



An Empirical and Comparative Analysis of UK Courts and CJEU decisions in
Trademark Law: defining the nature and understanding the characteristics of
inconsistencies in EU Trademark law

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Abstract

From a European Internal Market perspective and by having exclusive rights,¹ trademarks like other Intellectual Property (IP) rights provide opportunities for goods and services to acquire monopolistic attributes which exist in a state of tension with market norms of free competition.² As a result, this facilitates legal uncertainties, contradictions, ambiguities and a consistent favouritism of trade marks owners within this field.³

To contribute to the resolution of these problems, this thesis combines a mixed method approach in the examination of four areas⁴ in EU trademark law. Firstly, it explores the areas of likelihood of confusion, unfair advantage and trademark registrations in a qualitative analysis of the various inconsistencies that arise.

¹First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks [1989] OJ L 40.

²Primarily, Articles 101 and 102 Treaty on the Functioning of the European Union.

³ See for e.g. Martin Senftleben, 'Adapting EU trademark law to new technologies: back to basics?' in Christophe Geiger (ed) *Constructing European Intellectual Property Achievements and New Perspectives* (Edward Elgar 2013); Lisa P. Ramsey, 'Reconciling trademark rights and free expression locally and globally' in Daniel J. Gervais (ed) *International Intellectual Property A Handbook of Contemporary Research* (Edward Elgar 2015).

⁴The four areas are likelihood of confusion, unfair advantage, trademark registrations and exhaustion of rights.

Secondly, it utilises empirical methods ('fuzzy sets' and 'building blocks') as analytical tools in investigating the area of exhaustion of rights. It argues that using these empirical methods in this area offers a roadmap aimed at understanding the subset relationships that emerge from the inconsistencies and ambiguities. The outcome is a set of recommendations that articulate improvements to help navigate this complicated area of law.

In order to set the context for achieving the above, this thesis postulates that the existing tension in this area has dual features, i.e. part of the problem can be traced back to the troubled drafting history of EU trademark laws borne out of the harmonising initiative started in 1960.⁵ The other part of the problem is in relation to the drafting consequences of the pertinent EU trademark laws; in particular, the interpretation of courts that have continued to perpetuate these uncertainties.

In this regard, this thesis argues that the logic of these ambiguities in EU trademark law is twofold. Firstly, the contradictions in judgements can be understood by observing the different theoretical legal perspectives and interdisciplinary angles legal issues are approached from and are ultimately influenced by.⁶ Secondly, the specific ambiguities in CJEU judgements can be further understood by examining the rules of legal reasoning and statutory interpretation adopted in cases.

⁵Charles Gielen, *Harmonisation of Trade Mark Law in Europe: The First Trade Mark Harmonisation Directive*, (1992) 14(8) European Intellectual Property Review 262.

⁶For example, the most common theoretical perspective being the economic justification of trademarks, see Peter S. Menell 'Intellectual Property: General Theories' in B Bouckaert and G de Geest (eds) *Encyclopedia of Law & Economics* (Vol 2, Cheltenham UK Edward Elgar 2000) 156-163; see also D. M. Higgins and T. J. James 'The Economic Importance of Trade Marks in the UK (1973-1992) A Preliminary Investigation' (1996) The Intellectual Property Institute 4. Examples of cases include *Levi Strauss v BPC Amersfoot* [2011] E.T.M.R. 32, *L'Oreal SA v Bellure* [2009], ECR 1-5185, *Specsavers v Asda* [2012] EWCA Civ 24.

Furthermore, the dominant interdisciplinary angle of sociology of law and socio-legal methods also influence EU trademark cases, in particular, the so called 'broadcast model' which is a one-way process that recognises only the owner of a trademark as the sole creator and beneficiary. As such, it refers to only one aspect of the socio-legal perspective such as brand exploitation rights and intangible (investment) asset. Examples of cases portraying this are the same as those already given in the theoretical economic justification; *Levi Strauss v BPC Amersfoot* [2011] E.T.M.R. 32, Case C-487/07 *L'Oreal SA v Bellure* [2009] ECR 1-5185, *Specsavers v Asda* [2012] EWCA Civ 24. Conversely, the 'two-sided/dialogic model' involving consumers as co-creators of a trademark alongside owners, is yet to be recognised by the courts.

To explore the above, this study compares how the UK courts adhere to specific EU trademark rules set by the regional standard of the Directive/Regulation and CJEU judgments. To achieve this, this study utilises empirical methods to quantitatively explore the extent to which the factors compiled from EU trademark law in landmark trademark cases are those that explicitly drive judicial decision-making in the UK cases. Furthermore, this thesis offers a qualitative analysis of the quantitative results to provide contextual explanations, particularly focusing on a comparison of the UK courts approach and the CJEU approach.

The implications of this study should provide useful and practical insights for UK courts and Parliament specifically now that the UK is set to leave the European Union. The lessons to be learnt from comparing the UK's approach to the EU regional approach will inform an improved future system the UK could adopt both in its negotiations with the EU⁷ and domestically for trademark law post Brexit.⁸

⁷ European Commission, Position paper on Intellectual property rights (including geographical indications) <https://ec.europa.eu/commission/sites/beta-political/files/intellectual_property_rights.pdf> Date accessed 12 January 2024.

⁸ There were potentially several possible scenarios of exit for the UK, depending on whether a deal is reached and the type of deal. The first option was the European Economic Area (EEA) Agreement model. Under this model, the UK would still be part of the Single Market but would leave the Customs Union. This means that EU laws and *acquis* relating to the Single Market would still apply in the UK under the principle of homogeneity and the CJEU would have indirect jurisdiction in the interpretation of such laws since its decisions are classed as part of EU *acquis*. Furthermore, in practice the European Free Trade Association (EFTA) Court which has jurisdiction over the EEA Area does follow CJEU decisions (see also Article 6 of the EEA Agreement, though it is not entirely clear whether the EFTA Court is bound by the post-1992 judgments of the CJEU). Under this model, there may not be any flexibility with regards to proposing changes for an improved system as this is a predesigned model that has little room for negotiation. The second option was the Turkey model (see Decision No 1/95 of the EC-Turkey Association Council of 22 December 1995 on implementing the final phase of the Customs Union (96/142/EC) where the UK would leave the Single Market and EU Customs Union but negotiate a new Customs Union. Under this model, Turkey is still obliged to align its laws with EU law with regards to areas of direct relevance (IP law being of the areas- see Article 54 (1) and (2) of the CU Decision; Annex 8 Article 2 of Article 66 of the CU Decision) and interpret them in conformity with CJEU jurisprudence (Article 66 of the CU Decision). If the UK chooses this option, just like the EEA model, it may find limited flexibility to depart from EU jurisdiction in IP law. The third option was to negotiate a bespoke bilateral free trade and customs agreement like Switzerland, Ukraine and Canada. Under the Swiss and Ukrainian options, both countries are expected to align their laws with EU laws and *acquis* relating to areas of agreement. Ukraine is also obliged to take due account of the corresponding case law of the CJEU regarding relevant areas (Article 153 OJ L 161/3 Association Agreement between the European Union and its Member States, of the one part, and Ukraine, of the other part). The Canada option on the other hand will allow for tariff-free-trade with the EU without having to align national laws with EU laws and *acquis* as well as removing CJEU jurisdiction. The fourth and final option was the World Trade

By understanding the nature, history and ongoing interpretive challenges of these ambiguities and uncertainties, the UK will have the opportunity to avoid them in future. In addition, the discussions in this thesis also present the potential to retain the more positive aspects of EU trademark law and thus, enhance the current position of UK trademark law.

Abbreviations

AG: Advocate General

Ch.: Chancery Division Law Reports

CJEU: Court of Justice of the European Union

CMLR: Common Market law Reports

ECR: European Court Reports

EEA: European Economic Area

EEC: European Economic Community

ETMR: European Trade Mark Reports

EU: European Union

EWCA Civ: Court of Appeal Civil Division

FSR: Fleet Street Reports

Organisation Option which will essentially entail leaving the Single Market and Customs Union without a deal. If the UK does leave without a deal, the UK government's White Paper for the Great Repeal Bill has stated that EU law "will continue to apply until legislators in the UK decide otherwise." <https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/604516/Great_repeal_bill_white_paper_accessible.pdf> Date accessed 12 January 2024. See also 'The United Kingdom's exit from and new partnership with the European Union White Paper' where it is stated that "Once we have left the EU, Parliament (and, where appropriate, the devolved legislatures) will then be able to decide which elements of that law to keep, amend or repeal." It is also stated that, "There will also be a programme of secondary legislation under the Great Repeal Bill **to address deficiencies in the preserved law**, which will be subject to parliamentary oversight." This suggests there may be potential for future amendments to the current UK trademark law. <https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/589191/The_United_Kingdoms_exit_from_and_partnership_with_the_EU_Web.pdf> Date accessed 12 January 2024. The current state of things are reflected in the Withdrawal Agreement which came into effect on the 1st of January 2021 after the transition period, See <<https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1580206007232&uri=CELEX%3A12019W/TXT%2802%29>> date accessed 20 January 2024. Under this Agreement, pre-existing EU rights were preserved on to the UK system but provisions were made applicability of EU laws and jurisdiction after the transition period. For a detailed discussion on this, see Chapter 6, section 6.6.2.

J: Justice

KB: King's Bench

LJ: Lord Justice

RPC: Reports of patent Cases

TM: Trade Mark

TMD: Trade Mark Directive

TMR: Trade Mark Registration

UK: United Kingdom

WIPO: World Intellectual Property Organisation

Table of Statutes

Trade Marks Act 1938

Trade Marks Act 1994

Table of Statutory Instruments

Table of International Legislation

The Paris Convention (as last revisited at Stockholm on 14 July 1967)

TRIPS Agreement. Act on the Protection of Trademarks and other Signs (as amended up to Act of October 19, 2013)

Agreement on Trade Related Aspects of Intellectual Property (TRIPS Agreement), 15 April 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994).

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Council Directive (EU) 2015/2436 of 16 December 2015 of the European Parliament and Council [2015] OJL 336/1

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- C-48/09 P Lego Juris A/S v Office for Harmonisation in the Internal Market, [2010] E.T.M.R. 63
- C-49/02 Heidelberger Bauchemie GmbH's Trade Mark Application [2004] E.C.R. I-6129
- C-50/00 Unión de Pequeños Agricultores v Council, [2002] ECR-I-6677
- C-55 & 57/80 Musik Vertriebs Membran v GEMA [1981] ECR 147
- C-56 & 58/64 Consten & Grundig v Commission [1966] ECR 299
- C-59/08 Copad v Christian Dior [2009] ECR I-03421
- C-78/70 Deutsche Grammophon v Metro [1971] C.M. L. R. 631
- C-102/77 Hoffmann-la Roche & Co. AG and Hoffmann-la Roche AG v Centrafarm Pharmazeutischer Erzeugnisse mbH [1978] 3 C.M.L.R.
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Belgium

Levi Strauss v BPC Amersfoot [2011] E.T.M.R. 32

Chapter 1 – Introduction to thesis

1.1 Background

The commercialisation of creative pursuits to facilitate recognition and financial benefit for the creator while simultaneously spurring growth amongst economies are collectively referred to as Intellectual Property ('IP') as they are a form of property albeit intangible. They guarantee the owner through the necessary legal frameworks in place, a privileged position of controlling the actions of others insofar as it concerns and affects such property that exclusive rights are legally granted for. Such intangible property may take the forms of either artistic/literary works such as Copyrights, signs/symbols denoting origin of goods such as Trademarks, inventions such as Patents, Trade secrets of businesses and the aesthetic aspect of items such as Design rights.

Trademarks being the focus of this thesis are substantially different from other IP rights because they protect the only type of intangible asset which helps a company establish a brand and the goodwill that can result from such in the market place. This brand or mark is inextricably linked with the popular notion that the primary function of trademarks is that they are hallmarks or badges indicative of the origin of goods that exist primarily to both guarantee quality and prevent consumer confusion of goods. This origin characteristic alludes to the territorial nature of trademarks which by consequence is indicative of the level of protection awarded. In the UK, the Trade Mark Act 1994 ('TMA 1994') which implements the European Union ('EU') Directive 89/104/EEC,⁹ (The EU Trade Marks Directive 'TMD') is the legislation that confers protection to trademarks. On a regional level across Europe, the TMD offers the framework in the European Union for the harmonisation of all member states laws relating to trademarks as well as its counterpart; the EU Trade Mark Regulation ('Regulation').¹⁰ Internationally,

⁹ First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks [1989] OJ L 40 as repealed by Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks (Codified version) [2008] OJ L 299/25 now replaced by the 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 (Recast) OJ L 336/1.

