balanced are contained in Directive 2001/29 itself, in that it provides inter alia, first, in Articles 2 to 4 thereof, rightholders with exclusive rights and, second, in Article 5 thereof, for exceptions and limitations to those rights which may, or even must, be transposed by the Member States ...⁵³

⁵² CJEU, 29 July 2019, case C-476/17, *Pelham*, para. 59.

⁵³ CJEU, *ibid.*, para. 60. Cf. CJEU, 29 July 2019, case C-469/17, *Funke Medien NRW*, para. 58.

By assuming that the harmonized EU system of rights and limitations constituted a complete and closed universe, the CJEU rejected the national free adaptation rule which had evolved in Germany.⁵⁴ In the national decisions that gave rise to the prejudicial questions in *Pelham*, German courts had applied the traditional domestic copyright rule that a derivative work could be deemed permissible if it had new features of its own that made the individual features of the incorporated source material fade away.⁵⁵ The CJEU, however, saw no basis for this national doctrine within the harmonized EU copyright system. Instead of opening up the norm canon of EU copyright law in the light of freedom of expression and freedom of the arts, it declared the German free adaptation rule incompatible with EU law.⁵⁶ Sound sampling could be deemed permissible only if remix artists included a music fragment in their derivative creations in a modified form unrecognizable to the ear.⁵⁷ Quite clearly, the CJEU sought to avoid the application of freedom of expression and freedom of the arts as external balancing tools capable of adding a new use privilege to the existing norms of EU copyright law.⁵⁸

This outcome of the *Pelham* case reveals the Court's true intentions. Despite all confirmations of the need to strike a "fair balance", the CJEU is not prepared to reconfigure copyright's rule/exception architecture in order to enhance the breathing space for competing fundamental rights. On the contrary, the Court does not hesitate to sacrifice fundamental rights positions, such as the right to freedom of expression and information, on the altar of the EU harmonization agenda. The *Pelham* decision leaves little doubt in that regard. Eroding the German free adaptation rule, the Court explained that to allow each Member State:

to derogate from an author's exclusive rights, referred to in Articles 2 to 4 of Directive 2001/29, beyond the exceptions and limitations exhaustively set out in Article 5 of that directive, would endanger the effectiveness of the harmonisation of copyright and related rights effected by that directive, as well as the objective of legal certainty pursued by it.⁵⁹

Hence, fundamental rights do not occupy centre stage. Instead, the harmonization objective reigns supreme. Measures to safeguard competing fundamental rights in copyright law are only conceivable as long as inroads into harmonization

⁵⁴ CJEU, 29 July 2019, case C-476/17, *Pelham*, paras. 56–57 and 65.

⁵⁵ CJEU, *id.*, para. 22. Cf. German Federal Supreme Court, 16 April 2015, case I ZR 225/12, *Goldrapper*, GRUR 2015, 1189 (1198); German Federal Supreme Court, 1 December 2010, case I ZR 12/08, *Perlentaucher*, GRUR 2011, 134 (137–138); German Federal Supreme Court of Justice, 20 March 2003, case I ZR 117/00, *Gies-Adler*, GRUR 2003, 956 (958). For a more detailed discussion of this German free adaptation rule, see Bently et al. (2019), pp. 486–487; Hilty and Senftleben (2015), pp. 321–324; Hugenholtz and Senftleben (2011), pp. 26–27; Geller (2010), p. 901. As to the application of a corresponding free adaptation rule in the light of freedom of expression, see Austrian Supreme Court, 13 July 2010, case 4 Ob 66/10z, *Lieblingshauptfrau*.

⁵⁶ CJEU, 29 July 2019, case C-476/17, *Pelham*, paras. 56–57 and 65.

⁵⁷ CJEU, *id.*, paras. 32–37.

⁵⁸ As to the discussion on internal and external balancing tools, see Geiger (2006a), p. 371; Voorhoof (2002), pp. 639–640; Dreier (2001), p. 295.

⁵⁹ CJEU, 29 July 2019, case C-476/17, *Pelham*, para. 63.

achievements can be ruled out. In practice, this means that the balancing of copyright against other fundamental rights must take place within the existing copyright system of rights and limitations – a regulatory system that is an exponent of secondary EU legislation. It is remarkable that the Court does not even consider the potential harmonizing effect of its own decisions in this context. An alternative *Pelham* verdict – declaring the German free adaptation rule permissible instead of rejecting it – could have had a considerable harmonizing effect. It could have led to the same level of harmonization that can be achieved on the basis of the optional limitations listed in Art. 5(2) to (4) ISD. Due to their optional nature, these limitations have been implemented differently – and sometimes not at all – in national law.⁶⁰ A CJEU ruling in favour of the German free adaptation rule would have offered EU Member States the opportunity to strengthen freedom of expression and freedom of the arts by introducing a comparable adaptation rule in their domestic legislation. The moment a majority of Member States avail themselves of this possibility, the harmonizing effect is considerable. It may be even stronger than the effect that can be achieved with the existing catalogue of optional limitations in Art. 5(2) to (4) ISD. The Court, however, did not opt for this alternative scenario. Instead, the purported harmonizing effect of secondary EU legislation in the field of copyright occupies centre stage and suppresses competing fundamental rights.

5 Loss of an Entire Field of Fundamental Rights Application

By focusing on harmonization objectives in *Pelham*, the CJEU substantially reduced the impact of fundamental rights reasoning on copyright protection. Without exaggeration, it can be said that the CJEU eroded an entire field of application: the invocation of fundamental rights for the purpose of external balancing that goes beyond the system of rights and limitations in copyright law.⁶¹ It seems that after *Pelham*, fundamental rights are no longer available as higher-ranking legal instruments to override elements of the copyright system that unduly curtail competing fundamental rights. This development is highly problematic when considering the human rights protection following from the European Convention on Human Rights (ECHR). The European Court of Human Rights can hardly be expected to reject an otherwise valid claim alleging a violation of one of the ECHR provisions simply because such a violation stems from an intellectual property regulation in the EU. At the level of EU Member States, the loss of an entire branch of fundamental rights reasoning is also worrisome when considering national case law precedents that demonstrate the necessity of using fundamental rights as external safety valves.

⁶⁰ For an overview of the current situation, see the reports prepared in the ReCreating Europe project, available at: <https://recreating.eu/activities-resources/reports-and-studies/> (last visited on 1 August 2024). Cf. the analyses of various EU Member State approaches in Hilty and Nérissou (2012), Guibault (2010), p. 55.

⁶¹ Cf. Geiger and Izyumenko (2019), pp. 34–74.

In the Netherlands, the invocation of the freedom of the press to step outside the overly restrictive copyright framework played a central role in *Scientology v. Spaink*. In line with Art. 5(3)(d) ISD, the right of quotation in Art. 15a of the Dutch Copyright Act only permits the unauthorized use of sources that have already been lawfully made available to the public.⁶² Nonetheless, the Court of Appeal of The Hague ruled in favour of the journalist Karin Spaink. On an XS4All webpage, Spaink had posted parts of the so-called “Fishman Affidavit” – a semi-secret written declaration that had been submitted in other court proceedings initiated by Scientology against Steven Fishman. Spaink used quotations from confidential parts of the Fishman Affidavit reflecting the teachings and organization of Scientology to underpin her critique of Scientology.⁶³ As the document had never been published lawfully, the statutory right of quotation in the Dutch Copyright Act was unavailable as a defence.⁶⁴ However, Spaink successfully argued for direct application of the right to freedom of expression and information in Art. 10 ECHR. The Court of Appeal of The Hague agreed that the quotations contributed to a legitimate form of criticizing Scientology’s questionable ideas and behaviour. In the opinion of the Court, Spaink’s use of the documents did not amount to copyright infringement against this background.⁶⁵

In the light of *Pelham*, the *Scientology v. Spaink* decision of the Court of Appeal of The Hague appears incompatible with EU law.⁶⁶ By invoking the freedom of the press, the Court of Appeal ignored the copyright requirement of an earlier lawful act of making available to the public. As already indicated, the EU version of the right of quotation – laid down in Art. 5(3)(d) ISD – contains the same requirement of prior lawful making available. The Dutch decision in *Scientology v. Spaink* thus does not fit into the harmonized system of exclusive rights and limitations in EU copyright law.⁶⁷ Alarming, this also means that the harmonized legal framework for copyright may fail to offer sufficient flexibility for the fundamental freedom of the press in comparable cases. If the CJEU upholds the mantra of complete and closed regulation of exclusive rights and limitations in a *Scientology v. Spaink* scenario, inroads into freedom of expression and freedom of the press seem inescapable. Borrowings from unpublished sources will inevitably fall outside the scope of the quotation right in Art. 5(3)(d) ISD.

In *Funke Medien*, the Court already came within a hair’s breadth of this dilemma. The case concerned the “Afghanistan papers”: military status reports on the deployment of German armed forces.⁶⁸ Given the confidentiality of these documents, German courts had denied the right of quotation because the requirement of prior

⁶² Cf. Senftleben (2012), pp. 359–382.

⁶³ Court of Appeal of The Hague, 4 September 2003, *Scientology v. Spaink*, Tijdschrift voor auteurs-, media- en informatierecht 2003, 217, para. 2.

⁶⁴ Court of Appeal of The Hague, *id.*, para. 7.11.

⁶⁵ Court of Appeal of The Hague, *id.*, paras. 8.2 and 13. Cf. Senftleben (2012), pp. 372–373.

⁶⁶ Kulk and Teunissen (2019), pp. 153.

⁶⁷ Court of Appeal of The Hague, *id.*, paras. 8.2 and 13.