¹⁰ Council Regulation (EC) No 207/2009 of February 26 2009 on the Community trademark [2009] OJ L78/1 as amended by Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark L 154/1.

treaties such as the Agreement on Trade Related Aspects of Intellectual Property ('TRIPS'),¹¹ The Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks ('Madrid Protocol')¹² and Anti-Counterfeiting Trade Agreement ('ACTA') are the most comprehensive international agreements on IP regulation which offer minimum standards in the regulation of trademarks amongst participating member states.

Nevertheless, the exclusive rights afforded by trademark laws within the EU allow goods and services to gain dominant characteristics which conflict with the Internal Market rules of free competition.¹³ These norms are derived from Treaty provisions that establish the general principles of Competition law¹⁴ and reinforce free and fair competition ideals within the broader market context of fundamental economic freedoms.¹⁵ Of particular importance to EU trademark law is the economic freedom relating to free movement of goods which is embedded in Articles 34 and 35 of the Treaty on the Functioning of the European Union (TFEU). Whilst these rules prohibit quantitative restrictions on imports and exports within

¹¹ Agreement on Trade Related Aspects of Intellectual Property (TRIPS Agreement), 15 April 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994).

¹² The Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks ('Madrid Protocol'), 12 November 2007.

¹³ Over the years, there has been a trend consistently favouring more trademark owners, especially big brand owners. There are arguments that the balance of rights has been tipped in their favour through the expansion of the functions of a trademark. The interpretation of the CJEU in this area has also been branded as ambiguous and its guidance considered inconsistent. See for e.g. Martin Senftleben, 'Adapting EU trademark law to new technologies: back to basics?' in Christophe Geiger (ed) *Constructing European Intellectual Property Achievements and New Perspectives* (Edward Elgar 2013); Lisa P. Ramsey, 'Reconciling trademark rights and free expression locally and globally' in Daniel J. Gervais (ed) *International Intellectual Property A Handbook of Contemporary Research* (Edward Elgar 2015); Graeme Dinwoodie, 'The Europeanization of Trade Mark Law' in in: Ansgar Ohly & Justine Pila (eds), *The Europeanization of Intellectual Property Law: Towards a European Legal Methodology*, (Oxford University Press 2013) pp 75. Dinwoodie comments on the 'tight' harmonisation strategy of EU trademark law in which the CJEU plays a major role in its interpretation of the harmonised law broadly while paying little respect to the principle of subsidiarity; See also for example the rationale of the decision of the **L'Oreal** case supporting a famous brand, see also other cases with contradictory rationales to that of the **L'Oreal** case but also supporting the protection of big brands: *Specsavers v ASDA* [2010] EWHC 2035 (Ch), *Whirlpool v Kenwood* [2009] EWCA Civ 753.

¹⁴ Primarily Articles 101, 102, 119 and 120 TFEU.

¹⁵ Part 3 of Treaty on the Functioning of the European Union (Consolidated version 2012) OJ C 326, and specifically the fundamental economic freedom of movement of goods, services, persons and capital.

the EU, they are nonetheless, tempered by Article 36 TFEU if such restrictions are justified based on protecting intellectual property in as much as they are not an arbitrary discrimination or disguised restriction to trade. This dichotomous relationship is not unproblematic within the EU free competition ideals aimed at the creation of perfect competition (an efficient operation or as close as possible) within the Internal Market.¹⁶ Although the early history of EU Competition law is attributed¹⁷ to having roots in ordo-liberalism¹⁸ necessary to guarantee the success of the Internal Market, subsequent shift from the free social market perspective of ordo-liberalism to more emphasis on economic efficiencies¹⁹ of the Internal Market has exacerbated the innate tensions in both the ordo-liberalism concept as well as the contradictory relationship between free movement of goods and justifications of impeding free movement of goods on the basis of protecting a trademark. To begin with, the notion of ordo-liberalism itself has antithetical

¹⁶ Chris Allen et al, 'The Competition Effects of the Single Market in Europe' (1998) 13(27) *Economic Policy* 441-486 <www.jstor.org/stable/1344761> date accessed 20 January 2024; Massimo Motta, *Competition Policy: Theory and Practice* (Cambridge University Press 2004) 13

¹⁷ See for e.g. David J. Gerber, *Law and Competition in Twentieth Century Europe: Protecting Prometheus* (Clarendon Press 1998); Hubert Buch-Hansen and Angela Wigger 'Revisiting 50 years of market-making: The neoliberal transformation of European competition policy' (2010) 17(1) *Review of International Political Economy* 20-44; Laurent Warloutzet, 'The rise of European competition policy, 1950-1991: a cross-disciplinary survey of a contested policy sphere' (2010) European University Institute working papers (RSCAS 2010/80) Robert Schuman Centre for Advanced Studies. <http://cadmus.eui.eu/bitstream/handle/1814/14694/RSCAS_2010_80.pdf> date accessed 19 January 2024; Flavio Felice and Massimiliano Vatiero 'Ordo and European Competition Law' in Luca Fiorito and others (eds), *A Research Annual: Research in the History of Economic Thought and Methodology* (Emerald Group Publishing 2015) 147-157; Anna Gerbrandy, 'Rethinking Competition Law within the European Economic Constitution' (2019) 57(1) *Journal of Common Market Studies* 127-142

¹⁸ Ordoliberalism as conceptualised by Walter Eucken and the lawyers Franz Böhm and Hans Grossmann-Doerth at the German University of Freiburg, is the concept of having a free capitalist market system in which monopolies and cartels are regulated by the state to lead to fairer societal outcomes. See for e.g. Gerhard Schnyder and Mathias M. Siems 'The Ordoliberal Variety of Neoliberalism' in Suzanne Konzelmann and Marc Fovargue-Davies (eds.), *Banking Systems in the Crisis: The Faces of Liberal Capitalism* (Routledge 2013) 250-268; Nils Goldschmidt and Hermann Rauchenschwandtner, 'The Philosophy of Social Market Economy: Michel Foucault's Analysis of Ordoliberalism' (2007) 7 (4) *Freiburg Discussion Papers on Constitutional Economics* 1-30.

¹⁹ See for e.g. Anna Gerbrandy, 'Rethinking Competition Law within the European Economic Constitution' (2019) 57(1) *Journal of Common Market Studies* 127-142; Mario Monti, 'European Competition for the 21st Century' (2000) 24(5) *Fordham International Law Journal* 1602-1614; Floris Vogelelaar, 'Modernisation of EC competition law, economy and horizontal cooperation between undertakings' (2002) 37(1) *Intereconomics* 19-27.

denotations. On the one hand, it refers to a free capitalist market whilst on the other hand, it places strong emphasis on State regulation of the free market to ensure an optimal outcome; perfect/efficient competition. Inherently, the literal connotation of a free market means that it is unregulated and naturally enables dominant interests to develop. The idea that a free market can be regulated detracts from its principal form and gives it a distinct meaning which can no longer indicate freedom. Thus, the juxtaposing of these two diverse ideas (which make up ordoliberalism) at the root of EU Competition laws created the foundational opportunities for tension. Moreover, these free competition norms do not expressly interdict the attaining of a dominant market position by businesses; it only prohibits the abuse of such dominant interests, quantitative restrictions and measures having equivalent effects. Thus, the allowing of dominant economic interests to exist while declaring free competition is illogical as holders of such interests unsurprisingly seek avenues to assert them. The characteristics of trademark law lend themselves as one of such avenues for the assertion of these dominant economic interests given that trademark owners are granted exclusive rights to control goods bearing the owners' trademarks. Furthermore, the subsequent shift²⁰ to more efficient economic outcomes and consumer welfare in Competition law of the Internal Market is one which is mirrored in EU trademark law.²¹ This economic efficiency and consumer-centric focus has fashioned trademarks (essential mechanisms of brand recognition) to hamper the market norm of free competition by restricting the efforts of competitors.²² Driven by both an entrepreneurial desire of non-trademark holders to enter the market and by market (often consumer) demand for product competition, instances of breach of these rights are not uncommon. Such infringements of trademark rights fall into specific categories defined by the nature of the breach. For example, 'exhaustion

²⁰ See Anna Gerbrandy, 'Rethinking Competition Law within the European Economic Constitution' (2019) 57(1) *Journal of Common Market Studies* 127-142.

²¹ See chapter 2 on the economic justifications of trademarks that has been widely used by courts and legislators in EU trademark law.

²² See chapter 2 on the theoretical economic justifications of trademarks that has been widely used by courts and legislators in EU trademark law. For e.g. see the rationales of the 'specific subject matter' and 'essential function' of a trademark which the CJEU developed. The essential function of a trademark being to guarantee origin and quality to the final consumer is intricately linked to the theoretical economic justifications.

of rights', 'likelihood of confusion' and 'unfair advantage/detriment to the distinctive character of a trademark'.

The inherent tension that exists between the creation of exclusive rights for trademark proprietors and simultaneously declaring free competition ideals is reflected in the interpretation of the law by courts in these infringement disputes where the goal is to achieve a balance between these conflicting ideals. This balancing effect is responsible for consistent favouritism of trademarks owners and ambiguities in EU trademark law.²³

Considering these problems, this thesis contributes to their resolution by utilising the area of exhaustion of rights in EU trademark law as the investigative context to scrutinise and characterise these issues. It also uses the empirical methods of 'fuzzy sets' and 'building blocks' as analytical tools capable of offering a roadmap aimed at understanding these general uncertainties and ambiguities. It concludes by offering a set of recommendations that articulate improvements to help navigate this complicated area of law.

To execute the above aims, this thesis focuses on scrutinising pertinent legislations as well as comparatively analysing the decisions of courts in this area. Firstly, it traces and explores the historical ambiguity of the first Trade Mark Directive leading up to the recent Trade Mark Directive which entered in force in 2015.²⁴ Secondly, using the quantitative empirical method of fuzzy sets,²⁵ it investigates the extent to which the factors compiled from EU trademark law in exhaustion of rights cases are those that explicitly drive judicial decision-making in the UK courts/cases. Thirdly, this thesis offers a qualitative analysis of the quantitative results (derived from the fuzzy set analysis) using the 'building blocks' method to provide contextual explanations, particularly focusing on a comparison of the UK courts approach and the CJEU approach. Fourthly and lastly, it offers

²³ See for e.g. Harold Weinberg, 'Is the Monopoly Theory of Trademarks Robust or Bust' (2005) 13 Journal of Intellectual Property Law 137, 165.

²⁴ 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 trademarks (Recast) OJ L 336/1.

²⁵ See chapter 3.

recommendations for legislative reform based on the analyses carried out in this area.

1.1.1 Scope of thesis

The coherency of EU trademark law espouses different issues of infringement in various areas such as; use of an identical or similar mark, use of a mark in comparative advertising, exhaustion of rights, likelihood of confusion and unfair advantage/detriment to the distinctiveness of a mark, within its framework. With the expansion of legal protection and rights afforded to trademark functions in recent years,²⁶ these areas are now subject to further uncertainties and inconsistencies²⁷ which make infringement issues more germane now than ever. It is this current relevance which requires and justifies an analysis of the ever-expanding focus of the protection of trademark functions to determine its flaws and opportunities for improvement. This remit necessitates an exploration of the societal perception of the importance of trademarks, their history of protection in EU law and an empirical assessment of the theoretical justifications in trademark cases. To implement this, this thesis empirically uses the body of case laws from the area of exhaustion of rights as an analytical tool to illustrate the realities of these expanded functions in practice, critically analyse the theoretical justifications provided to establish their legal protection and provide recommendations of opportunities to improve the existing system.

Although the main scope of this thesis is on exhaustion of rights, to best capture a multi-faceted general overview of the ambiguities and uncertainties in EU trademark law, the next section will use three specific areas which best exemplify

²⁶ In a judgment not short of controversy, the CJEU has explicitly stated that modern functions of trademarks include investment, advertising and communication. See C-487/07 L'Oréal SA v. Bellure NV [2009] ECLI 378, par.58.