⁶⁸ CJEU, 29 July 2019, case C-469/17, *Funke Medien NRW*, para. 9.

lawful publication was not fulfilled.⁶⁹ Not surprisingly, the prejudicial questions raised the issue of an extensive interpretation of the right of quotation in the light of freedom of expression and freedom of the press. The CJEU managed to bypass this issue by following an alternative path and adopting a flexible interpretation of the concept of “reporting of current events”, which is central to the second press privilege laid down in Art. 5(3)(c) ISD. As *Funke Medien* had presented the Afghanistan papers on its website “in a structured form in conjunction with an introductory note, further links and a space for comments”,⁷⁰ the Court was satisfied that the online publication could be qualified as a privileged form of “use of works [...] in connection with [...] reporting”.⁷¹ In this way, the Court paved the way for the application of Art. 5(3)(c) ISD and concealed the dilemma arising from the lawful publication requirement in Art. 5(3)(d) ISD.⁷² This strategy allowed the Court to maintain the rule that copyright had to be reconciled with freedom of expression and freedom of the press within the system of rights and limitations in EU copyright law.⁷³ It remains to be seen whether this solution is sufficiently flexible to reconcile copyright protection with freedom of the press in future cases. If the use of unpublished copyrighted material in a press article does not concern “current events” in the sense of Art. 5(3)(c) ISD, the Court can no longer evade the dilemma evolving from the requirement of internal balancing – within the system of exclusive rights and limitations in EU copyright law. In the absence of use “in connection with the reporting of current events”, the journalist cannot invoke the second press privilege laid down in Art. 5(3)(c) ISD. As the use concerns unpublished material, the right of quotation in Art. 5(3)(d) ISD is unavailable as well. Regardless of the importance of the press article for the public discourse, copyright law may thus bar the press publication and curtail the freedom of the press.

The internal balancing dogma also poses particular difficulties in cases concerning expressive use of substantive borrowings from copyrighted source material. In the area of quotation, the CJEU itself has increased the risk of a system breakdown. The more restrictive the quotation concept underlying Art. 5(3)(d) ISD, the higher the risk of causing a conflict with freedom of expression that can no longer be solved within the harmonized system of exclusive rights and limitations. However, this interdependence between the flexibility of limitation concepts and the need to step outside the harmonized copyright framework did not prevent the CJEU from holding in *Spiegel Online* that the essential characteristics of a quotation were the use “for the purposes of illustrating an assertion, of defending an opinion or of allowing an intellectual comparison between that work and the assertions of that user”.⁷⁴ As the Court explains, this approach confines the scope of the right of quotation to instances where a work, or an extract from a work, is used to “establish

⁶⁹ German Federal Supreme Court, 1 June 2017, case I ZR 139/15, *Afghanistan Papiere*, GRUR 2017, 901, paras. 27–30.

⁷⁰ CJEU, 29 July 2019, case C-469/17, *Funke Medien NRW*, para. 75.

⁷¹ CJEU, *id.*, para. 75.

⁷² CJEU, *id.*, para. 75.

⁷³ CJEU, *id.*, para. 58. Cf. Senftleben (2020c), pp. 765–766; Geiger and Izyumenko (2020), pp. 289–291.

⁷⁴ CJEU, 29 July 2019, case C-516/17, *Spiegel Online*, para. 78.

a direct and close link between the quoted work and [the user's] own reflections, thereby allowing for an intellectual comparison to be made with the work of another".⁷⁵

This restrictive interpretation of the concept of "quotation" has already led to irresolvable tensions with the freedom of artistic expression at the national level. In its *Germania 3* decision, the German Federal Constitutional Court had to decide on comprehensive borrowings from works by Bertolt Brecht that Heiner Müller had included in his play "Germania 3 Gespenster am toten Mann". Contending that Müller had overstepped the limits of the quotation right recognized in German copyright law, the holders of the rights in Brecht's works sued for copyright infringement. Müller's widow and the play's publisher, in reply, invoked Müller's freedom of artistic expression as a defence. They asserted that the quotations were indispensable for the discussion of Brecht's political position, as intended by Müller.⁷⁶ The Court thus had to decide whether Brecht's copyright inhibited Müller from freely expressing himself artistically. To strike a proper balance, the German Federal Constitutional Court emphasized that copyright limitations had to be construed in the light of the freedom of artistic expression, as guaranteed in German constitutional law.⁷⁷ The Court maintained that at least when the possible economic harm flowing from a quotation could not be deemed significant, the second author's interest in using a pre-existing work prevailed over the exploitation interests of the first author.⁷⁸ With regard to the concept of "quotation", the German Federal Constitutional Court explicitly rejected an overly restrictive interpretation that could unduly curtail artistic expression:

[i]n the context of an independent artistic creation, the freedom to quote extends beyond the use of the third-party text as evidence, i.e. to clarify concurring opinions, for a better understanding of the artist's own statements or to substantiate or deepen what has been explained. The artist may include copyrighted texts in his work even without such a reference, provided that they as such remain the subject matter and creative means of his own artistic statement.⁷⁹

The approach adopted by the German Federal Constitutional Court thus differs markedly from the position taken by the CJEU. The *Spiegel Online* formula seems very similar, if not identical, to the restrictive interpretation which the German

⁷⁵ CJEU, *id.*, para. 79.

⁷⁶ German Federal Constitutional Court, 29 June 2000, case 1 BvR 825/98, *Germania 3*, *Zeitschrift für Urheber- und Medienrecht* 2000, 868.

⁷⁷ Article 5(3) of the German Basic Law (Grundgesetz). See German Federal Constitutional Court, *id.*, 869.

⁷⁸ German Federal Constitutional Court, *id.*, 869. Cf. Geiger and Izyumenko (2019), p. 56; Metzger (2000), p. 925.

⁷⁹ Machine translation provided by DeepL.com (free version). See German Federal Constitutional Court, *id.*, 869: "Im Kontext einer eigenständigen künstlerischen Gestaltung reicht die Zitierfreiheit über die Verwendung des fremden Textes als Beleg, d.h. zur Verdeutlichung übereinstimmender Meinungen, zum besseren Verständnis der eigenen Ausführungen oder zur Begründung oder Vertiefung des Dargelegten, hinaus. Der Künstler darf urheberrechtlich geschützte Texte auch ohne einen solchen Bezug in sein Werk aufnehmen, soweit sie als solche Gegenstand und Gestaltungsmittel seiner eigenen künstlerischen Aussage bleiben".

Federal Constitutional Court deemed unacceptable in the light of freedom of artistic expression in *Germania 3*. Against this background, the question arises whether the CJEU is determined to contradict the judicial practice of the German Federal Constitutional Court (which predates the *Spiegel Online* formula) and dismantle the protection of artistic expression at EU level. However, the more realistic scenario is that the CJEU will have to go beyond the overly restrictive concept of “quotation” underlying Art. 5(3)(d) ISD and develop a more flexible approach in the light of freedom of artistic expression. By employing freedom of the arts as an external balancing tool,⁸⁰ the CJEU can strike a proper balance and at the same time put an end to the inappropriate dogma of internal balancing.

6 Loss of Watchdog Function and Reform Impulses

The closer inspection of the “fair balance” and “effectiveness” approaches shows that there is more fundamental rights rhetoric than meaningful fundamental rights reality in CJEU jurisprudence. The incessant articulation of the need to reconcile copyright with other fundamental rights is predominantly noise. Stating that the balancing exercise must take place within the confines of EU copyright law, the CJEU has deprived primary fundamental rights of the power to override secondary copyright norms. Fearing negative repercussions on the harmonization agenda, the Court seems prepared to abandon competing fundamental rights if this is necessary to preserve the copyright *acquis* and the harmonized rule/exception system.

This outcome of the analysis is disquieting for at least two reasons. First, the Court relinquishes the watchdog function that it should exercise as the supreme guardian of fundamental rights in the EU. Instead of using constitutional “fair balance” and “effectiveness” arguments to curtail – where necessary – the legislator’s freedom to maximize copyright protection, the CJEU prefers to submit to the legislator, rubberstamp secondary, lower-ranking copyright norms by declaring them sufficiently flexible, and sacrifice primary, higher-ranking fundamental rights on the altar of copyright harmonization. This dysfunctional approach is not even good for copyright law itself. Refusing to supplant copyright norms in order to arrive at a better balance between the goal of protection and competing fundamental freedoms, the Court also refuses to contribute productively to the improvement of the copyright framework. Seeking to preserve the traditional rule/exception system, the Court is obscuring the need for reform. Instead of promoting the modernization of copyright, the Court is contributing to the stabilization and ossification of a system that already appeared outdated and incapable of keeping pace with rapid technological, social, cultural and economic change many years ago.⁸¹

⁸⁰ As to the need to develop this external application of fundamental rights as balancing tools, *see also* the in-depth analysis by Geiger and Izyumenko (2019), pp. 34–74, providing many examples of external application of freedom of expression as a balancing tool by the European Court of Human Rights.

⁸¹ *Cf.* Hugenholtz and Senftleben (2011), pp. 29–30; Geiger and Izyumenko (2019), pp. 13–23; Leistner (2011), p. 417; Guibault (2010), p. 55; Senftleben (2010b), pp. 528–529.

Second, the CJEU deprives users relying on competing fundamental rights of the chance to meet right holders as equals. In the copyright arena, they will always have to fight an uphill battle. To avoid any interference with the copyright harmonization agenda, the CJEU seems to tolerate this evident imbalance. In *Pelham*, the Court did not find it contradictory to state that:

Article 5(5) of Directive 2001/29 also contributes to the fair balance mentioned in paragraph 32 above, in that it requires that the exceptions and limitations provided for in Article 5(1) to (4) of the directive be applied only in certain special cases which do not conflict with a normal exploitation of the work or other subject matter and do not unreasonably prejudice the legitimate interests of the rightholder.⁸²

This uncritical attitude in respect of the three-step test in Art. 5(5) ISD is surprising. As the Court explains, Art. 5(1) to (4) ISD contains an enumeration of specific permissible copyright limitations. These listed limitation prototypes, however, are subject to the three-step test laid down in Art. 5(5) ISD. As a result of this legislative design, the three-step test serves only one purpose in EU copyright law: it is a tool to further restrict copyright limitations. Stipulating that limitations “shall only be applied” in accordance with the three-step test, Art. 5(5) ISD leaves little doubt about this role. Not surprisingly, national judges have developed a practice of scrutinizing the scope of copyright limitations on the basis of the EU three-step test.⁸³ The CJEU itself has rendered several decisions in which the three-step test features prominently as an additional control instrument.⁸⁴ Copyright limitations that play a crucial role in safeguarding fundamental rights of users – artists, researchers, journalists and other creative users – are thus straitjacketed in the EU copyright framework. Their validity hangs by the thread of compliance with the abstract criteria of the three-step test. Users that are confronted with allegations of copyright infringement seek legal certainty in vain when they invoke copyright limitations as defence arguments. Even the most narrowly circumscribed national copyright limitation may still be challenged on the ground that it is incompatible with the EU three-step test set forth in Art. 5(5) ISD.

Quite clearly, Art. 5(5) ISD is thus a regulatory instrument that is exclusively in favour of copyright holders.⁸⁵ By definition, it will never broaden the scope of a copyright limitation and strengthen the position of users:

Article 5(5) of Directive 2001/29 is not intended either to affect the substantive content of provisions falling within the scope of Article 5(2) of that directive or, inter alia, to extend the scope of the different exceptions and limitations provided for therein.⁸⁶

⁸² CJEU, 29 July 2019, case C-476/17, *Pelham*, para. 62.

⁸³ Griffiths (2009), p. 489.

⁸⁴ For an overview of these decisions, see Senftleben (2021), pp. 90–101.

⁸⁵ Cf. Senftleben (2022d), pp. 194–195 and 199–200; Senftleben (2010a, b), pp. 67–82; Griffiths (2009), p. 495; Geiger (2006b), p. 683; Koelman (2003), p. 6

⁸⁶ CJEU, 10 April 2014, case C-435/12, *ACI Adam*, para. 26.

Moreover, the CJEU has confirmed that the EU three-step test cannot be employed to create new, additional forms of permitted unauthorized use:

Furthermore, it is apparent from recital 44 in the preamble to Directive 2001/29 that the EU legislature meant to envisage, when Member States provide for the exceptions or limitations referred to by that directive, that the scope of those exceptions or limitations could be limited even more when it comes to certain new uses of copyright works and other subject-matter. By contrast, neither that recital nor any other provision of that directive envisages the possibility of the scope of such exceptions or limitations being extended by the Member States.⁸⁷

Hence, it is impossible for judges in the EU to use the abstract assessment criteria of the three-step test as signposts for devising new use privileges.⁸⁸ Unlike fair use provisions with comparable abstract criteria,⁸⁹ the EU manifestation of the three-step test cannot be employed to create new, additional forms of permitted unauthorized use case-by-case.⁹⁰ This insight sheds an even less favourable light on the Court’s *Pelham* assumption that internal balancing – within the existing system of exclusive rights and limitations in EU copyright law – will always lead to satisfactory results that do justice to competing fundamental rights. Including the three-step test, the CJEU has woven a strong bias in favour of copyright holders in its internal balancing fabric. As the three-step test in Art. 5(5) ISD is configured to always support the position of right holders – and never the position of users – the Court must be of the opinion that it is constitutionally unobjectionable to systematically place the right to property above freedom of expression and information, freedom of the arts and sciences, the right to equal treatment and the prohibition of discrimination, the right to a healthy environment, freedom to conduct a business, the right to privacy, the protection of personal data etc.

In addition, it is remarkable that, with the explicit inclusion of the three-step test in the balance concept established in *Pelham*,⁹¹ the magical test *de facto* acquires a quasi-constitutional status. Art. 5(5) ISD constitutes an element of secondary EU legislation. Nonetheless, the CJEU seems determined to employ the test as a yardstick for circumscribing the maximum space for competing fundamental rights in the copyright universe. These competing fundamental rights have a higher rank in the norm hierarchy than the three-step test. In the “fair balance” system of the CJEU, the three-step test with its bias in favour of copyright holders nevertheless prevails.

⁸⁷ CJEU, *id.*, para. 27.

⁸⁸ CJEU, *id.*, paras. 26–27; CJEU, 29 July 2019, case C-476/17, *Pelham*, paras. 59–60 and 64. Cf. Senftleben (2022d), pp. 194–195 and 199–200.

⁸⁹ For a comparative analysis, see Senftleben (2013a), pp. 30–67. For a description of the results achieved in the United States on the basis of an open-ended fair use provision, see Beebe (2008), p. 549; Sag (2009), p. 2537; Samuelson (2015), p. 815; Jaszi (2021), pp. 361–371.

⁹⁰ CJEU, 10 April 2014, case C-435/12, *ACI Adam*, paras. 26–27; CJEU, 29 July 2019, case C-476/17, *Pelham*, paras. 59–60 and 64.

⁹¹ CJEU, 29 July 2019, case C-476/17, *Pelham*, para. 62.

7 Unequal Treatment in EU Copyright Law

The corrosive effect of this inconsistent reversion of the norm hierarchy on the legal position of users is obvious:

- EU copyright law grants broad, general exclusive rights. The right of reproduction in Art. 2 ISD and the right of communication to the public in Art. 3 ISD can serve as examples. The comprehensive scope of these exclusive rights offers right holders the opportunity to build *prima facie* infringement arguments that can hardly be rebutted as evidently unfounded from the outset (protection is the rule);
- While right holders can rely on broad exclusive rights to build *prima facie* infringement arguments, users seeking to defend competing fundamental rights only have specific exceptions to exclusive rights at their disposal. From the outset, they are placed in a defence position (freedom is the exception). In EU copyright law, the exceptions are enumerated in the closed list of Art. 5 ISD. Arts. 3 to 6 of the 2019 Directive on Copyright in the Digital Single Market (CDSMD) add further cases. An open-ended fair use provision with a broad, elastic scope – comparable to the general, comprehensive nature of exclusive rights – is sought in vain.⁹² The imbalance in the regulatory design is obvious: like David in his fight against Goliath, users must invoke narrow exceptions against broad exclusive rights;
- The three-step test⁹³ aggravates the problem. As explained, it further restricts exceptions that could support competing fundamental rights. Instead of allowing users with a valid fundamental rights argument to be on an equal footing with copyright owners, the three-step test only confirms the bias of the system in favour of protection interests. It enhances legal certainty for copyright holders and reduces legal certainty for users who invoke competing fundamental rights. Even if a given form of use complies with the specific requirements set forth in an exception to copyright protection, it can still be challenged on the ground that it does not fulfil the additional criteria of the three-step test.

In practice, this configuration of EU copyright law places users relying on copyright exceptions in a weak position. The exposure to infringement arguments that cannot directly be rejected as invalid is a serious threat in and of itself.⁹⁴ It is likely to have a deterrent effect on use that is important and socially valuable from a fundamental rights perspective. Arguably, a cease-and-desist letter will be sufficient in many cases to discourage the user and stop the use. Empirical studies show that this is not a mere theoretical scenario. In various areas of creative activity, concerns have been articulated about a growing fear among artists of being sued for copyright

⁹² Directive 2019/790 of the European Parliament and of the Council of 17 April 2019 on Copyright and Related Rights in the Digital Single Market and Amending Directives 96/9/EC and 2001/29/EC, Official Journal of the European Communities 2019 L 130, 92. Cf. Geiger and Izumenko (2019), pp. 13–23; Senftleben (2010b), pp. 528–540.

⁹³ Article 5(5) ISD; Art. 7(2) CDSMD.

⁹⁴ Cf. Lemley and McKenna (2010), pp. 418–422 and 443; Calboli (2014a), p. 31.

infringement.⁹⁵ As Amy Adler has concluded, “a climate of ‘self-censorship’ has taken hold in the art world”.⁹⁶ In such a case, the courts do not even have the chance of clarifying that the use is permissible. Artists and other risk-averse users seeking to avoid potential lawsuits will refrain from the creation of works based on pre-existing material or limit borrowings from pre-existing material to an absolute minimum.⁹⁷ Therefore, the legal uncertainty arising from the described imbalance – broad exclusive rights bolstering the position of right holders on the one hand; narrow exceptions destabilizing the position of users on the other – leads to a climate that is not conducive to the exercise of fundamental rights that challenge the protection paradigm. Instead, it is likely to impede and impoverish the work of artists, researchers, journalists and other users.

From a constitutional law perspective, this result is highly problematic. In Germany, the necessity to consider legal uncertainty and the chilling effect of infringement fears has explicitly been recognized by the German Federal Constitutional Court (the supreme German court in matters of constitutional law). The deterrent effect that arises from legal uncertainty surrounding a permitted use of protected material occupied centre stage in *Metall auf Metall*⁹⁸ – the legal saga that led to prejudicial questions and the *Pelham* decision of the CJEU discussed above.⁹⁹ In earlier national decisions, the German Federal Court of Justice (the supreme German court in matters of private law) had held that sound sampling fell outside the scope of permitted free use and amounted to infringement of the neighbouring right of the phonogram producer if the unauthorized user was capable of producing the desired sound fragment himself.¹⁰⁰ The German Federal Court of Justice had also specified that this criterion required an assessment of whether a sound producer with average equipment and talent, at the time of the unauthorized use, would have been capable of producing a recording of his or her own which, from the perspective of the target audience, could be qualified as equal to the original sound fragment.¹⁰¹ The German Federal Constitutional Court found that this assessment criterion

⁹⁵ Senftleben (2020a), pp. 135–138; Izyumenko (2020), pp. 440–446; Ramsey (2018), p. 427; Schovsbo (2018), p. 562; Adler (2016), p. 566; Köklü and Nérisson (2016), p. 572; Cramer (2015); Aufderheide et al. (2014), p. 5; Frosio (2014), pp. 378–380; Calboli (2014a), pp. 31–32; Lemley and McKenna (2010), pp. 418–422 and 443; Banerjee (2012), p. 564; Sakulin (2010), pp. 292–293; McGeeveran (2008), pp. 1206–1207 and 1224–1225; Morrison (2008), pp. 131–136; Hofrichter (2007), p. 1926; Gibson (2007), p. 913; Cohen (2006), pp. 154–156; Aufderheide and Jaszi (2004), pp. 29–30; Lessig (2004), pp. 185–188; Coombe (2003), p. 1174; Amabile (1996), pp. 115–120 and 231–232.

⁹⁶ Adler (2016), p. 566.