²⁷ Martin Senftleben, 'Function Theory and International Exhaustion – Why it is Wise to Confine the Double Identity Rule to Cases Affecting the Origin Function' (2013) 36 European Intellectual Property Review 518.

the different competing interests under the grounds for infringement; exhaustion of rights, likelihood of confusion and unfair advantage/detriment to the distinctiveness of a mark, as mediums to provide this general illustration of the ambiguities and uncertainties.

1.2. Research problem- An introduction

The gradual stance of the CJEU in adopting the ‘modern functions’ of a trademark in its jurisprudence has been a point of debate in contemporary times which has prompted scholars to revisit the merits and demerits of trademark protection.²⁸ At the heart of these debates exists two distinct views of polarised natures; those in favour of the strongest forms of legal protection for trademarks and those against such protection. In the struggle between both views, discrepancies in interpretations of the law as well as theoretical justifications for each position has been observed over the years. While the problem of the expanded scope of trademark protection encompasses several areas of EU trademark law, the next few sections will examine the ways in which different stakeholders’ interests compete, using three specific areas which best represent the distinct complexities associated with balancing these interests.²⁹ These three areas are; exhaustion of rights, likelihood of confusion and unfair advantage. The structure of the next few sections will be as follows. Firstly, the general concept of parallel importation as enabled by the doctrine of exhaustion of rights and the current discrepancies in the system will be looked at. Secondly, the area of likelihood of confusion will be

²⁸ See for e.g. Martin Senftleben ‘Trade Mark Protection – A Black Hole in the Intellectual Property Galaxy?’ (2011) 42(2) *International Review of Intellectual Property and Competition Law* 383-387; Giovanni Ramello, ‘What's in a Sign? Trademark Law and Economic Theory’ (2006) 20(4) *Journal of Economic Surveys* 548-565; Katya Assaf, ‘Brand Fetishism’ (2010) 43 *Connecticut Law Review* 83; Jeremy Sheff, ‘Biasing Brands’ (2010) 32 *Cardozo Law Review* 1245; Robert Burrell and Michael Handler, ‘Reputation in European trade mark law: a re-examination’ (2016) 17(1) *ERA Forum Journal of the Academy of European Law* 85-99, available online at <<https://link.springer.com/article/10.1007/s12027-016-0419-2>> Accessed 14/01/2024.

²⁹ Martin Senftleben, ‘Overprotection and Protection Overlaps in Intellectual Property Law – The Need for Horizontal Fair Use Defences’ in Annette Kur, Vytautas Mizaras (eds), *The Structure of Intellectual Property; Can One Size Fit All* (Elgar, 2010) Chapter 8.

explained using specific case examples to discuss the nature of discrepancies in this context. Thirdly and finally, the area of unfair advantage and the concept of free riding will be explored.

1.2.1 Definition of Exhaustion of rights

Prior to the discussion in the subsection below, of the issues which dominate parallel trading in EU trademark law, this section will briefly explain the concept of exhaustion of rights as it operates within the parallel trading sector.

The EU parallel trade pharmaceutical has been estimated at around industry Parallel trading of pharmaceuticals accounted for €5bn in 2019s.³⁰ It is characterised by the importation of non-counterfeit goods from a different territory without the approval of the trademark proprietor and is mainly enabled through the doctrine of 'exhaustion'.³¹ The doctrine of exhaustion entails that a trademark holder is barred from preventing through his exclusive rights, any further commercialization of the goods after the first time they are placed in the market by him or with his 'consent'.³² The exclusive right to bar future sales will normally be 'exhausted' after the first consensual sale.³³

As a result, parallel trading usually promotes one of the fundamental goals of the Internal Market by arguably enhancing free competition and diminishing barriers to free trade through reductions in price which is beneficial to the consumer by

³⁰The British Association of European Pharmaceutical Distributors <<https://www.pharmaceutical-journal.com/news-and-analysis/news/hard-brex-it-could-wipe-out-uks-parallel-trade-in-pharmaceuticals/20204980.article?firstPass=false>> Accessed 16/01/2024. <<http://baepd.co.uk/parallel-trade.html>> The size of the EU market in pharmaceutical distribution is around €5bn, and the UK accounts for 22.7% of this figure.

³¹ Article 7(1) of the First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks [1989] OJ L 40.

³²Shubha Ghosh, 'The Implementation of Exhaustion Policies: Lessons from National Experiences' (2013) Issue Paper 40, International Centre for Trade and Sustainable Development Programme on Innovation, Technology and Intellectual Property, available at <www.ictsd.org/downloads/2014/01/the-implementation-ofexhaustion-policies.pdf> Accessed 14 January 2024.

³³ Apostolos G. Chronopoulos and Spyros M. Maniatis, 'Trademark exhaustion and its interface with EU competition law' in Irene Calboli and Edward Lee (eds) *Research Handbook on Intellectual Property Exhaustion and Parallel Imports* (Edward Elgar 2016).

way of cheaper choice.³⁴ However, this is typically argued against by the proprietor to be a form of free riding/unfair competition as parallel traders are reaping benefits of the proprietor's hard work that they did not contribute to.³⁵ Thus, arguing that this advantage gained is unfair as it is exploitative of another's labour without due compensation.³⁶

Amongst proprietors of trademarks, the doctrine of exhaustion associated with parallel trading is a difficult notion to accept for the sole reason that Competition law exists primarily to diminish the very barriers to trade such as price differentiation and market segmentation that are normally created by proprietors for increased profits.³⁷

Articles 5, 7(1) and 7(2) TMD provide for the situations in which the exclusive rights can be executed. Article 5 grants the proprietor the exclusive right to prevent any unauthorised use of his mark. Article 7(1) further allows for the goods to be marketed by him or with his consent at first instance is the legal basis of the principle of exhaustion. Article 7(2) provides him with the authority to oppose further commercialisation of his goods where there is legitimate reason to do so. For instance, in situations such as those where the condition of the goods is changed or impaired after they have been put on the market.

Another justifiable reason would be if a proprietor engages in a contractual relationship with a licensee and the licensee contravenes his obligations under such legal relationship.³⁸ According to Article 8 TMD, the proprietor can invoke his

³⁴ Shubha Ghosh, 'Incentives, contracts, and intellectual property exhaustion' in Irene Calboli and Edward Lee (eds) *Research Handbook on Intellectual Property Exhaustion and Parallel Imports* (Edward Elgar 2016).

³⁵ See for e.g. the Danny Friedmann, *Trademarks and Social Media Towards Algorithmic Justice* (Edward Elgar 2015) pg 137-224.

³⁶ See for e.g. *Centrafarm v Winthrop BV* [1974] ECR 1183, para 8; See also Case C-487/07 *L'Oreal SA v Bellure* [2009], ECR I-5185, paragraph 50.

³⁷ See the view of the International Trademark Association (an association of trademark owners and professionals) on parallel importations where they have stated that they favour 'national exhaustion' as opposed to 'international exhaustion' because parallel imports may have an impact on brand value as a whole and a stricter approach using a national standard of restriction is more favourable to the brand value than an international standard, available at:

<<http://www.inta.org/Advocacy/Pages/ExhaustionofTrademarkRightsandParallelImportation.aspx>> Accessed 14 January 2024.

³⁸ Article 8 TMD.

exclusive rights on any matter of the breach of the licensing contract concerning its duration, form covered by registration, scope granted by license, territory and quality of goods or services. An example of this can be seen in the case of **Copad v Christian Dior**³⁹ where the Court of Justice of the European Union ('CJEU') held that a breach of a licensing agreement by Copad also amounted to a breach of Dior's exclusive rights especially where such breach would damage the prestigious image of Dior's mark.

1.2.2 *The foundations of Parallel Trading: the birth of current discrepancies*

Apart from the examples above of the trademark owner's authority to oppose further commercialisation of his goods where there is legitimate reason to do so, trademark proprietors have seized every opportunity under trademark laws to demonstrate their opposition to acts of parallel importing as evidenced by case laws in this area. Norman has noted that prior to the Trade Mark Directive ('TMD') and the EU Trade Mark Regulation ('Regulation'), the initial legal reasoning in the jurisprudence of the CJEU on parallel trading involving intellectual property rights appears contrived due to a rather akin measure of attempting to fit a square peg in a round hole.⁴⁰ Early case laws reveal the Court attempting to 'fit' the facts of trademark cases 'into' the interpretation of Competition law Articles 101 and 102 Treaty on the Functioning of the European Union ('TFEU' formerly Articles 81 and 82 of the European Community Treaty) in order to carve out a niche for the concept of exhaustion of rights.⁴¹ Incompatibilities emanating from this approach were highlighted by the fact that in some cases, this interpretational tactic was observed to be non-controversial while in other instances, the legal reasoning of the Court was observed to be contradictory.⁴²

³⁹Case C-59/08 Copad SA v Christian Dior SA [2009] ECR I-03421.

⁴⁰ Helen Norman, *Intellectual Property Law* (Oxford University Press 2011) pg 413.

⁴¹ See for e.g. Cases 56 & 58/64 Consten & Grundig v Commission [1966] ECR 299; Case 78/70 *Deutsche Grammophon v Metro-Grossmarkte* [1971] C.M.L.R 631.

⁴² See for e.g. D. Gangjee, R. Burrell, 'Because You're Worth It: L'Oréal and the Prohibition on Free Riding' (2010) 73(2) Mod. L. Rev. 282; Irene Calboli, 'Trademark Exhaustion in the European Union: Community-Wide Or International? The Saga Continues' (2002) 6(1) *Marquette Intellectual Property Law Review* 47

Articles 101 and 102 TFEU prohibit any restrictive agreement or practice which operates to pervert the course of free competition and trade in the Internal Market of the European Union or abuse a dominant position.⁴³ Furthermore, Article 101(1)(a) as part of its regulation against cartels, also expressly proscribes any decision or agreement that directly or indirectly fixes purchase or selling price or any other trading conditions which has as its aim, the restriction or distortion of the Internal Market. Article 36 conversely, provides a list of situations that could be used to justify any restriction prohibited by Articles 34 and 35. One of such conditions is any restriction justified based on protecting industrial or commercial property. Although this defence, according to Article 101(1)(a), should not form a basis of arbitrary discrimination or a disguised restriction on trade between Member States.

Since their contents referred to ‘within’ trade, the CJEU dedicated its initial reasoning to curtailing the rights of trademark proprietors in the absence of tangible EU Trademark laws at the time. The early landmark case of **Consten &**

<<https://scholarship.law.marquette.edu/iplr/vol6/iss1/3>> accessed 20 January 2024; Beverly Pattishall, ‘Trade-Marks and the Monopoly Phobia’ (1952) 50(7) Mich.L.Rev. 967, 972; Helen Norman, *Intellectual Property Law* (Oxford University Press 2011) pg 413; See also V. Korah, ‘Dividing the Common Market through National Industrial Property Rights’ (1972) 35 MLR 634, 636; R. Joliet, ‘Patented Articles and the Free Movement of Goods within the EEC (1975) 28 Current Legal Problems 15, 2 3; R. Casati, ‘The “Exhaustion” of Industrial Property Rights in the EEC: Exclusive Manufacturing and Sales Provisions in Patent and Know-how Licensing Agreements’ (1978) 17 Columbia Journal of Transnational Law 31 3, 322; Friedrich-Karl Beier, ‘Industrial Property and the Free Movement of Goods in the Internal European Market’ (1990) 21 International Review of Intellectual Property and Competition Law 131, 147; R. Joliet, in collaboration with D. T. Keeling, ‘Trade Mark Law and the Free Movement of Goods: The Overruling of the Judgment in HAGI’ (1991) 22 IIC 303, 314; P. Van Ommeslaghe, ‘Les droits de propriété industrielle et commerciale et les dispositions des articles 30, 36, 59, 60, 85 et 86 du Traité de Rome’, in Liber amicorum Frédéric Dumon, (Kluwer Antwerp, 1983) pp. 247, 12 56; D. Wyatt and A. Dashwood, *The Law of the European Community* (3rd edition, Sweet and Maxwell 1994) p 574; V. Korah, *An Introductory Guide to EC Competition Law and Practice* (5th edition, Sweet and Maxwell 1994) p. 190; J. Massaguer, *Mercado Comum Patente Nacional* (Bosch 1989) pp. 138; G. Tritton, ‘Articles 30 to 36 and Intellectual Property: Is the Jurisprudence of the ECJ Now of an Ideal Standard?’ [1994] 10 European Intellectual Property Review 422. 423; W. A. Rothnie, ‘HAG II: Putting the Common Origin Doctrine to Sleep’ [1991] 1 European Intellectual Property Review 24, 8. The distinction between existence and exercise was defended by J. Mertens de Wilmars (then a judge at the European Court, subsequently its President) in ‘Aspects communautaires du droit des marques’ (1972) 87 Journal des Tribunaux, No. 4806.

⁴³Consolidated versions of the Treaty on European Union and the Treaty on the functioning of the European Union [2012] OJ C 326/01.

Grundig v Commission⁴⁴ began the development of the ‘existence vs exercise’ doctrine propounded by the Court.⁴⁵ The company Consten were the approved exclusive distributors of Grundig’s German-made hi-fi equipment in France by an agreement between the two companies. As part of this arrangement, it had been agreed that Consten had the authority to register Grundig’s mark in its own name. Thus, it had the potential of creating a relationship of trademark assignment or licence. A third-party trader lacking licence or authority from Grundig attempted to import the hi-fi equipment to France, causing Consten to initiate an action for trademark infringement as an authorised distributor. In place of responding to this action, the third-party trader decided to file a complaint to the EU Commission alleging that the exclusive agreement between Grundig and Consten violated EU Competition laws by its distortion of trade in a Member State. The Commission decided that this was indeed an abuse of dominant position in the market and very distortive of free competition using the trademark right to infringement action. Therefore, the agreement was in breach of Article 81 as it sought to use an intellectual property right (trademark) to partition the Common Market (now Internal Market). The CJEU upheld this decision and further expatiated that the interpretation of Article 81 EC Treaty (now Article 101 TFEU)⁴⁶ contained two elements.⁴⁷ The first was in relation to the ‘existence’ of intellectual property rights and entailed that the Treaty did not affect the existence of IP rights. However, the second element had direct consequence to IP rights because the exercise of such rights may in effect fall within the scope of the Treaty. Though the Court did not expressly use the phrase ‘existence and exercise’, it nevertheless insinuated this idea by observing that the provisions of Article 295⁴⁸ did not “affect the grant of

⁴⁴Cases 56 & 58/64 Consten & Grundig v Commission [1966] ECR 299.

⁴⁵David T. Keeling, *Intellectual Property Rights in EU Law Volume I: Free Movement and Competition Law* (OUP 2004).

⁴⁶Consolidated Version of the Treaty on the Functioning of the European Union [2012] OJ C 326/47. Article 101 states that “The following shall be prohibited as incompatible with the internal market: all agreements between undertakings, decisions by associations of undertakings and concerted practices which may affect trade between Member States and which have as their object or effect the prevention, restriction or distortion of competition within the internal market...”

⁴⁷Cases 56 & 58/64 Consten & Grundig v Commission [1966] ECR 299 at 345.

⁴⁸Consolidated Version of the Treaty on European Union [2002] OJ C 325/10. Art 295 states that “This Treaty shall in no way prejudice the rules in Member States governing the system of property ownership.”

those rights but only limits their exercise to the extent necessary to give effect to the prohibition under Article [81(1)].”⁴⁹ This in operation meant that theoretically, owning an IP right (for e.g. a trademark) would not ordinarily be limited by the Treaty but when such a right is exercised, the manner of use may be banned under the rules of the Treaty.⁵⁰ This view was further confirmed in the case of *Parke Davis v Probel*.⁵¹

Tritton has criticised this reasoning as having no pragmatic basis in logic because the main purpose of owning or having a right is to be able to exercise it and that ‘A prohibition on the exercise of rights means that an essential part of the relevant law is unenforceable and, as such, the prohibition constitutes an attack on the very existence of such laws’.⁵² On progression with this view is the recognition that both elements in the Court’s interpretation are inconsistent with each other. Practice often takes precedence over theoretical aspects and to allude to having a right which is not limited in theory but is only restrained in practice’ is contradictory and diminishing to say the least.⁵³

Tritton further contends that the subsequent Court of First Instance (now General Court of the CJEU) decision in the *Magill*⁵⁴ case has now rendered this dichotomy invalid by clarifying that ‘...the *exercise* of an exclusive right in principle corresponds to the *substance* of the relevant intellectual property right.’⁵⁵ Thus, this irreconcilable difference ‘has now become only of historical and academic

⁴⁹Cases 56 & 58/64 Consten & Grundig v Commission [1966] ECR 299 at 345

⁵⁰See also Case 78/70 *Deutsche Grammophon v Metro-Grossmarkte* [1971] C.M.L.R 631.

⁵¹[1968] ECR 55.

⁵²Guy Tritton ‘Articles 30 and 36 and intellectual property: is the jurisprudence of the ECJ now of an ideal standard?’ (1994) 16(10) European Intellectual Property Review at 423.

⁵³ Derrick Wyatt and Alan Dashwood, *The Law of the European Community* (3rd edition, Sweet and Maxwell 1994) 574.

⁵⁴ *Radio Telefis Eireann v Commission* Case T-69/89 [1991] 4 CMLR 586; *BBC v Commission* Case T-70/89 [1991] CMLR 669; *Independent Television Publications Ltd v Commission* Case T-76/89 [1991] CMLR 745. The facts of this case have not been discussed here because they have no practical bearing on the theme of this thesis as the case was in the area of copyright law.

⁵⁵ Guy Tritton ‘Articles 30 and 36 and intellectual property: is the jurisprudence of the ECJ now of an ideal standard?’ (1994) 16(10) European Intellectual Property Review at 423; see also See for e.g. Guiliano Marenco and Karen Banks, ‘Intellectual Property and Community Rules on Free Movement: Discrimination Unearthed’ (1990) 15(3) European Law Review 224.

interest.⁵⁶ He further alludes to the fact that the Court's judgement in *IHT Internationale Heiztechnik GmbH v Ideal Standard GmbH Times*⁵⁷ did not acknowledge this dichotomy, as evidence of its history.

Conversely, Hays puts forward a contrasting view in which he maintains that this 'existence v exercise' conflict very much still exists in the present.⁵⁸ He asserts that 'This existence was, and still is, protected by Article 295 of the E.C. Treaty and has remained immune from the application of the competition laws in all but the most extreme cases.'⁵⁹

Nonetheless, it was the notion at the time that IP rights did not fall within the scope of competition law that sparked the debate on the CJEU using competition law to regulate intellectual property.⁶⁰

Regarding the relationship between the exhaustion of IP rights principle and EU competition law, the authority is derived from the Treaty on the Functioning of the European Union ('TFEU'). Articles 34 and 35 prohibit quantitative restrictions on import and export respectively. Quantitative restrictions have been clarified in the case of *Geddo*⁶¹ to be any measure which induces total or partial restraint on imports or goods in transit and would thus, incorporate a proprietor's decision to bar parallel importation of his products.

A vital question normally identified with the doctrine of exhaustion is the territorial scope that is applicable. On the EU regional level, it spans across the entire Community, making the 'exhaustion' of right in one Member State being deemed

⁵⁶Guy Tritton 'Articles 30 and 36 and intellectual property: is the jurisprudence of the ECJ now of an ideal standard?' (1994) 16(10) European Intellectual Property Review at 423.

⁵⁷ [1994] 3 CMLR 857.

⁵⁸Thomas Hays, 'Anticompetitive agreements and extra-market parallel importation' (2001) 26(5) European Law Review.

⁵⁹Thomas Hays, 'Anticompetitive agreements and extra-market parallel importation' (2001) 26(5) European Law Review at 469. For e.g. *Radio Telefis Eireann (RTE) and Independent Television Publications, Ltd v. E. C. Commission*, the "Magill" case, Joined Cases C-241-242/91, [1995] E.C.R. 808; [1995] 4 C.M.L.R. 718.

⁶⁰See for e.g. Guiliano Marengo and Karen Banks, 'Intellectual Property and Community Rules on Free Movement: Discrimination Unearthed' (1990) 15(3) European Law Review 224, 226; Valentine Korah, 'Dividing the Common Market through National Industrial Property Rights' (1972) 35 MLR 634, 636; R. Joliet, in collaboration with D. T. Keeling, 'Trade Mark Law and the Free Movement of Goods: The Overruling of the Judgment in *HAGI*' (1991) 22 IIC 303, 314.

⁶¹Case 2/73 *Riseria Luigi Geddo v Ente Nazionale Risi* [1973] ECR 865.

as exhaustion across the Union. This position was illustrated in the case of **Centrafarm v Sterling**.⁶² The USA parent company Sterling was a pharmaceutical group which owned the patent of the drug Negram while its trademarks were registered in the name of its relevant subsidiaries. Centrafarm having found a loophole in the Internal Market, imported the drug Negram from the UK (on account of it being cheaper) to the Netherlands. Sterling brought an action against Centrafarm for both patent and trademark infringement respectively. The Court held that there was no infringement of rights because the claimant Sterling had already placed the goods in question on the UK market through its subsidiary and therefore by default, the EU Internal Market. The proprietor's exclusive right to be the first to market those goods had been exhausted across the Union the moment he put the goods for sale in the UK. It should be noted that the **Silhouette**⁶³ decision has clarified the scope of exhaustion is limited to only the EEA and any notion of having an internationally recognised 'exhaustion' within the Union is invalid.

Although the Court's jurisprudence on the doctrine of exhaustion has now been fully entrenched in the provisions of the TMD and Regulation and there does not appear to be a need for the Court to dispense awkward reasoning in legal interpretation, there continues to be inconsistencies and ambiguities.⁶⁴

This is identifiable in the second and third reasons that the CJEU further expounded in its initial developmental years of the doctrine of exhaustion. Aside from the initial dichotomy of 'existence v exercise' theory discussed above, the Court also referred to the 'specific subject matter' and 'essential function' rationale in its early jurisprudence in this area of law.

The case of **Deutsche Grammophon v Metro-Grossmarkte**⁶⁵ which gave another landmark decision following **Consten v Grundig**, marked the creation of the 'specific subject matter' principle. The company Deutsche Grammophon ('DG')

⁶²Joined cases-Case 15-74, **Centrafarm BV et Adriaan de Peijper v Sterling Drug Inc** [1974] ECR 1147; Case 15-74, **Centrafarm BV et Adriaan de Peijper v Sterling Drug Inc** [1974] ECR 1183.

⁶³Case C-355/96 **Silhouette International Schmied GmbH & Co. KG v Hartlauer Handelsgesellschaft mbH** [1998] ECR I-4799 para 18.

⁶⁴See EU case laws on the specific subject matter and essential function doctrines below.

⁶⁵Case 78/70 **Deutsche Grammophon v Metro-Grossmarkte** [1971] C.M.L.R 631.

was in the business of producing records which it supplied to retailers in Germany under the trademark, 'Polydor'. The agreement DG had with retailers was couched in explicit terms so as to enable DG to exclusively control the retail prices of the records as well as require an undertaking that the retailers would not engage in any parallel import without DG's consent. Concurrently, since DG had also exported the records to a subsidiary in France, Metro (a third party independent of the approved DG's retailers in Germany) decided to take advantage of the subsidiary arrangement and import the records from Paris into Germany. The records then imported by Metro were sold for below the retail price to which DG had set with retailers in Germany. DG brought an action against Metro for infringement of its trademark right.

The Court held in respect of the TFEU's application to the case at hand that:

'...the Treaty does not affect the existence of the industrial property rights conferred by the national legislation of a member-State, the exercise of these rights may come within the prohibitions of the Treaty. Although **Article 36** permits prohibitions or restrictions on the free movement of goods that are justified for the protection of industrial and commercial property, it only allows such restrictions on the freedom of trade to the extent that they are justified for the protection of the rights that form the *specific object of this property*.'⁶⁶ (emphasis added)

As part of this reasoning the CJEU further clarified that since the different types of intellectual property that exist do not have the same focus, it followed that their specific subject matters and essential functions would be different. The 'specific subject matter' is predicated by the 'essential function'. For patents, the essential function is to reward creativity by way of presupposing the efficacy of the specific subject matter which is to grant the owner the exclusive right to place his goods, '...into circulation for the first time, either directly or by the grant of licences to third parties...'⁶⁷

⁶⁶Case 78/70 *Deutsche Grammophon v Metro-Grossmarkte* [1971] C.M.L.R 631 at para 11.