⁹⁷ Adler (2016), p. 566; Aufderheide et al. (2014), p. 5, pointing out that artists “pay a high price for copyright confusion and misunderstanding. Their work is constrained and censored, most powerfully by themselves, because of that confusion and the resulting fear and anxiety”.

⁹⁸ German Federal Constitutional Court, 31 May 2016, case I BvR 1585/13, “Sampling”, para. 100.

⁹⁹ For a more detailed discussion of the *Metall auf Metall* decisions in Germany, see Podszun (2016), pp. 606–612; Leistner (2019), pp. 1010–1014; Senftleben (2020c), pp. 752–757.

¹⁰⁰ German Federal Supreme Court, 20 November 2008, case I ZR 112/06, *Metall auf Metall I*, 15, published in: *GRUR* 2009, 403.

¹⁰¹ German Federal Supreme Court, 13 December 2012, case I ZR 182/11, *Metall auf Metall II*, 16, *GRUR* 2013, 614.

encroached upon freedom of artistic expression because it created too much legal uncertainty:

even in those cases where a reproduction equivalent to the original is not possible, artists will refrain from incorporating passages – which in such a case would be permissible even in the opinion of the [German] Federal Court of Justice – because of concerns about the overly great effort and expense, as well as the legal risk, involved in proving that reproducibility was impossible. The criterion of equivalent reproducibility therefore has a deterrent effect that necessitates an especially effective constitutional review.¹⁰² (clarification within brackets added)

Hence, the deterrent effect that arises from legal uncertainty surrounding a permitted use must be factored into the equation. It is not sufficient that the statutory law provides for defences and that judges are willing to hear arguments based on these defences. It must also be considered whether artists, researchers, journalists and other users relying on competing fundamental rights may nevertheless refrain from socially valuable use because the grant of copyright as such involves the risk of an infringement action. Even if judges may finally manage to arrive at reasonable solutions when competing fundamental rights are at stake, the essential difference remains that right holders can rely on a robust legal position and various infringement and enforcement tools. Users, by contrast, must cope with the considerable legal uncertainty which the invocation of copyright exceptions entails. The risk of copyright infringement hangs above the heads of artists, researchers, journalists and other creative users like the sword of Damocles. While the protection system contains strong safeguards for the interests of right holders, one looks in vain for comparably strong safeguards for competing user interests.

Despite all confirmations of a need to strike a “fair balance” and ensure the “effectiveness” of limitations in EU copyright law, the CJEU has not managed to address this imbalance properly. Instead of openly discussing the structural problems described and employing competing fundamental rights to bring the system into balance, the CJEU prefers to gloss over the current, flawed configuration of the copyright regime. The invocation of fundamental rights is misleading in this context. The Court applies fundamental rights rhetoric to produce the false impression that there is sufficient room for all competing rights and interests within the existing system of exclusive rights and limitations.¹⁰³ With these

¹⁰² German Federal Constitutional Court, 31 May 2016, case 1 BvR 1585/13, *Sampling*, para. 100. English translation available at: https://www.bundesverfassungsgericht.de/e/rs20160531_1bvr158513en.html. The European Court of Human Rights follows a similar approach recognizing “chilling effects” on the exercise of freedom of expression, which then necessitate a particularly strict standard of review under Art. 10 ECHR. See Fathaigh (2019), pp. 367–368.

¹⁰³ Cf. Geiger and Izyumenko (2019), pp. 13–23; Leistner (2011), p. 417; Guibault (2010), p. 55; Senftleben (2010b), pp. 528–529. The rule/exception approach adopted by the CJEU is also inconsistent from an ECHR perspective. Copyright itself can be seen as a limitation imposed on the human rights of a user of copyrighted material. This limitation (stemming from copyright protection) then needs to be interpreted narrowly in light of the general rule of human rights protection. In the case law of the European Court of Human Rights concerning freedom of expression, it is for instance well-established that exceptions to the right to freedom of expression – including the protection of the “rights of others”,

fundamental rights cosmetics, the CJEU cements the existing architecture of EU copyright law which is strongly in favour of right holders and places a heavy burden on users seeking to exercise competing fundamental rights. A fair balance in the sense of the Charter is sought in vain.

8 Same Pattern in Trademark Law

Developments in EU trademark law point in the same direction. Like the *Pelham* decision in copyright law,¹⁰⁴ the trademark decision in *Martin Y Paz* reflects the conviction of the CJEU that harmonized intellectual property systems must be regarded as complete and closed legal frameworks. In the Court’s opinion, these systems, by definition, offer sufficient flexibility for striking a proper balance between intellectual property protection and competing fundamental rights and values.¹⁰⁵ In *Martin Y Paz*, the CJEU was asked whether a finding of irrevocable consent based on an indeterminate period of shared use of a distinctive sign could definitely prevent the proprietor of a registered mark from asserting its exclusive right against a third party. In this context, it was necessary to determine whether a national rule prohibiting wrongful and abusive use of a right under Belgian law could lead to a definitive ban on the exercise of exclusive trademark rights falling under harmonized EU trademark law.¹⁰⁶

In this regard, the CJEU lent particular weight to the harmonization objective. Given the national roots and anchorage of the general principles of fairness and equity invoked by the Belgian courts, the CJEU feared that giving a green light to applying these domestic doctrines would endanger the harmonization objective at EU level:

[i]t is important to bear in mind, at the outset, that Articles 5 to 7 of Directive 89/104 effect a complete harmonisation of the rules relating to the rights conferred by a trade mark and accordingly define the rights of proprietors of trade marks in the European Union ... Consequently, save for the specific cases governed by Article 8 et seq. of that directive, a national court may not, in a dispute relating to the exercise of the exclusive right conferred by a trade mark, limit that exclusive right in a manner which exceeds the limitations arising from Articles 5 to 7 of the directive.¹⁰⁷

This approach is similar to the path chosen in EU copyright law: the CJEU invokes the dogma of internal balancing to preclude the application of national

Footnote 103 continued

such as the rights of intellectual property holders – “must be narrowly interpreted, and the necessity for any restrictions must be convincingly established.” See European Court of Human Rights, 26 September 1995, case No. 17851/91, *Vogt v. Germany*, para. 52.

¹⁰⁴ CJEU, 29 July 2019, case C-476/17, *Pelham*, paras. 59–60.

¹⁰⁵ CJEU, 19 September 2013, case C-661/11, *Martin Y Paz Diffusion*, paras. 54–55

¹⁰⁶ CJEU, *id.*, para. 35.

¹⁰⁷ CJEU, *id.*, paras. 54–55.

doctrines reflecting general principles of fairness and equity.¹⁰⁸ As a result, the case must be resolved on the basis of the harmonized system of exclusive rights and limitations in EU trademark law.¹⁰⁹ Admittedly, fundamental rights did not play a central role in *Martin Y Paz*. The case concerned a complex commercial relationship that had deteriorated over time.¹¹⁰ Irrespective of the specific facts of the case, however, the Court seized the opportunity to establish the general rule of complete harmonization. In line with this approach, tensions between competing rights and interests must be resolved within the harmonized system of trademark rights and limitations.

As already pointed out above, the CJEU also confirmed the need to take into account fundamental rights in trademark cases. In *Constantin Film Produktion v. EUIPO* (“*Fack Ju Göhte*”), the Court stated that EU trademark law had to be applied “in such a way as to ensure full respect for fundamental rights and freedoms, in particular freedom of expression”.¹¹¹ Factoring the *Martin Y Paz* mantra of complete harmonization into the equation, there can be little doubt that the reconciliation of trademark protection with competing fundamental rights must take place internally: within the harmonized system of trademark rights and limitations.

As in EU copyright law, there is thus a substantial risk that infringement rules of secondary intellectual property legislation reign supreme over primary fundamental rights recognized in the Charter. Instead of employing fundamental rights to change the rule/exception architecture of EU trademark law, the Court defers to the trademark legislator and subordinates competing fundamental rights to trademark protection rules that exhibit a strong bias in favour of trademark proprietors. In practice, this may deprive users who can rely on fundamental rights of the chance of rebutting trademark claims with equally strong counterarguments.

However, it is important to add nuances when drawing these parallels with EU copyright law. While the trademark rights recognized in the EU are increasingly resembling the exploitation rights granted in copyright law,¹¹² several differences remain. Specific trademark infringement criteria may reduce the risk of secondary trademark legislation overriding primary fundamental rights. More specifically, the requirement of “use in relation to goods or services”¹¹³ could be applied as a strict gatekeeper criterion that confines the scope of trademark rights to instances where another’s trademark is employed as an identifier of commercial source with regard to one’s own goods or services.¹¹⁴ Following this approach, access to trademark

¹⁰⁸ CJEU, *id.*, paras. 54–55. Cf. Senftleben (2016), pp. 350–357; Kur (2014), pp. 450–453.

¹⁰⁹ CJEU, *id.*, paras. 48–49.

¹¹⁰ CJEU, *id.*, paras. 10–30.

¹¹¹ CJEU, 27 February 2020, case C-240/18P, *Constantin Film v. EUIPO* (“*Fack Ju Göhte*”), para. 56. Cf. Recital 21 EUTMR; Recital 27 TMD.

¹¹² Cf. Senftleben (2020a), pp. 135–141; Peukert (2016), pp. 415–418; Gangjee (2013), pp. 43–47; Senftleben (2013b), pp. 146–156; Vanovermeire (2009), pp. 187–188; Senftleben (2009), p. 45; Fezer 2003, 457; Strasser (2000), p. 375; Brown (1999), p. 1619; Dreyfuss (1990), p. 397.

¹¹³ Article 9(2) EUTMR; Art. 10(2) TMD.

¹¹⁴ CJEU, 25 January 2007, case C-48/05, *Opel v. Autec*, para. 24, pointed in this direction. The course adopted in this judgment, however, was not followed in further decisions.

protection could be contained from the outset.¹¹⁵ Trademark infringement claims could be dismissed when users only refer to third-party brand insignia as protected marks of the trademark proprietor and refrain from presenting third-party trademarks as indications of the commercial origin of their own products. Following this strict approach, references to trademarks in artistic, journalistic and political contexts would fall outside the scope of trademark rights from the outset.