⁶⁷Case 15-74 *Centrafarm BV et Adriaan de Peijper v Sterling Drug Inc* [1974] ECR 1147 at para 9.

The essential function for trademarks was held to be:

‘...to guarantee the identity of the origin of the trade-marked product to the consumer or ultimate user, by enabling him without any possibility of confusion to distinguish that product from products which have another origin. This guarantee of origin means that the consumer or ultimate user can be certain that a trade-marked product which is sold to him has not been subject at a previous stage of marketing to interference by a third person, without the authorisation of the proprietor of the trade mark, such as to affect the original condition of the product. The right attributed to the proprietor of preventing any use of the trade mark which is likely to impair the guarantee of origin so understood is therefore part of the specific subject-matter of the trade mark right.’⁶⁸

Despite this clarification put forward by the CJEU, commentators have continued to make the ‘specific subject matter’ and ‘essential function’ principles the focus of debates⁶⁹ while the existence v exercise principle has seen a decline in allusion in more recent case law.⁷⁰ Miller in particular has argued that it is time to also abandon the specific subject matter concept for reasons of its illogical nature and the inconsistencies it perpetuates.⁷¹ He cites the *Magill* case as proof of the inconsistency this method of reasoning can engender, arguing that even though the case concerned copyright, the principles of the judgement could still be applicable to other IP rights as it exemplifies and develops the ‘specific subject matter’ concept.⁷² In this regard, he states that:

⁶⁸Case 102/77 Hoffmann-la Roche & Co. AG and Hoffmann-la Roche AG v Centrafarm Vertriebsgesellschaft Pharmazeutischer Erzeugnisse mbH [1978] 3 C.M.L.R. 217 at para 7.

⁶⁹See for eg William Cornish, David Llewelyn & Tanya Aplin, *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights* (8th edition, Sweet & Maxwell 2013); David T. Keeling, *Intellectual Property Rights in EU Law Volume I: Free Movement and Competition Law* (Oxford University Press 2004) pgs 63 and 64.

⁷⁰David T. Keeling, *Intellectual Property Rights in EU Law Volume I: Free Movement and Competition Law* (OUP 2004) pg 55.

⁷¹Clifford G. Miller, ‘Magill: time to abandon the “specific subject-matter” concept’ (1994) 16(10) *European Intellectual Property Review* 415-421.

⁷²The facts of the *Magill* case have been deliberately omitted in this thesis because it concerned copyright protection which is not the focus of this thesis. Moreover, since the

‘Underlying this ‘specific subject-matter’ concept is the assumption that it is the exercise of the rights which can constitute abuse. This is the principal area of confusion arising from the traditional approach. It fails to distinguish, and confuses directly, exercise of legal rights and exercise of the freedoms enjoyed as a direct consequence of market dominance. Additionally, intellectual property rights are specifically and precisely set out in international law and national legislation. It is therefore unnecessary to identify ‘core rights’. The rights are already set out.’⁷³

He reasons that on a logical level, it is obvious that the devising of the specific subject matter concept is a strong indicator of the inconsistency of the preceding concept of ‘existence v exercise’ because there is confusion over the true meaning of what exactly exercising an IP right entails.⁷⁴

This concept has also been criticised by Tritton who observes that its applicability to the doctrine of exhaustion is challenged in the face of the intricacies of trade mark assignment.⁷⁵ The specific legal nature of assigning a trademark to a third party would logically denote that the owner of a trademark would be deemed to have exhausted its right to first put its products on the market from the date of the assignment of the mark to the third party by virtue of consent during the assignment.⁷⁶ This is in conflict with the specific subject matter concept especially in a situation where the trademark owner has assigned the trade mark in one

CJEU has not yet declared what the essential function of a copyright is; giving a context in this regard would be redundant. Furthermore, EU law views copyright as a bundle of right with the various components distinguished. For e.g. right to control reproduction, right to distribute, right to control the hire of copies, etc. The Cases 55 & 57/80 *Musik Vertriebs-Union v GEMA* [1981] ECR 147 have established that the first sale of copyright works will result in the exhaustion of only the distribution right and not any other right within copyright.

⁷³Clifford G. Miller, ‘Magill: time to abandon the “specific subject-matter” concept’ (1994) 16(10) European Intellectual Property Review at 415.

⁷⁴Clifford G. Miller, ‘Magill: time to abandon the “specific subject-matter” concept’ (1994) 16(10) European Intellectual Property Review at 415.

⁷⁵Guy Tritton ‘Articles 30 and 36 and intellectual property: is the jurisprudence of the ECJ now of an ideal standard?’ (1994) 16(10) European Intellectual Property Review at 423.

⁷⁶An assignment is a transfer of an owner's rights, title and interest in a trademark or service mark. The transferring party (“assignor”) transfers to the receiving party (“assignee”) its property rights in the mark.

Member State while retaining it in others. Such an arrangement when confronted with a parallel import in the Member State where the trademark is retained will undoubtedly affect the essential function/specific subject matter of the trademark right to guarantee the origin of the goods as being from one manufacturer. Thus, the trademark owner would be allowed to oppose the parallel import⁷⁷ although this is not justifiable in terms of fairness. Triton argues that the initial 'assigning' of the mark to a third party by the owner should also be treated as a transfer of the right to first market the goods because they 'would have been financially compensated for surrendering the specific object of the...trade mark as it related to all future sales of trade-marked products placed in circulation...'⁷⁸

Forrester and Nielsen also have remarked that:

'The Court's judgment in *Ideal Standard* is quite different in both flavor and approach to the Court's recent ruling in *Radio Telefis Eireann (RTE) v. Commission and Independent Television Publications Ltd. (ITP) v. Commission*³ ("*Magill*"). While *Ideal Standard* has been criticized for over-protecting intellectual rights at the expense of other EC law principles, *Magill* has been criticized as upholding EC competition law at the expense of national IP law principles. A comparison of the two cases suggests that the Court used two different approaches in the cases...'⁷⁹

The above discourses on the inconsistencies that permeate the Court's judgements are significant in setting the context for the hypotheses of this thesis to be considered later in this chapter. The apparent conflation of the Court's contrasting approaches in reasoning serves as a further reference point to validate the further exploration of these inconsistencies at a detailed level.

⁷⁷Case C-9/93 *IHT Internationale Heiztechnik GmbH and Another v Ideal-Standard GmbH and Another* [1994] 3 CMLR 857.

⁷⁸Guy Tritton 'Articles 30 and 36 and intellectual property: is the jurisprudence of the ECJ now of an ideal standard?' (1994) 16(10) *European Intellectual Property Review* at 424.

⁷⁹Anne Nielsen & Ian S. Forrester, 'Repackaging the gray market in the EC: Does *Ideal Standard* provide new hope for trademark owners?' in Hugh Hansen (ed), *International Intellectual Property Law & Policy*, Vol 2 (Juris Publishing Inc 1996) ch 23.

1.2.3 Inconsistencies within TM law in the context of Exhaustion of Rights

On a national level, application of the doctrine of exhaustion has also led to contradictions. The doctrine of exhaustion being inextricably linked with the requirement of consent necessitates that a trademark proprietor must have first placed the goods on the EEA market or if placed by a third party, the trademark owner agreed to this arrangement.

One of such disparities arises from the lack of definition in the **Silhouette** case of what constitutes 'consent' of a proprietor under Article 7(1) TMD in relation to goods placed on the Internal Market. In **Zino Davidoff and Levi Strauss**⁸⁰ the CJEU in its guidance to the national court emphasized that while the scope of consent is possible to be implied from consent to marketing products outside the EEA, it cannot be implied from the silence of the proprietor and must be unequivocally demonstrated by the parallel trader.⁸¹ However, it left it up to the national court to decide if consent could be inferred based on the conduct of the parties. This criterion of 'consent' and its interpretation has further created more opportunities for discrepancies, with some commentators describing it as idiosyncratic.⁸²

In the Davidoff case, Davidoff had engaged in an exclusive agreement with a distributor in Singapore to sell Davidoff's products outside the EEA. A&G, the parallel importer in this case purchased the products and imported them to the UK. When Davidoff brought an action under its exclusive rights to prevent this, A&G argued that Davidoff's consent to place the goods on the market in Singapore should be deemed as having implied consent from Davidoff to import the goods.

The national court's reaction was that of agreement with A&G's contention. In particular; Laddie J believed that had Davidoff really intended, an effective

⁸⁰Joined Cases C-414-416/99 Zino Davidoff SA v. A & G Imports Ltd., Levi Strauss & Co. v. Tesco Stores Ltd and Levi Strauss & Co. v. Costco Wholesale UK Ltd [2001] E.C.R. I-8691.

⁸¹Joined Cases C-414-416/99 Zino Davidoff SA v. A & G Imports Ltd., Levi Strauss & Co. v. Tesco Stores Ltd and Levi Strauss & Co. v. Costco Wholesale UK Ltd [2001] E.C.R. I-8691 para 46.

⁸²See Peter Oliver, *Free Movement of Goods in the European Community* (3rd edition, Sweet and Maxwell, London, 1995) 71.

restraint could have been placed on the subsequent sale and movement of the goods in question. Furthermore, in applying of the common law doctrine of implied consent to the case, the fact that it had failed to do so indicated that A&G were free to market the goods anywhere, the EEA inclusive.⁸³ He went further to criticise the narrow approach of the decision in *Silhouette*, branding it as detrimental to parallel importers and consumers.⁸⁴ This approach of the UK court demonstrates that allowing national courts the autonomy to explain consent within this context, could lead to a variety of different interpretations, some of which would be divergent. This would consequentially, have an unsatisfactory effect on the consistency of the legal principles that flowed from such interpretations.

Another example of inconsistency relates to the application of exhaustion doctrine on an international level. The World Trade Organisation ('WTO') permits member states under Article XX General Agreement on Tariffs and Trade ('GATT') 1947 and Article 6 of the TRIPs Agreement, to exercise either a national, regional or international exhaustion doctrine as long as such scheme is non-discriminatory. What amounts to a non-discriminatory approach is subject to interpretation by member states. This autonomy to decide the relevant scheme applicable in a national context is linked inextricably with the scope of consent that is pertinent. Under the international exhaustion scheme, the scope of consent which applies is much wider than the scope under a national or regional exhaustion scheme. This is achieved by the interpretation that when goods are placed with the consent of the trademark owner in any market in the world, the owner exhausts rights of impeding any re-sale of the goods. This wider scope of consent may have an indirect impact in the interpretational stance favoured by different courts in a national or regional context as exemplified in the Davidoff case where Laddie J criticised the narrow interpretation of consent given by the CJEU in the *Silhouette* case.⁸⁵

The different scopes emphasize not only the lack of balance between proprietors' rights and free competition but also the divergent attitudes that permeate

⁸³Zino Davidoff SA v A&G Imports Ltd [1999] 2 C.M.L.R 1056, para. 39.

⁸⁴Zino Davidoff SA v A&G Imports Ltd [1999] 2 C.M.L.R 1056 para. 36.

⁸⁵Zino Davidoff SA v A&G Imports Ltd [1999] 2 C.M.L.R 1056 para. 36.

trademark law in general.⁸⁶ The harder it is to prove consent, the less likely a trademark court will find that a proprietor has exhausted his rights. Proprietors constantly push for the scope of the exhaustion doctrine to be limited to only individual national territories; the narrower the scope, the greater the control for them to oppose parallel trading. Parallel traders on the other hand advocate for the widest scope of the doctrine to be applicable. Thus, helping to break down trade barriers and promoting free competition. With the CJEU adopting the stance of Community-wide exhaustion as opposed to International exhaustion, the scale has been argued to be tipped in favour of proprietors of rights.⁸⁷

Tuomas Mylly⁸⁸ suggests that the protective stance the EU has adopted creates conflicts with international duties and makes the Internal Market less efficient. Thus, parallel import should be encouraged by opening the Internal Market to more of it. He further states that a negative economic effect of regional exhaustion would be the increase of private imports as E-commerce increasingly becomes a viable option. As part of a balancing approach, he asserts that the free riding argument which attracts compensation for a trademark owner's investment through Trademark legislation is not the appropriate channel for protecting marketing investments made by the proprietor of a mark. Reflecting on the decision of the Court in the *Davidoff* case, he recommended that the aim of free competition should always be factored in the interpretation of Article 7 of the TMD and if the CJEU's ruling had constituted of any argument relating to this, the balance may have been tipped to favour the application of international exhaustion as opposed to the regional exhaustion favoured.

A similar view has been expressed by Thomas Cottier⁸⁹ who argues that from the viewpoint of trade regulation, both national and regional exhaustion amount to a

⁸⁶Arno A. Blum, 'Territoriality of Trademark Rights' (1971) 6(1) *Israel Law Review*, 18-28; 'Trademarks' in Anthony Taubman, Hannu Wager, & Jayashree Watal (eds.), *A Handbook on the WTO TRIPS Agreement* (WTO Internal Only) (Cambridge: Cambridge University Press 2012).

⁸⁷David T. Keeling, *Intellectual Property Rights in EU Law Volume I: Free Movement and Competition Law* (OUP 2004) pg 99.

⁸⁸Tuomas Mylly, 'A Silhouette of Fortress Europe? International Exhaustion of Trade Mark Rights in the EU' (2000) 7(1) *Maastricht Journal of European and Comparative Law* 51.

⁸⁹Thomas Cottier, 'The Exhaustion of Intellectual Property Rights — A Fresh Look' (2008) 39(7) *International Review of Intellectual Property and Competition Law* 755.

quantitative restriction and trade barrier such as non-tariff barrier. He proposes that International trade regulation has the potential to offer long term solution in resolving the conflict between proprietors' rights and EU competition law. He contends that in relation to the exhaustion doctrine, the principles of GATT and constitutional law should be adhered to as opposed to the traditional path enshrined in the TRIPs.

1.2.4 Likelihood of confusion: further inconsistencies in the Court's jurisprudence

Similar to some of the other grounds for trademark infringement, the concept of likelihood of confusion is grounded in the theories pervading the function(s) of a trademark.⁹⁰ As CJEU's jurisprudence in this area demonstrate, a trademark has numerous functions which are no longer limited to the traditional origin function.⁹¹ However, the concept of likelihood of confusion remains inextricably linked with the traditional origin function of a trademark, not least of all because of the idea that a trademark was first and foremost, a sign to distinguish the sources of goods and services to prevent consumer confusion. The core controversy surrounding the likelihood of confusion concept within EU trademark law can be observed from two points. The first relates to the specific instances the CJEU chooses to apply this concept in infringement cases and the second is linked to the way/method the CJEU chooses to apply it. Arguably, these two themes have been a source of debates amongst commentators concerning the conflicting rationales and decisions that have appeared in CJEU case laws in this area. In order to bring some order to what has appeared to be a chaotic catalogue of legal rationales, Porangaba has advocated that the CJEU's approach can be better understood through a "...doctrinal segregation (and coexistence) between trade mark use and trade mark functions...."⁹² The trademark use he encapsulates, concerns those activities which the Court deems as not capable of being infringing acts while the trademark functions involve an assessment based on market realities. The key difference between both angles lies in the level of stringency and abstraction to be

⁹⁰Luis H. Porangaba, 'A contextual account of the trade mark functions theory' (2018) 3 Intellectual Property Quarterly 230.

⁹¹L'Oréal SA v Bellure NV (C-487/07) EU:C:2009:378; [2009] E.T.M.R. 55.

⁹²Luis H. Porangaba, 'A contextual account of the trade mark functions theory' (2018) 3 Intellectual Property Quarterly at 240.

applied, especially in the determination of whether the likelihood of confusion exists. Porangaba argues that regarding the former, the CJEU has adopted the US a priori utilitarian approach which is typically used as a filter in infringement claims by labelling certain types of uses of a trademark as 'non-trademark uses' due to overarching policy reasons and considerations such as the economic benefits of such uses to consumers (for e.g. free flow of information, reducing search costs, etc).⁹³ The effect of these non-trademark uses category is that they are typically treated as non-infringement of a trademark, without courts needing to go into the level of depth that would be required in determining if actual consumer confusion or the likelihood of such exists (an analysis based on market reality).⁹⁴ This approach has been criticised as an untested theoretical one which is not backed "by any empirical analysis of that activity, but rather simply by labeling [sic] the type of use. As a result, their conclusion rests heavily on conjecture."⁹⁵ Porangaba also cites examples of cases from the CJEU's jurisprudence that demonstrate the 'non-trademark use' approach being used. In his analysis, starting with the case of *Holterhoff*,⁹⁶ the Court's reasoning exhibited an inclination towards abstraction than evidence when it ruled that the use of the trademarks 'SPIRIT SUN' and 'CONTEXT CUT' was only used descriptively during negotiations (as it was not mentioned on the sales invoice or delivery note because the goods were referred to as just 'rhodolites').⁹⁷ This meant that such descriptive use was classed as a non-trademark use by the Court and not tantamount to an infringement. This a priori approach was made particularly explicit when the Court ruled in *Google France*⁹⁸ that the provision/selling of keywords (which consisted of the trademarks of brand owners) in a search engine for the purposes of advertisement by third parties, would constitute non-trademark use while the actual use through advertising by

⁹³See for example some trademark use theorists, Stacey L. Dogan and Mark A. Lemley, 'Trademarks and Consumer Search Costs' (2004) 41 *Houston Law Review* 777; Stacey L. Dogan and Mark A. Lemley, "A Search-Costs Theory of Limiting Doctrines in Trademark Law" (2007) 97 *Trademark Reporter* 1223.

⁹⁴Luis H. Porangaba, 'A contextual account of the trade mark functions theory' (2018) 3 *Intellectual Property Quarterly* at 239.

⁹⁵Graeme B. Dinwoodie and Mark D. Janis, "Confusion over Use" (2006) 92 *Iowa Law Review* 1597, at 1636.

⁹⁶C-2/00 *Holterhoff* [2002] ECR I-4187

⁹⁷Luis H. Porangaba, 'A contextual account of the trade mark functions theory' (2018) 3 *Intellectual Property Quarterly* at 238.

⁹⁸*Google France* EU:C:2010:159; [2011] *Bus. L.R.* 1.

third parties would be classed as trademark use. The rationale behind the Court's approach has been explained as giving weighting to policy considerations that a ruling that a search engine provider is liable for trademark infringement for its displays, will have adverse consequences on free speech and information.⁹⁹ As further pointed out by Porangaba, this decision that a search engine's functionality of displaying trademarks as keywords, was not a trademark use, was made without any recourse to any evidence or inference that actual harm to the trademarks functions or likelihood of harm or confusion existed.¹⁰⁰

Regarding the trademark functions approach also adopted by the Court in its jurisprudence, Porangaba suggests that the Court's decision in *Adam Opel*¹⁰¹ is a good example of how it applied an ex post approach through relying on factual positions of market realities as opposed to using an ex ante style in dealing with the harm that flows from the likelihood of confusion.

1.2.5 Free riding and Unfair advantage: further inconsistencies in the Court's jurisprudence

The concepts of free riding and unfair advantage are often used as related ideas in the context of moral permissibility of the exploitation of trademarks where the exploiter gains some unmerited profit.¹⁰² Free riding refers to the act of a competitor using a trademark proprietor's mark in a way that confers the competitor a benefit he has not offered consideration or compensation for. Unfair advantage on the other hand, is often viewed as the result or consequence of the competitor's free riding and is based on equitable principles of fairness and justice of not allowing one to profit in circumstances where they have exploited another for such profit.

Free riding as one component found in trademark infringement jurisprudence is arguably inundated with inconsistencies. Indeed, it is arguably the most re-

⁹⁹Luis H. Porangaba, 'A contextual account of the trade mark functions theory' (2018) 3 Intellectual Property Quarterly at 238; *Google France* EU:C:2010:159; [2011] Bus. L.R. 1, Opinion of Advocate General at [43].

¹⁰⁰Luis H. Porangaba, 'A contextual account of the trade mark functions theory' (2018) 3 Intellectual Property Quarterly at 238.

¹⁰¹*Adam Opel* [2010] E.T.M.R. 50 (BGH).

¹⁰²Dima Basma, *Dilution Versus Unfair Advantage: Myths and Realities*, (2021) 52 International Review of Intellectual Property & Competition, 1217–1257.

occurring of the other two categories already identified as it underpins most debates on the exercising of the exclusivity of trademark rights against principles of free competition due to conceptions embedded in morality and fairness. A significant illustration of this is in the case of *L’Oreal v Bellure*¹⁰³ where Bellure having produced a similar smelling perfume to L’Oreal’s own brand of perfume, used a comparative advertising list detailing the ‘smell alike’ perfumes of both brands and their respective prices. L’Oreal brought an action, alleging that use of the comparative list infringed on its trademark rights even though it had been established that there was no likelihood of confusion between the two products and neither was there any tarnishing or blurring of the L’Oreal brand. Although this case featured two other questions relating to ‘comparative advertising’, this section does not consider them as they are outside the ambit of its focus. Consequently, the only relevant question for consideration in this part was; on interpretation of the relevant section of the Trade Mark Directive,¹⁰⁴ was there unfair advantage where a third party benefitted a commercial advantage from use of another’s mark even though there was no tarnishing or blurring of the mark’s repute or distinctive character?

The CJEU gave preliminary ruling on this question of unfair competition referred by the Court of Appeal of England and Wales. It clarified that aside from the fundamental function of assuring consumers of the origin of the goods; there were other functions such as those of communication, investment or advertising which trademark law sought to guarantee by conferring exclusive rights on the trademark proprietor.

The rationale for this was that Article 5 of the Trade Mark Directive conferred exclusive rights on the trademark proprietor for protecting his specific interests as a proprietor; i.e. to guarantee the functions of the trademark are fulfilled. Aside from the fundamental function of assuring consumers of the origin of the goods, the court stated that there were other functions such as those of communication, investment or advertising. Therefore, even though in this case the fundamental function of guaranteeing the origin of the goods was not affected¹⁰⁵ and neither

¹⁰³[2010] EWCA Civ 535, paragraph 39.

¹⁰⁴Article 5(2) TMD.

¹⁰⁵Customers were not confused as to the origin of both products.

had any harm had befallen the proprietor through third party use of the mark, the ‘other’ functions were affected through the use of the mark. Therefore, L’Oreal was entitled to stop the use of the mark in the comparison lists. In so doing, this protection of ‘other’ functions can be viewed as protection of expended marketing efforts which in effect gives protection to the brand itself. The rationalization introduced by the court to justify this transition to brand culture is the ‘anti-free riding’ or unfair competition concept which has its roots embedded in the morality of ‘one should not reap where they haven’t sown’.

The inconsistencies that have arisen because of this decision have been centred on the aversion to the Court’s use of trademark law to regulate Competition law. Some commentators have observed that unfair competition should be regulated by Competition laws and to do otherwise would be stretching the paradigm of trademark law from its initial customary concept of protecting only the origin function of the mark to ‘other functions’.¹⁰⁶ It is this shift towards acknowledging other functions as part of the proprietor’s exclusive protection package that has been deemed inconsistent with previous jurisprudence in this area.¹⁰⁷

The debates between a number of academics have been as follows: supporters of the anti-free riding theory are for example Lemley and McKenna¹⁰⁸ who advocate that the economic impact of encouraging free riding in trademark law is that proprietors will not invest sufficiently in their property and this would undermine the goal of the property system whilst supporters of free riding such as Jacob LJ,¹⁰⁹

¹⁰⁶It is well represented in the jurisprudence of the CJEU in relation to trademarks that analysis are always made with reference to only its ‘essential function’. See for e.g. the discussion on ‘essential function’ in the parallel trading section of this chapter for case laws on this.