Instead of adopting this cautious approach, however, the CJEU opted for a much less efficient use of this gatekeeper criterion.¹¹⁶ In *BMW v. Deenik*, the Court concluded that use for the purpose of informing the public about repair and maintenance services offered with regard to trademarked products satisfied the criterion of “use in relation to goods or services” – even though Deenik had not used the trademark BMW to pass off his second-hand cars and repair services as offers stemming from BMW. In his advertising, Deenik had merely referred to BMW as the owner of the car brand that was central to his own activities.¹¹⁷ The CJEU also qualified use in comparative advertising as use in relation to goods or services on the ground that the advertiser made use of a competitor’s trademark to distinguish her own products from those of the competitor.¹¹⁸ In *Céline*, the Court held with regard to the interface between trademark and trade name rights that once a link was established between the company, trade or shop name and the goods or services offered by the alleged infringer, trademark use in relation to goods or services could no longer be denied – even where the name was not affixed to marketed goods as such.¹¹⁹ The formula of a link with goods or services then became established case law in decisions dealing with keyword advertising. In *Google France and Google*, the CJEU confirmed that relevant use in relation to goods or services existed “in any event” where a third party used a conflicting sign in such a way that a link was established between that sign and the goods or services offered by the third party.¹²⁰ In *L’Oréal v. eBay*, the Court found that the criterion of a link was satisfied because eBay’s advertisements created “an obvious association between the trade-marked goods which are mentioned in the advertisements and the possibility of buying those goods through eBay”.¹²¹ The CJEU thus developed a low threshold: a mere “link” or “association” with goods or services is sufficient.¹²²

As a result, the gatekeeper criterion of use in relation to goods or services does not prevent a trademark claim against references to the trademark that are only made to identify goods or services as those of the trademark owner and are not

¹¹⁵ Dinwoodie and Janis (2007), pp. 1599–1600; Dogan and Lemley (2004), pp. 809–811.

¹¹⁶ Cf. Kur (2008), pp. 1–11.

¹¹⁷ CJEU, 23 February 1999, case C-63/97, *BMW v. Deenik*, para. 42.

¹¹⁸ CJEU, 12 June 2008, case C-533/06, *O2 v. Hutchison*, paras. 35–36.

¹¹⁹ CJEU, 11 September 2007, case C-17/06, *Céline*, para. 23.

¹²⁰ CJEU, 23 March 2010, C-236/08-238/08, *Google France and Google*, para. 72; CJEU, 12 July 2011, case C-324/09, *L’Oréal v. eBay*, para. 92; CJEU, 19 February 2009, C-62/08, *UDV North America*, paras. 47–48.

¹²¹ CJEU, 12 July 2011, case C-324/09, *L’Oréal v. eBay*, para. 93.

¹²² Cf. Knaak et al. (2011), para. 2.178.

perceived by the public as indications of commercial origin.¹²³ This elastic interpretation has a deep impact on freedom of expression. In the absence of a strict requirement of use as a trademark – understood in the sense of use for the purpose of identifying and distinguishing the user’s own goods and services – the threshold criterion of use in relation to goods or services loses its gatekeeper function.¹²⁴ Even use in artistic, political and journalistic contexts may be exposed to allegations of trademark infringement. The prejudicial questions in *Inter IKEA Systems* – a case about the use of protected IKEA insignia in a political campaign in Belgium – show that trademark judges no longer rule out the possibility of political expression amounting to trademark infringement. The prejudicial questions focus on the application of the open-ended defence of “due cause”¹²⁵ in dilution cases.¹²⁶ However, the due cause defence only becomes relevant in the infringement analysis once it has been established that the use constitutes actionable use in relation to goods and services in the sense of Art. 9(2) of the EU Trade Mark Regulation (EUTMR)¹²⁷ and Art. 10(2) of the Trade Mark Directive (TMD).¹²⁸

Freedom of artistic and political expression and freedom of the press are not the only victims of the elastic notion of “use in relation to goods or services” which the CJEU has developed. The flexible test only requiring a “link” with goods or services also affects decorative use that is not intended to indicate the commercial origin of the alleged infringer’s own goods. This development can make it particularly difficult to reconcile trademark protection with sustainability goals and underlying fundamental rights and objectives.¹²⁹ Moreover, the freedom of artistic and commercial expression of users in the circular economy must be taken into account.¹³⁰ As the CJEU is reluctant to apply a strict gatekeeper requirement of use in relation to goods or services, productive reuse in the circular economy, for instance in fashion upcycling projects,¹³¹ is exposed to confusion and dilution claims that cannot be dismissed as evidently unfounded from the outset. The trademark owner can establish *prima facie* infringement by arguing that the display of brand insignia on circular economy products is confusing because it indicates a

¹²³ Cf. Kur and Senftleben (2017), paras. 5.50–5.54.

¹²⁴ Cf. Kur and Senftleben (2017), paras. 5.14–5.15 and 5.49–5.56; Simon Fhima (2006), p. 321; Kur (2008), p. 12.

¹²⁵ Article 9(2)(c) EUTMR; Art. 10(2)(c) TMD.

¹²⁶ *Nederlandstalige Ondernemingsrechtbank Brussel*, 8 May 2023, Request for a preliminary ruling, case C-298/23, *Inter IKEA Systems*.

¹²⁷ Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union Trade Mark (codification), OJ 2017 L 154, 1.

¹²⁸ Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks, OJ 2015 L 336, 1.

¹²⁹ Article 37 and Arts. 2, 7, 17 CFR. Cf. Izyumenko (2024), pp. 882–887.

¹³⁰ Senftleben (2025), section IV; Bain (2020), p. 389.

¹³¹ For a detailed description of different upcycling practices, see Schenerman (2020), pp. 755–762. Cf. Dorenbosch (2022), p. 147; Pihljarinne (2021), p. 9; Bain (2020), pp. 383–384.

commercial connection with the trademark owner.¹³² This confusion claim may be based on post-sale confusion.¹³³ Furthermore, the trademark proprietor can assert that use on circular economy products constitutes unfair freeriding because it exploits the positive image evoked by the third-party brand.¹³⁴

Unfair freeriding arguments may also be used to suppress other forms of artistic expression, or curtail freedom of the press. A biting trademark parody or a critical newspaper article may be attacked on the ground that it damages the valuable brand magnetism – a trademark’s distinctive character and repute – that enjoys protection in EU trademark law.¹³⁵

EU trademark law also shows how statutory defences against infringement claims can be deprived of their potential to create reliable breathing space for competing fundamental rights. Taking environmental protection¹³⁶ and the right to a healthy environment¹³⁷ as an example, the exhaustion of trademark rights after the first sale comes to mind.¹³⁸ Evidently, it is tempting to jump to the conclusion that the use of second-hand clothes in the circular economy does not amount to infringement because of exhaustion. The crux, however, lies in the focus on the resale of goods in the specific form in which they have been marketed by the trademark owner. Changes can render the exhaustion doctrine inapplicable.¹³⁹ More specifically, Art. 15(2) TMD and Art. 15(2) EUTMR stipulate that exhaustion shall not occur:

where there exist legitimate reasons for the proprietor to oppose further commercialisation of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.¹⁴⁰

This configuration of the exhaustion rule can thwart the invocation of the doctrine in the case of reuse in the circular economy. For instance, changes to the goods are inherent in the concept of “upcycling”.¹⁴¹ Wikipedia describes upcycling as “the process of transforming by-products, waste materials, useless, or unwanted products into new materials or products perceived to be of greater quality, such as

¹³² CJEU, 10 April 2008, case C-102/07, *Adidas v. Marca*, paras. 30–34. As to the broad concept of confusion in modern trademark law, cf. Tischner and Stasiuk (2023), pp. 35–36; Dorenbosch (2022), pp. 148–149; Keats (2020), pp. 713–714 and 718–719; Lemley and McKenna (2010), pp. 414–422.

¹³³ CJEU, 12 November 2002, case C-206/01, *Arsenal v. Reed*, para. 57. Cf. Senftleben (2024), p. 101; Dorenbosch (2022), pp. 148–149; Schenerman (2020), pp. 766–767 and 778–779; Kur and Senftleben (2017), paras. 5.131–5.146.

¹³⁴ CJEU, 18 June 2009, case C-487/07, *L’Oréal v. Bellure*, paras. 30 and 47–49. Cf. Tischner and Stasiuk (2023), pp. 38–39. As to the additional risk of tarnishing, see Keats (2020), pp. 719–720.

¹³⁵ Article 9(2)(c) EUTMR; Art. 10(2)(c) TMD. Cf. Senftleben (2020a), pp. 156–170.

¹³⁶ Article 37 CFR.

¹³⁷ Articles 2, 7, 17 CFR.

¹³⁸ Article 15(1) TMD; Art. 15(1) EUTMR.

¹³⁹ Dorenbosch (2022), p. 148.

¹⁴⁰ Article 15(2) TMD; Art. 15(2) EUTMR.

¹⁴¹ See <https://www.merriam-webster.com/dictionary/upcycle> (last visited on 1 August 2024). Cf. Dorenbosch (2022), p. 147; Senftleben (2022a), p. 572; Bain (2020), p. 383; Keats (2020), p. 712; Teibel (2019), pp. 624–625.

artistic value or environmental value.”¹⁴² Hence, trademark owners will often have the opportunity to rebut exhaustion arguments by pointing out that the condition of the goods has been changed or that elements of the original goods have become part of new and different, upcycled goods.¹⁴³

Not only the exhaustion doctrine but also other limitations of trademark rights may fail to offer sufficient flexibility for competing fundamental rights. As already indicated, the exemption of referential use seems particularly important with regard to freedom of artistic, political and journalistic expression. Article 14(1)(c) TMD and Art. 14(1)(c) EUTMR define referential use as use “for the purpose of identifying or referring to goods or services as those of the proprietor of that trade mark”. A parody using a trademark to symbolize and criticize policies of the trademark proprietor, or the mention of a trademark in a critical newspaper article, may fall within the scope of the referential use defence.¹⁴⁴ Arguably, the display of trademarked fashion elements on circular economy products can also be regarded as a legitimate form of referential use.¹⁴⁵ Fashion re-users refer to reworked fashion products as those of the trademark proprietor.¹⁴⁶ Considering current developments in EU trademark law and practice, however, it is doubtful whether the referential use defence will effectively shield users who invoke competing fundamental rights from a verdict of infringement.