¹⁰⁷See ‘other functions’ concept viewed with scepticism; for e.g. Gustavo Ghidini, *Innovation, Competition and Consumer Welfare in Intellectual Property Law* (Edward Elgar, Cheltenham 2010) 188–191; Grame B. Dinwoodie, ‘The Rational Limits of Trademark Law’, in Hugh Hansen (ed.), *US Intellectual Property Law and Policy* (Edward Elgar, Cheltenham 2006) 59.

¹⁰⁸Mark A. Lemley and M. P. McKenna ‘Owning Mark(et)s (May 12, 2010)’ Stanford Law and Economics Olin Working Paper No. 395; *Stanford Public Law Working Paper* No. 1604845, at 1039. <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1604845> Date accessed 27/01/2024.

¹⁰⁹[2010] EWCA Civ 535, paragraph 11.

Ganjee and Burrell¹¹⁰ encourage it for different reasons in the absence of ‘actual’ harm caused to the proprietor.

In this particularly compelling observation of free riding that has its roots embedded deeply in discussions of morality, phrases such as ‘unfair competition’ and ‘reaping where no seeds have been sown’ evoke images that suggest that a tortious act has been committed against the aggrieved party. Proponents in support of the enforcement of free riding maintain that a person should not be entitled to share in the glory/profit of something they have not contributed to.

Schechter argues that,

‘...once a mark has come to indicate to the public a constant and uniform source of satisfaction, its owner should be allowed the broadest scope possible for ‘the natural expansion of his trade’ to other lines or fields of enterprise.’¹¹¹

This line of reasoning has been suggested by Lemley and McKenna as ‘pre-emption injury’ and that it proposes that the harm element of free riding can be deduced from a future harm that would occur. The future harm being that,

‘...the mark owner is harmed by a noncompeting use because that use might impede the mark owner’s ability to expand—either into the same market as the junior use or other related markets. This argument is not about the present harm to the producer from third-party uses, but rather the potential future benefits foreclosed by those uses.’¹¹²

Lemley further purports that, ‘those who ‘free ride’ – obtain a benefit from someone else’s investment – are undermining the goals of the property system.’¹¹³ Setting out the illusory limitation of free riding, he states that ‘The professed fear

¹¹⁰Dev Gangjee and Robert Burrell, ‘Because You’re Worth It: L’Oréal and the Prohibition on Free Riding’ (2010) 73(2) *Modern Law Review* 282.

¹¹¹Frank I. Schechter, ‘The Rational Basis of Trademark Protection’ (1927) 40 *Harvard Law Review* 813, 823.

¹¹²Mark A. Lemley and Mark P. McKenna, *Owning Mark(et)s* (May 12, 2010). *Stanford Law and Economics Olin Working Paper No. 395*; *Stanford Public Law Working Paper No. 1604845*, at 1039. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1604845 Date accessed 27/01/2024.

¹¹³Lemley and McKenna at 143; See also William M. Landes & Richard A. Posner, *The Economic Structure of Intellectual Property Law* 167–68 (2003);

is that property owners won't invest sufficient resources in their property if others can free ride on that investment.’¹¹⁴

However, as part of a balanced view, Lemley and McKenna have further advised against Schechter’s argument stating that, ‘owning marks should not mean owning markets’¹¹⁵ and proposing that ‘trademark injury’ should be a criterion for free riding/unfair advantage. In their words,

‘We propose to solve this problem by creating a “trademark injury” doctrine. Just as courts in antitrust cases created an antitrust injury doctrine in the 1970s to try to weed out facially appealing but ultimately anticompetitive antitrust claims, courts should require trademark plaintiffs to show trademark injury as a condition of standing. The situations are quite parallel. Antitrust plaintiffs are supposed to be vindicating not just their own injuries, but the injuries of consumers more broadly, just as trademark plaintiffs are. And, as with antitrust plaintiffs, trademark plaintiffs sometimes complain of conduct that injures them personally but actually benefits competition overall.’¹¹⁶

Therefore, a trademark proprietor should prove that injury has been sustained and that the injury is instead of being mere benefit to the third party, evocative of actual consumer detriment. The injury would consist of confusion to the consumers, whether about the source of goods or otherwise.

It is not difficult to comprehend the logic of this reasoning as even deeply seated in the system of common law; one would expect any claim in relation to a tort to be matched with evidence of injury or damages. Logic dictates this as how else can one be awarded a befitting remedy if the exact damage is not known?

¹¹⁴Lemley and McKenna at 143; See also Nicholas S. Economides, *The Economics of Trademarks*, 78 Trademark Rep. 523, 525–27 (1988).

¹¹⁵Lemley and McKenna at 189, See also John F. Coverdale, *Comment, Trademarks and Generic Words: An Effect-on-Competition Test*, 51 U. Chi. L. Rev. 868, 869–70 (1984).

¹¹⁶ Lemley and McKenna at 188; See also Brian A. Jacobs, *Note, Trademark Dilution on the Constitutional Edge*, 104 Colum. L. Rev. 161, 164 (2004).

1.2.5.1 Issues of expanded protection in the modern trademark functions within the area of Unfair advantage: auxiliary inconsistencies

The inconsistencies originating in passing off are inextricably linked with the free riding argument discussed above. Passing off is typically initiated under English common law principles against the unauthorised use of a similar mark or sign to that of a proprietor. The lack of legal consent of such action for infringement is by purpose designed to offer protection to marks which have gained reputation.¹¹⁷ It is important to point out that passing off only applies to marks that have not been registered as the current EU trademark laws are applicable to only registered trademarks. However, it is mentioned in this chapter because as Chronopoulos succinctly puts it, 'Without doubt, passing-off principles promulgated the legal protection of trade marks as communicative instruments that signify commercial origin.'¹¹⁸

Another valid reason it is also discussed here is that its elements have formed the basis of certain provisions in the Trade Mark Directive and the Community Trade Mark Regulation. Before an analogy is drawn between passing off principles and the current provisions of EU Trademark laws which allude to its existence, it will be useful to first discuss the passing off principles. For the purposed of this thesis, the UK passing off concept and its criteria will be explored.

In *Reckitt*¹¹⁹ Lord Oliver reduced the five guidelines laid out by Lord Diplock in *Erven* (the 'Advocaat Case')¹²⁰ to three elements requisite for claim of passing off: 1) one party has goodwill or reputation in the logo or design which they claim the other party is passing off as their own; 2) there is a misrepresentation to the public whether intentional or not i.e. use of an identical or similar logo or design; 3) damage could be or has been caused i.e. loss of trade in that the other business is taking customers which would have come to the business which is being 'passed off'.

¹¹⁷ *Erven Warnick B V v J Townend & Sons (Hull) Ltd* [1979] AC 731, 742 (HL); *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 All E.R. 873.

¹¹⁸ Apostolos Chronopoulos, 'Legal and economic arguments for the protection of advertising value through trade mark law' (2014) 4(4)Queen Mary Journal of Intellectual Property, 256-276.

¹¹⁹ *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 All E.R. 873.

¹²⁰ *Erven Warnick B V v J Townend & Sons (Hull) Ltd* [1979] AC 731, 742 (HL).

By preventing a competitor from using similar marks, signs or designs that a consumer may associate as having a connection with the already famous mark of the proprietor, the competitor is stopped from 'free riding' or benefitting from the goodwill already acquired by the famous mark through its reputation. The scope of the above decision in passing off is limited to only UK law as there is no EU-wide trademark law that covers 'unregistered' trademarks. Nevertheless, aggrieved parties could still potentially bring a claim under 'unfair competition' rules in EU Competition law.

1.2.6 Relationship of Passing off with EU trademark laws

By analogy with EU trademark law, the overarching protection provided by passing off elements can be viewed in both Article 5 of the Trade Mark Directive and Article 7 of the Community Trade Mark Regulation which have identical wordings.

Article 5(1) entitles a proprietor of a mark to prevent any third party not having his consent from using:

A) any sign which is identical to his trademark in relation to goods or services which are identical with those for which the mark is registered;

B) any sign where there exists a likelihood of confusion on the part of the public, because of its identity with or similarity to the mark and identity or similarity of the goods or services covered by the mark or sign;

Article 5(2) grants him the right to oppose any sign which is identical or similar to the registered mark where that mark has a reputation and the third party's use takes unfair advantage of or is detrimental to the distinctive character or repute of the mark.

While Articles 5(1)(A) and (B) are not explicitly worded to denote the principles of passing off identified above, Article 5(2) is couched in terms that expressly reference a substantial part of the doctrine of passing off. This is seen in the expressions 'mark with reputation', 'similarity of the mark' and 'unfair advantage'.

Even though the first is a mirror image of the first criterion in *Reckitt*,¹²¹ the ‘misrepresentation’ requirement and the ‘unfair advantage’ requirements deviate from the other two criteria in *Reckitt*.

This is obvious for two reasons:

- 1) The second requirement that there must be misrepresentation in passing off while slightly akin to the TMD and Regulation requirement of similarity to the famous mark in terms of likelihood of confusion of the mark, is however not sufficiently akin to be able to class both requirements as of the same meaning. Misrepresentation in the *Reckitt* case alludes to the likelihood of deception,¹²² while the TMD and Regulation depict that mere existence of confusion is enough;
- 2) Unfair advantage has been given a new meaning. This is because the CJEU has now clarified the interpretation of ‘unfair advantage’ in EU trademark law in the *L’Oreal* case.¹²³

The interpretation given by the Court does not correspond to the harm requirement in *Reckitt* because it ruled that harm is not a requirement for the existence of ‘unfair advantage’. The fact that some third-party rides freely without payment of financial compensation to the mark owner is in itself an unfair advantage; the mark owner does not need to suffer harm.¹²⁴ Therefore, the UK concept of passing off does not fall within the remit of EU trademark laws. However, due to the potential culture clash between UK and EU courts, UK courts invariably have expectations that with EU trademark law unfair advantage requirements would be dealt with in a similar way to passing off. This is particularly relevant to and worth discussing in this thesis because this difference in culture is

¹²¹First requirement that the mark must have a reputation are identical in both passing of requirements and Article 5(2) TMD and Article 7 Regulation, second requirement that there must be misrepresentation in passing off is also akin to the TMD and Regulation requirement of similarity to the famous mark.

¹²²See Jacob LJ’s statement in *Hodgkinson & Corby Ltd. v. Wards Mobility Services Ltd* [1994] 1 W.L.R. 1564 [1570], where he stated in relation to the tort of passing off, ‘Never has the tort shown even a slight tendency to stray beyond cases of deception. Were it to do so it would enter the field of honest competition, declared unlawful for some reason other than deceptiveness. Why there should be any such reason I cannot imagine. It would serve only to stifle competition.’

¹²³See discussions above in section 1.2.5.

¹²⁴Again, see section 1.2.5.

a good example of a specific category of the inconsistencies in EU trademark law that is rooted in cultural differences as opposed to the other inconsistencies which are rooted in differences in interpretational approaches. Opening discussions on this may well resolve the conflict that arise from this unique category of inconsistencies through debating whether pluralistic¹²⁵ approaches or integration¹²⁶ approaches are appropriate and suitable in this context.

The inconsistencies that arise from these are due to the potentially different outcomes a case can have in different settings. At EU level, the trademark owner would be able to prove unfair advantage effortlessly as he does not need to prove actual harm or potential harm in instances of free riding. At national level (UK in particular); discrepancies may arise where the mark owner cannot prove that his business has been harmed through free riding.¹²⁷ This highlights that the harmonisation of EU trademark laws at national level to eliminate inconsistencies has not yet been achieved.

To portray these different approaches in more practical terms, the *L'Oréal* case decision is a laconic example. The facts and decision of this case have already been set out in the free riding section. Jacob LJ fervidly disagreed with the CJEU's

¹²⁵Klemen, Jaklic, 'Interpretive and Participative Pluralism', *Constitutional Pluralism in the EU*, Oxford Studies in European Law (Oxford, 2014; online edn, Oxford Academic, 16 Apr. 2014), <<https://doi.org/10.1093/acprof:oso/9780198703228.003.0005>>, accessed 18 February 2024

¹²⁶Husovec M. *Intellectual Property Rights and Integration by Conflict: The Past, Present and Future*. Cambridge Yearbook of European Legal Studies. (2016)18, 239-269.