First, the CJEU may prefer a restrictive interpretation of the notion of “referential use”. The decision in *Audi v. GQ* points in this direction. The case concerned the sale of spare parts for Audi models from the 1980s and 1990s. GQ offered grilles that contained an element designed for the attachment of the protected Audi emblem.¹⁴⁷ Discussing whether the marketing of these Audi grilles could be regarded as a legitimate form of referential use, the CJEU drew a distinction between, on the one hand, a situation where the alleged infringer incorporated a conflicting sign into spare parts intended for repair and, on the other hand, a situation where the alleged infringer, without affixing the conflicting sign to the spare parts themselves, merely used the trademark to indicate that they were compatible with the trademark owner’s cars.¹⁴⁸ According to the Court, permissible referential use could only be found in the latter situation:

[t]he affixing of a sign identical with, or similar to, the trade mark on the goods marketed by the third party exceeds [...] the referential use referred to

¹⁴² See <https://nl.wikipedia.org/wiki/Upcycling> (last visited on 1 August 2024).

¹⁴³ Dorenbosch (2022), pp. 148–149; Pihlajarinne (2021), pp. 10–11; Kur (2021), pp. 715–716. Cf. German Federal Supreme Court, 14 December 1995, case I ZR 210/93, *Gefärbte Jeans*, Gewerblicher Rechtsschutz und Urheberrecht – International 1996, 726, stating that the exhaustion rule did not cover the resale of “stonewashed” second-hand jeans.

¹⁴⁴ Senftleben (2022a), pp. 581–582. For non-infringement arguments based on a parallel between parody cases and upcycling, see Schenerman (2020), pp. 772–775.

¹⁴⁵ Senftleben (2024), p. 103. Senftleben (2025), pp. 9–17. Cf. Bain (2020), p. 389.

¹⁴⁶ Senftleben (2025), pp. 15–16.

¹⁴⁷ CJEU, 25 January 2024, case C-334/22, *Audi (Support d’emblème sur une calandre)*, paras. 7–8.

¹⁴⁸ CJEU, *id.* para. 57.

in Article 14(1)(c) of Regulation 2017/1001 and therefore does not fall within any of the situations covered by that provision.¹⁴⁹

Quite clearly, this restrictive interpretation can thwart the invocation of the referential use defence when the sign triggering the infringement action becomes an element of the product offered by the user invoking the defence. This approach can have a deep impact on reuse in the circular economy. It minimizes the chances of referential use arguments being successful when a third-party trademark remains visible on upcycled fashion products.¹⁵⁰ A comparison with developments in the area of descriptive use further darkens the horizon. Before the *Audi* decision, the CJEU had already held that the descriptive use defence¹⁵¹ was inapplicable when a third-party trademark became a central element of the very contents of a product.¹⁵² In *Adidas v. Marca* – a case about allegedly infringing use of decorative elements similar to the famous three stripes logo – the Court concluded that the use of a two-stripe motif on sports clothing was “not intended to give an indication concerning one of the characteristics of those goods”.¹⁵³ Constituting design features, the stripes were not intended to indicate the characteristics of the sports and leisure garments.¹⁵⁴ Similarly, the Court denied descriptive use in *Opel v. Autec* on the ground that the faithful reproduction of the Opel logo on a scale model car could not be regarded as an indication of product characteristics. Instead, the logo became part of the product itself.¹⁵⁵ This CJEU case law does not give much hope that defences in trademark law, such as the referential use defence, will be applied broadly.

Second, EU trademark legislation poses additional hurdles. The invocation of limitations of exclusive trademark rights that can serve as defences depends on compliance with honest practices in industrial or commercial matters.¹⁵⁶ This additional, open-ended prerequisite can cause substantial difficulties. The CJEU tends to determine compliance with honesty in industrial and commercial matters on the basis of the same criteria that inform the analysis of *prima facie* infringement in trademark confusion and dilution cases.¹⁵⁷ This circular approach has led to concerns that the inquiry into honest practices may ignore competing societal values underpinning the limitations of trademark rights.¹⁵⁸ Instead of shaping the honest practices test in a way that offers room for competing policy objectives, the CJEU

¹⁴⁹ CJEU, *id.* para. 57.

¹⁵⁰ Izyumenko (2024), pp. 873–874; Senftleben and van Kan (2024), pp. 89–90.

¹⁵¹ Article 14(1)(b) EUTMR; Art. 14(1)(b) TMD.

¹⁵² Kur and Senftleben (2017), paras. 6.23–6.27.

¹⁵³ CJEU, 10 April 2008, case C-102/07, *Adidas v. Marca*, para. 48.

¹⁵⁴ CJEU, *id.*, para. 48.

¹⁵⁵ CJEU, 25 January 2007, case C-48/05, *Adam Opel v. Autec*, para. 44.

¹⁵⁶ Article 14(2) TMD; Art. 14(2) EUTMR.

¹⁵⁷ CJEU, 8 July 2010, C-558/08, *Portakabin*, para. 69; CJEU, 17 March 2005, case C-228/03, *Gillette v. LA-Laboratories*, para. 49. Cf. Kur and Senftleben (2017), para. 6.73; Senftleben and Bently et al. (2015), p. 339; Senftleben (2013b), pp. 168–169; Simon Fhima and Jacob (2014), p. 274; Simon Fhima (2012), pp. 501–502.

¹⁵⁸ Senftleben (2020a), pp. 588–590.

simply replicates standard criteria of the trademark infringement analysis.¹⁵⁹ In *Gillette*, for instance, the Court held that use would fail to comply with honest practices in industrial and commercial matters if:

- it is done in such a manner as to give the impression that there is a commercial connection between the third party and the trade mark owner;
- it affects the value of the trade mark by taking unfair advantage of its distinctive character or repute;
- it entails the discrediting or denigration of that mark;
- or where the third party presents its product as an imitation or replica of the product bearing the trade mark of which it is not the owner.¹⁶⁰

While some of these assessment factors can be traced back to EU legislation in the field of comparative advertising,¹⁶¹ the prohibition of use that gives the impression of a commercial connection with the trademark owner, and the ban on use that damages or takes unfair advantage of the mark's distinctive character or repute, correspond to infringement criteria in the field of trademark protection against confusion and dilution.¹⁶² The risk of circularity is obvious: by copying almost literally the criteria for establishing *prima facie* infringement, the CJEU subjects defences to additional scrutiny in the light of the same criteria that enabled the trademark owner to bring the infringement claim in the first place. As a result, defence arguments, such as referential use, become moot in practice.¹⁶³ In the keyword advertising case *Portakabin*, for instance, the Court did not find it contradictory to conclude that:

the circumstances under which a trade mark proprietor is, pursuant to Article 5(1) of Directive 89/104 [now Article 10(2)(a) TMD], entitled to prevent an advertiser from using a sign identical with, or similar to, that trade mark as a keyword may [...] easily correspond to a situation in which the advertiser cannot claim that it is acting in accordance with honest practices in industrial or commercial matters, and cannot therefore validly rely on the exception ...
.¹⁶⁴ (comment within brackets added)

The corrosive effect of this circular approach on defence arguments is evident. Following the current CJEU approach, the same findings that have led to a finding of *prima facie* infringement support the denial of compliance with honest practices. In consequence, the requirement of use in accordance with honest practices in industrial or commercial matters degenerates into a torpedo which the trademark

¹⁵⁹ Cf. Kur and Senftleben (2017), paras. 1.06–1.15.

¹⁶⁰ CJEU, 17 March 2005, case C-228/03, *Gillette v. LA-Laboratories*, para. 49.

¹⁶¹ Article 4(d), (f), (g) and (h) of Directive 2006/114/EC of the European Parliament and of the Council of 12 December 2006 Concerning Misleading and Comparative Advertising (codified version), OJ 2006 L 376, 21. Cf. Kur and Senftleben (2017), para. 6.72.

¹⁶² Article 9(2)(b) and (c) EUTMR; Art. 10(2)(b) and (c) TMD.

¹⁶³ Cf. Kur and Senftleben (2017), para. 6.73; Senftleben et al. (2015), p. 339; Senftleben (2013b), pp. 168–169; Simon Fhima and Jacob (2014), p. 274; Simon Fhima (2012), pp. 501–502.

¹⁶⁴ CJEU, 8 July 2010, C-558/08, *Portakabin*, para. 69.

proprietor can employ to neutralize referential use arguments that support the activities of users exercising competing fundamental rights. The symmetry of criteria for assessing *prima facie* infringement and determining honesty in industrial and commercial matters can easily lead to a situation where a finding of a likelihood of confusion or unfair freeriding already foreshadows a finding of dishonest practices.

In the area of artistic expression, the 2015 trademark law reform gives rise to additional concerns. The reform led to the adoption of a peculiar guideline for reconciling trademark protection with freedom of artistic expression. Recital 21 EUTMR and Recital 27 TMD stipulate that:

[u]se of a trade mark by third parties for the purpose of artistic expression should be considered as being fair as long as it is at the same time in accordance with honest practices in industrial and commercial matters.

In the light of this Recital, a risk of eroding artistic autonomy and freedom of artistic expression can hardly be denied. Instead of imposing the burden on trademark proprietors to demonstrate non-compliance with standards of fairness and honesty in the field of art and culture, the honest practices guideline given in Recital 21 EUTMR and Recital 27 TMD reflects the opposite approach: the artist is forced into a defence position and obliged to prove compliance with standards of honesty in industrial and commercial matters. This alignment of the fairness rule with behavioural standards in industry and commerce is particularly problematic in the case of artistic use. An artist can hardly be expected to be aware of behavioural standards in industry and commerce. Considering the important role of the autonomy of art in society,¹⁶⁵ it can be added that it is also undesirable to oblige artists to align their work with behavioural norms in the societal subsystem of commerce and trade.¹⁶⁶ As a trader, the trademark owner, by contrast, can be expected to be well acquainted with standards of honesty in industrial and commercial matters.¹⁶⁷ The use of industrial and commercial standards as a benchmark for assessing the legitimacy of unauthorized artistic use thus causes an information imbalance that gives the trademark proprietor an advantage. In contrast to artists, trademark owners can remain in their own sector and play a home game.

Against this background, the adoption of a fairness rule modelled on the proviso of honest practices in industrial and commercial matters can hardly be regarded as an appropriate solution in the field of artistic expression. Recital 21 EUTMR and Recital 27 TMD are mere cosmetics. At first glance, they give the impression of safeguarding freedom of artistic expression. In practice, however, these Recitals only add an unproductive fundamental rights gloss to a traditional trademark infringement analysis. Instead of strengthening freedom of artistic expression, the

¹⁶⁵ Senftleben (2020a), pp. 47–69.

¹⁶⁶ Senftleben (2022a), pp. 586–588.

¹⁶⁷ Even if the burden of establishing dishonest practices is placed on the trademark proprietor (*cf.* Kur and Senftleben (2017), paras. 6.78–6.79), the artist must ascertain which behavioural norms are applicable to successfully rebut dishonesty arguments.

guideline in Recital 21 EUTMR and Recital 27 TMD only cements the supremacy of trademark proprietor interests over competing free expression values.

In sum, the requirement of honest practices in industrial or commercial matters constitutes an element of the EU trademark protection system that can easily become a risk factor for users relying on competing fundamental rights. Without too much difficulty, it is possible to draw a parallel between the honest practices proviso in trademark law and the above-discussed copyright three-step test.¹⁶⁸ Both provisions set forth abstract criteria that serve as additional control mechanisms to prevent an excessively broad application of limitations of intellectual property protection. Considering this parallel, the tension with fundamental rights, such as freedom of artistic expression and the right to a healthy environment, is obvious: like the three-step test in copyright law, the honest practices proviso in trademark law functions as a quasi-constitutional norm which, irrespective of its lower, secondary rank in the norm hierarchy, has been elevated to a central assessment factor that can constrain primary fundamental rights in the Charter.

On a more positive note, it must not be overlooked that the harmonized EU trademark system contains a flexible balancing tool that is missing in EU copyright law.¹⁶⁹ In the area of trademark protection against dilution, EU trademark law affords users the opportunity to invoke the open-ended defence of “due cause” to avert a finding of infringement.¹⁷⁰ In CJEU judicial practice, the important role of this elastic defence argument clearly came to light in keyword advertising cases where the need to strike a proper balance between trademark protection and freedom of commercial expression and freedom to conduct a business was a recurring theme.¹⁷¹ National decisions demonstrate the remarkable potential of the due-cause defence to serve as a safeguard for artistic freedom of expression.¹⁷² However, Recital 21 EUTMR and Recital 27 TMD stipulate in general terms that artistic use can be considered fair as long as it is in accordance with honest practices

¹⁶⁸ Article 5(5) ISD.

¹⁶⁹ Senftleben (2017), pp. 240–265.

¹⁷⁰ Article 9(2)(c) EUTMR; Art. 10(2)(c) TMD.

¹⁷¹ CJEU, 22 September 2011, case C-323/09, *Interflora v. Marks & Spencer*, para. 91. Cf. Advocate General Poirares Maduro, opinion of 22 September 2009, cases C-236/08–238/08, *Google France and Google v. Louis Vuitton et al.*, para. 102; Advocate General N. Jääskinen, opinion of 9 December 2010, case C-324/09, *L'Oréal v. eBay*, para. 49; Advocate General N. Jääskinen, opinion of 24 March 2011, case C-323/09, *Interflora v. Marks & Spencer*, para. 94. See also CJEU, 6 February 2014, case C-65/12, *Leidseplein Beheer v. Red Bull*, paras. 54–58.

¹⁷² For an overview, see Kur and Senftleben (2017), paras. 5.250–5.272 and 6.59– 6.70; Senftleben (2017), pp. 256–265; Żelechowski (2018), pp. 115–135; Sakulin (2010), pp. 282–288; Senftleben (2015), p. 368. Cf. Benelux Court of Justice, 14 October 2019, case A2018/1/8, *Moët Hennessy v. Cedric Art*, para. 9; Court of Appeals of Amsterdam, 13 September 2011, case ECLI:NL:GHAMS:2011:BS7825, *Mercis and Bruna/Punt, Tijdschrift voor auteurs-, media- en informatierecht* 2012, 28, para. 4.19. For further examples of the successful invocation of the due cause defence in freedom of expression contexts, see German Federal Supreme Court, 3 February 2005, case I ZR 159/02, *Lila Postkarte*, *GRUR* 2005, 583 (585); German Federal Supreme Court, 11 March 2008, case VI ZR 7/07, *Gen-Milch*, *Neue Juristische Wochenschrift* 2008, 2110; French Supreme Court (Cour de cassation), 8 April 2008, case 06-10961, *Greenpeace v. Esso*; French Supreme Court, 8 April 2008, case 07-11251, *Greenpeace v. Areva*. As to the limits of the due cause defence, see Austrian Supreme Court, 22 September 2009, case 17Ob15/09v, *Styriagra*, para. 3.4.

in industrial and commercial matters. Considering this broad, unspecific reference to the honest practices test, it cannot be ruled out that trademark tribunals, including the CJEU, will apply the honest practices test not only when a user relies on a defence laid down in Art. 14 EUTMR and Art. 14 TMD, but also when the open-ended due-cause defence in Art. 9(2)(c) EUTMR and Art. 10(2)(c) TMD is invoked. In fact, the CJEU has already denied the existence of “due cause” when the allegedly infringing use offers a mere imitation of trademarked goods or services, damages the mark’s reputation or distinctive character, or has an adverse effect on the functions of the trademark concerned.¹⁷³ A line between these due cause factors and the circular honest practices criteria developed in *Gillette*¹⁷⁴ can easily be drawn.

9 Unequal Treatment in EU Trademark Law

The closer inspection of the EU trademark system sheds light on a phalanx of requirements and conditions to be fulfilled by users invoking competing fundamental rights. As in EU copyright law, users without prior authorization must fight an uphill battle:

- trademark proprietors can easily satisfy the gatekeeper requirement of use in relation to goods or services. Moreover, they can rely on relatively broad exclusive rights that allow them to build infringement arguments based on confusion and dilution, including claims based on unfair freeriding and detrimental effects on a trademark’s distinctive character and reputation (protection is the rule);
- users seeking to defend competing fundamental rights, by contrast, only have certain limitations of exclusive rights at their disposal. From the outset, they are placed in a defence position (freedom is the exception). In the area of protection of marks against dilution, they can rely on the open-ended defence of “due cause”.¹⁷⁵ Outside the dilution subsystem, they must invoke one of the general limitations laid down in Art. 14 EUTMR and Art. 14 TMD. However, the scope of these defences, such as the referential-use defence, is unclear. Current CJEU judicial practice indicates that the Court prefers a narrow interpretation;
- the ubiquity of the test of honest practices in industrial or commercial matters aggravates the problem. Defences that could support competing fundamental rights are only applicable if the use satisfies the test of honest practices.¹⁷⁶ Recital 21 EUTMR and Recital 27 TMD make it clear that even use in artistic contexts should only be deemed fair as long as it is at the same time in accordance with honest practices in industrial and commercial matters.

¹⁷³ CJEU, 22 September 2011, case C-323/09, *Interflora v. Marks & Spencer*, para. 91; CJEU, 6 February 2014, case C-65/12, *Leidseplein Beheer v. Red Bull*, para. 47.

¹⁷⁴ CJEU, 17 March 2005, case C-228/03, *Gillette v. LA-Laboratories*, para. 49.

¹⁷⁵ Article 9(2)(c) EUTMR; Art. 10(2)(c) TMD.

¹⁷⁶ Article 14(2) EUTMR; Art. 14(2) TMD.

Assessment criteria known from the honest practices test also inform the “due cause” analysis in trademark dilution cases.¹⁷⁷

Given this configuration of EU trademark law – the relatively broad scope of exclusive rights, the elasticity of gatekeeper criteria, such as use in relation to goods or services, the weakness of defences – there is a considerable risk of users with competing fundamental rights being exposed to cease-and-desist letters advancing infringement arguments that cannot easily be rebutted with the counterargument that they are obviously unfounded.¹⁷⁸ As concluded with regard to EU copyright law, the exposure to infringement arguments that cannot directly be rejected as invalid is a serious threat in and of itself.¹⁷⁹ It is likely to have a deterrent effect on use that is important and socially valuable from a fundamental rights perspective. Even if judges may be inclined to rule in favour of the user, a cease-and-desist letter can be sufficient to stop the use. In such a case, the courts do not even have the chance of clarifying that the use is permissible. Fears of infringement can have a chilling effect.¹⁸⁰ The legal uncertainty arising from the described imbalance – broad exclusive trademark rights bolstering the position of trademark proprietors and limitations of protection that are not fully developed or restrictively applied by the CJEU – leads to a climate that is not conducive to the exercise of competing fundamental rights and freedoms.

10 Conclusion

Considering the need to strike a proper balance between the right to intellectual property and competing fundamental rights, the foregoing examination of developments in EU copyright and trademark law is disillusioning. Both protection systems set forth broad exclusive rights (protection is the rule) and oblige users who invoke competing fundamental rights to rely on limitations and exceptions that are narrowly defined in EU legislation and restrictively applied by the CJEU (freedom is the exception). Users invoking fundamental rights must moreover comply with specific requirements of intellectual property law: the three-step test in copyright law; the honest practices proviso in trademark law. By setting forth open and abstract assessment factors, these provisions create a considerable degree of legal uncertainty – legal uncertainty that is only in favour of intellectual property owners. Neither the three-step test in EU copyright law nor the honest-practices test in EU trademark law can be employed to broaden the scope of limitations or create new use privileges that are exempted from the control of right holders. These provisions only serve the purpose of further

¹⁷⁷ Article 9(2)(c) EUTMR; Art. 10(2)(c) TMD. See CJEU, 22 September 2011, case C-323/09, *Interflora v. Marks & Spencer*, para. 91; CJEU, 6 February 2014, case C-65/12, *Leidseplein Beheer v. Red Bull*, paras. 54–58.

¹⁷⁸ Cf. Peukert (2016), pp. 425–426, who stresses the high degree of legal uncertainty arising from the current scope of trademark protection and insufficient reliability of limitations.

¹⁷⁹ Cf. Lemley and McKenna (2010), pp. 418–422 and 443; Calboli (2014a), pp. 31–32.

¹⁸⁰ See literature references, *supra* note 93.

restricting limitations of exclusive rights.¹⁸¹ Hence, they will never strengthen the position of users who are entitled to fundamental rights protection. Instead, users face not only infringement claims but also three-step test/honest-practices arguments that destabilize defence arguments based on competing fundamental rights. The chilling effect of this legislative design is evident.¹⁸²

So far, the CJEU has done very little to alleviate the burden imposed on users.¹⁸³ The Court seems reluctant to allow users – in line with the equal rank of their legal position in the Charter – to meet intellectual property owners as equals. Instead of lending support, CJEU decisions have fortified the three-step test/honest-practices bulwark by declaring these building blocks of the harmonized intellectual property edifice to be integral parts of the “fair balance” approach¹⁸⁴ and duplicating standard infringement criteria.¹⁸⁵ To strike a proper balance, an approach would be necessary that renders competing fundamental rights capable of constituting real counterbalances to the protection paradigm: counterbalances that have the potential to recalibrate the current rule/exception configuration of EU copyright and trademark law. Considering the equal status of fundamental rights in the Charter, it is simply wrong to assume that protection must be the rule and freedom of use an exception that requires a strong justification and thorough scrutiny in each individual case.

With its unproductive fundamental rights rhetoric, the Court fails to change the equation. Adding meaningless fundamental rights cosmetics to the system, the CJEU only cements and further stabilizes the existing rule/exception edifice that is strongly in favour of right holders. The undesirable, corrosive effect of this overconstitutionalization tendency is self-evident. In particular, it is disquieting that the Court keeps repeating the mantra of internal balancing: the necessity to reconcile intellectual property protection with competing fundamental rights within the existing system of exclusive rights and limitations in EU copyright and trademark law. As a result of this approach, the three-step test in EU copyright law and the honest practices test in EU trademark law achieve a quasi-constitutional status. Although these tests are elements of secondary intellectual property legislation, they reign supreme over the primary fundamental rights recognized in

¹⁸¹ Article 5(5) ISD; Art. 14(2) EUTMR; Art. 14(2) TMD. Cf. CJEU, 19 September 2013, case C-661/11, *Martin Y Paz Diffusion*, paras. 54–55; CJEU, 10 April 2014, case C-435/12, *ACI Adam*, paras. 26–27; CJEU, 29 July 2019, case C-476/17, *Pelham*, paras. 59–60 and 64. Cf. Senftleben (2022d), pp. 194–195 and 199–200; Geiger and Lzyumenko (2019), pp. 13–23; Leistner (2011), p. 417; Guibault (2010), p. 55; Senftleben (2010b), pp. 528–529; Senftleben (2010a), pp. 67–82; Griffiths (2009), p. 495; Geiger (2006b), p. 683; Koelman (2003), p. 6.

¹⁸² See literature references, *supra* note 93.

¹⁸³ As an exception to the rule, see CJEU, 17 January 2012, case C-302/10, *Infopaq II*, para. 56, where the Court deduced compliance with the three-step test of Art. 5(5) ISD from compliance with the individual conditions of a specific statutory copyright limitation, namely the exemption of transient acts of reproduction in Art. 5(1) ISD. This approach, however, has remained an outlier. Cf. Senftleben (2021), p. 95.

¹⁸⁴ CJEU, 29 July 2019, case C-476/17, *Pelham*, para. 62. Cf. Jongsma (2024), pp. 272–274; Sganga (2019), pp. 683–685 and 695.

¹⁸⁵ CJEU, 17 March 2005, case C-228/03, *Gillette v. LA-Laboratories*, para. 49; CJEU, 8 July 2010, C-558/08, *Portakabin*, para. 69.

the Charter. This configuration of the copyright and trademark system neglects the norm hierarchy in EU law.

The analysis has also uncovered the roots of the Court's unproductive approach to fundamental rights: the harmonization objective. The CJEU insists on the balancing of fundamental rights within the system of exclusive rights and limitations in secondary copyright and trademark legislation because it fears a destabilization of the harmonizing effect of the EU *acquis*. By systematically eroding more flexible national doctrines that offer room for recalibrating the rule/exception architecture of intellectual property law, the Court sacrifices fundamental rights on the altar of the EU harmonization agenda. This approach is highly problematic. Declaring secondary EU intellectual property flexible enough to give sufficient weight to competing fundamental rights, the CJEU rubberstamps the imbalanced rule/exception configuration of the EU *acquis*, including the three-step test and the honest-practices test that offer additional safeguards for right holders and impose an extra burden on users invoking fundamental rights. At the same time, the CJEU conceals fundamental rights deficits in EU intellectual property regimes. Instead of sending clear signals and identifying problem areas that require legislative changes, the Court fails to provide impulses for the improvement of the harmonized legal framework.

11 Ways Out of the Dilemma

As the CJEU fails to apply competing fundamental rights in a meaningful way, an immediate change of course is indispensable. The EU system for copyright and trademark protection remains deficient as long as freedom of expression and information, freedom of the arts and sciences, the right to equal treatment and the prohibition of discrimination, the right to a healthy environment, the protection of privacy and personal data, and freedom to conduct a business, are not given sufficient weight.

Considering the results of the preceding analysis, it is inevitable to conclude that an approach relying on limitations of exclusive rights to reconcile intellectual property protection with competing fundamental rights has failed in the EU. Experiences in the field of copyright and trademark law indicate clearly that statutory limitations of intellectual property rights are incapable of creating sufficiently reliable breathing space. The system of exclusive rights and limitations in EU copyright and trademark law disregards the equal status of competing fundamental rights.

Hence, EU intellectual property law and practice must explore new avenues. It is indispensable to recognize that competing fundamental rights constitute real counterbalances to the protection paradigm. When these competing fundamental rights are at stake, it is necessary to depart from the traditional rule/exception configuration that favours right holders, and establish legal certainty and a robust legal position for both right holders and users alike. By abandoning the traditional and highly problematic reliance on mere exceptions to the rule of protection, EU law must introduce legal mechanisms that, from the outset, prevent right holders

from bringing a valid infringement claim. Gatekeeper requirements, such as an obligation to demonstrate actionable use of a work “as a work” in copyright law¹⁸⁶ and use of a trademark “as a mark,”¹⁸⁷ can serve as examples. Introducing effective gatekeeper requirements upfront, EU law can oblige right holders to explain why their infringement claim is justified and legitimate even though the grant of protection would curtail fundamental rights of the alleged infringer. Instead of readily assuming *prima facie* infringement when a use falls within the province of an exclusive right, right holders should be required to first justify the infringement claim.

By making it more difficult for right holders to build a valid case of *prima facie* infringement, EU law can substantially enhance legal certainty for users. In the past, EU legislation has refrained from seizing opportunities to immunize valuable forms of use against infringement claims from the outset. The regulation of temporary copying¹⁸⁸ and text and data mining¹⁸⁹ in copyright law, and the regulation of referential and decorative trademark use,¹⁹⁰ can serve as examples. Despite these missed opportunities, there is hope. It is not too late to diversify the tools for reconciling the protection objective with competing rights and values. In copyright law, the necessity to find a better response to the challenges and opportunities of generative AI systems can be a catalyst paving the way for new regulatory approaches.¹⁹¹ In trademark law, the need for measures to support the sustainable reuse of branded goods can lead to a fresh approach that allows re-users in the circular economy to meet trademark proprietors as equals.¹⁹² If the Court abandons its reluctance to change the problematic rule/exception architecture in intellectual property law, the judicial practice of the CJEU can play an important role in the development of a more balanced system. To achieve this goal, however, the CJEU will have to make productive use of competing fundamental rights and refrain from meaningless fundamental rights cosmetics that only add a gloss of fundamental rights balancing to the standard application of intellectual property norms – and fail to change the system.

¹⁸⁶ Ducato and Strowel (2021), p. 334; Strowel (2018), pp. 217–228.

¹⁸⁷ Senftleben (2024), pp. 105–107; Senftleben (2020a), pp. 426–477; Kur (2008), p. 11; Dogan and Lemley (2004), p. 798.

¹⁸⁸ As to flexibility for upfront exclusions of exclusive rights at the international level (which has not been used in the EU), see Senftleben (2022c), pp. 1483–1498. Cf. Ricketson and Ginsburg (2006), para. 11.72; Litman (1994), pp. 39–42; Sheinblatt (1998), p. 541; Samuelson (1997), pp. 382–384 and 388–391.

¹⁸⁹ For proposals to introduce an upfront gatekeeper requirement of use of a work “as a work” in this context, see Craig (2022), pp. 26–27; Ducato and Strowel (2021), p. 334; Ueno (2021), pp. 150–151; Strowel (2018), pp. 226–228; Borghi and Karapapa (2011), pp. 44–45; Geiger et al. (2019), p. 31; Margoni and Kretschmer (2021), p. 10. As to flexibility at the international level for this approach, see Senftleben (2022c), pp. 1483–1501.

¹⁹⁰ CJEU, 10 April 2008, case C-102/07, *Adidas v. Marca*, paras. 30 and 43. Cf. Senftleben (2020a), pp. 157–159, 287–289 and 426–427.

¹⁹¹ Cf. Senftleben (2023), pp. 1549–1556; Frosio (2024), pp. 19–21; Geiger and Iaia (2024), p. 6; Geiger (2024), pp. 79–80.

¹⁹² Senftleben (2024), pp. 104–107; Izyumenko (2024), pp. 895–897; Pihlajarinne (2021), pp. 10–11.

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