¹²⁷See for e.g. Lloyd LJ at paragraphs 112-115 in *Whirlpool v Kenwood* stated that: "Mr Mellor submitted that the element of intention would be relevant if it were proved, but that it is not necessary in order to show unfair advantage. He made a legitimate point that the Court's comment at the end of [41] of the judgment appears to be illustrative rather than definitive. He contended that the effect of the Court's decision, stripped of inessentials, is that, in a case where the third party, using a sign which is sufficiently similar to a mark with a reputation for a link to be established, obtains any commercial boost or other advantage from the link, then that advantage is of itself unfair, without proof of any additional factor. That reading would deprive the word "unfair" of any added meaning in the article...I cannot accept Mr Mellor's submission, for at least two reasons. First, bearing in mind the terms in which Jacob L.J. explained why he posed question (5), in [91] of his judgment in *L'Oréal v Bellure*, inviting the Court to say, if they thought it, that the word "unfair" is virtually meaningless (see [105] above), I find it difficult to suppose that the Court would not have risen to his invitation (or challenge) and said so in terms, if they did mean to hold that any advantage was an unfair advantage." See also similar views held by Lewison J at paragraph 209 in *O2 Holdings Ltd (formerly O2 Ltd) v Hutchison 3G* [2006] EWHC 534 (Ch).

judgment and believed had the decision been up to him, he would have decided differently to the conclusion reached by the Court. He emphasized that:

‘The problem, stated at its most general, is simple. Does trade mark law prevent the defendants from telling the truth? Even though their perfumes are lawful and do smell like the corresponding famous brands, does trade mark law none the less muzzle the defendants so that they cannot say so? I have come to the conclusion that the Court of Justice's ruling is that the defendants are indeed muzzled. My duty as a national judge is to follow EU law as interpreted by the Court of Justice. I think, with regret, that the answers we have received from the Court of Justice require us so to hold. Before I consider why in detail—...I wish to say why I regret those answers. My own strong predilection, free from the opinion of the Court of Justice, would be to hold that trade mark law did not prevent traders from making honest statements about their products where those products are themselves lawful.’¹²⁸

The emphasis on the inconsistencies here between the UK common law approach and EU approach is highlighted in the requirement of deception. Both interpretations of ‘unfair advantage’ evidence an inherent difference in cultures with UK courts’ culture informed and influenced by the passing off principle where misrepresentation and not misappropriation is the main harm. LaFrance has referred to this as the ‘cultural clash’ between common law jurisdiction and civil law jurisdiction because EU trademark laws were modelled after civil laws¹²⁹ as well as being interpreted by civil lawyers from the rest of the civil law dominated Member States of the EU.¹³⁰

¹²⁸L’Oreal SA & Ors v Bellure NV & Ors [2010] EWCA Civ 535 paras 6-8.

¹²⁹The evidence from the negotiations leading up to the TMD shows that the Benelux countries (Belgium, Netherlands and Luxembourg; all civil law countries) had substantial influence in the final wordings of the Directive. See chapter on the full exploration of the drafting history of the TMD.

¹³⁰Mary LaFrance, "Passing Off and Unfair Competition: Conflict and Convergence in Competition Law" (2011) Scholarly Works Paper 784, available at <<http://scholars.law.unlv.edu/facpub/784>> Accessed 7 January 2024.

1.2.7 Beyond the archetypal thrusts: linking the context to the aims of this thesis

All the different types of trademark infringement disputes discussed above have two important themes in common within the Community trademark context. Legal literature in this niche has over the years accumulated a discourse centred on the CJEU's decisions regarding; 1) lack of 'balance' between trademark rights and a well-functioning Internal Market and 2) lack of clarity and consistency in such decisions.

The first discourse on the 'imbalance' argument projects that the rights of trademark owners (especially those with reputations) trumps the freedom to compete in the sense that trademark infringement claims are often upheld by the Court and thus, an imbalance exists between the rights of trademark owners and the wider public right to a well-functioning Internal Market.¹³¹

But the key question remains, how can judges effectively balance monopolistic attributes of trademark rights that occur in trademark infringement issues, against the principles of well-functioning Internal Market? If the evidence from trademark case laws till date is to be understood through inference, this balance has eluded EU trademark law since its inception and continues to do so. One argument which has been advanced by Pila's argument¹³² (citing the works of Resnik¹³³ and Merges¹³⁴) is the principle of proportionality which is a constitutional tool used by EU courts to achieve balance amongst conflicting concepts by employing practical restrictions such as necessity and other alternative and less intrusive ways of

¹³¹For eg, see Mark A. Lemley and M. P. McKenna 'Owning Mark(et)s (May 12, 2010)' Stanford Law and Economics Olin Working Paper No. 395; *Stanford Public Law Working Paper* No. 1604845, at 1039.

<http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1604845> Accessed 27 January 2024; Dev Gangjee and Robert Burrell, 'Because You're Worth It: L'Oréal And The Prohibition On Free Riding', (2010) 73(2) *Modern Law Review* 282.

¹³²Justine Pila, 'Pluralism, Principles and Proportionality in Intellectual Property' (2014) 34(1) *Oxford Journal of Legal Studies* 180.

¹³³David. B. Resnik, 'A Pluralistic Account of Intellectual Property' (2003) 46(4) *Journal of Business Ethics* 331.

¹³⁴Robert P. Merges, *Justifying Intellectual Property* (Harvard University Press 2011).

achieving a goal.¹³⁵ Pila's argument that the principle of proportionality is a constraint on the legal competencies of EU Intellectual Property courts in the weighting and balancing of the different theories or justification, does not appear to have much effectiveness practically as it seems trademark judges are not formally bound by such principles. In other words, there will be instances of adherence to it or non-compliance in relevant court cases; particularly on a national level. Furthermore, there is also the challenge of different viewpoints in the definition of proportionality.

While proponents of a 'balancing approach' have long exhausted arguments to this effect, cursory investigation of this question reasonably suggests that such a balance can never be achieved. This thesis does not purport to 'balance' these tensions as it appears obvious that a balance can never be reached since only one winner can emerge from any court dispute. Any proposition to do so would be fallacy as favouring arguments pro free competition may also lead to undermining of the EU trademark system that exists to enable free competition. This will consequently still perpetuate the imbalance in the area.

The second focus on inconsistencies and ambiguities in decisions has two components; the CJEU jurisprudence and national courts decisions. In the case of the CJEU, its decisions are usually based on the pressure to conform to principles of legal certainty, uniformity and harmonisation throughout the Union.¹³⁶ Arguments take the disposition that the Court and indeed every national court acting in the capacity of an EU trademark court all share the obligation to ensure that each legal reasoning given is explained with clarity. For cases with similar points of law, there is also an expectation that the legal reasoning or ratio is consistent. Academic debate and discussion in this area provides evidence to the different Court's judgements which are riddled with inconsistent and ambiguous approaches.¹³⁷

¹³⁵Wolf Sauter, Proportionality in EU Law: A Balancing Act? Cambridge Yearbook of European Legal Studies (2013)15, 439-466.

¹³⁶Miguel Poiars Maduro, 'Interpreting European Law: Judicial Adjudication in a Context of Constitutional Pluralism' 2007 1(2) European Journal of Legal Studies 5. <<http://www.ejls.eu/2/25UK.htm>> Accessed 14 January 2024.

¹³⁷See for eg Paul Bicknell, 'Societe des Produits Nestle SA v Cadbury UK Ltd: single colour marks predominantly applied to the whole visible surface of the goods' (2014) 36(3)

Regarding the inconsistencies on a national level, this thesis investigates the adherence of CJEU jurisprudence in the UK to determine which factors feature prominently. Thus, the focus compares how the UK courts adhere to specific EU trademark rules set by the regional standard of the Directive/Regulation and CJEU judgments. To do this, this study employs empirical methods to explore the extent to which the factors compiled from EU trademark law in landmark trademark cases are those that explicitly drive judicial decision-making in the UK cases. The emphasis examines the analysis part of decisions in the selected cases to determine if these factors are articulated within such analyses. In doing this, this study makes a significant contribution in this area; a comparative analysis between the UK courts approach and the CJEU in trademark law cases.

The rationale for conducting the empirical study on UK cases (as opposed to CJEU cases) is because it would be difficult and unreliable to empirically calculate or gather the necessary data from the CJEU cases given that the Court does not always reach a conclusion on whether the relevant factors for consideration are present in any case. Its task is to clarify the law in cases of uncertainty, rather than to apply the law to any given factual scenario. It does reach a conclusion in some cases, but these are not an accurate reflection of all the cases. On the other hand, the UK system would allow for greater flexibility to reliably gather the data given that UK courts always reach a conclusion by applying the law to the facts.

After the empirical study, this thesis utilises the insight gained from the results to provide a contextual understanding through a critical comparison between the UK approach and the CJEU approach to legal reasoning in the cases. Conway has argued that despite the huge amount of literature dedicated to the impact of the Court's reasoning; very little works address the legal reasoning of the Court

European Intellectual Property Review 200-202; Alvaro Fernandez De La Mora Hernandez, Inconsistencies in European trade mark law: the public policy and morality exclusions, (2020) Intellectual Property Quarterly 271-298; Graeme B. Dinwoodie and Dev S Gangjee, The Image of the Consumer in European Trade Mark Law, in *The Image(s) of the Consumer in EU Law* (Leczykiewicz and Weatherill eds) (Hart Pub. 2015); Louis Louembé, Pierre Massot, Mythili Thaya, For a clarification of the concept of similarity—a critical look at European case law on the infringement of trade marks with a reputation, (2021) 16(8), *Journal of Intellectual Property Law & Practice* 812–826.

itself.¹³⁸ In EU trademark law, while academics¹³⁹ and indeed judges¹⁴⁰ acknowledge these inconsistencies and ambiguities as a product of the CJEU's judgements, they by no means probe deeper after a perfunctory critique of such judgements. Even in instances where there is an in-depth analysis of a trademark judgement of the Court, not enough scope is rendered to establishing a trajectory of such individual records. Whilst there are a few empirical works¹⁴¹ that catalogue and analyse the Court's reasoning in cases producing such inconsistencies and ambiguities while offering a comparative perspective with the UK courts approach, it is not a dominant line of enquiry in this area. This is also a gap which this thesis fills by contributing to the provision of an empirical analysis of UK courts approach and offering a detailed comparative analysis against the CJEU's approach.

In undertaking this, this thesis does not seek to refute the scholarly position that trademark registration disputes and the infringement issues such parallel trading, passing off and free riding are justifiable in their various rights and thus, culminate in an unstable relationship with the concept of free competition. However, it does probe the process by which they are considered and given priority in such disputes. All references made throughout to the European Economic Area ('EEA'), 'EU', 'Union' and 'Community' should be read as interchangeable.

¹³⁸Gerard Conway, *The Limits of Legal Reasoning and the European Court of Justice* (Cambridge University Press 2014).

¹³⁹See for e.g. Alex Watt and Giles Parsons, 'A fight on tiles' (2014) 36(4) *European Intellectual Property Review* 262-266.

¹⁴⁰See for e.g. Advocate-General Mengozzi's January 2008 Opinion in *C-533/06 O2 Holdings Limited v Hutchison 3G UK Limited* [2008] EUECJ para 20, "the case-law relating to Article 5(1)(a) and (b) of Directive 89/104 ... does not appear, at least at first sight, to be at all consistent ..." See also Jacob LJ in *L'Oreal SA v Bellure SA* [2010] ETMR 47 para 2, "not for the first time in intellectual property cases (e.g. *British Horseracing Board v William Hill* [2005] RPC 883, *Arsenal v Reed* [2003] RPC 9, and *Boehringer Ingelheim v Swingward* [2004] ETMR 90) the Court's judgment has left enough room for the parties to disagree about what it means."

¹⁴¹See Ilanah Simon, *An Empirical Study of the Basis of Refusal of EU Trade Marks for 3D Marks* (July 18, 2022) in Estelle Derclaye (ed), *Research Handbook in Empirical Intellectual Property* (Edward Elgar 2022); Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement* (2006) 94 CAL. L. REV. 1581.

1.2.8 Conclusion

In summary, the sections above have examined the key elements of parallel trading and the issue of the scope of consent to be applied within the EU context. The tension between the different scopes of consent was also explored as an example of the discrepancies associated with the interpretation of the EU trademark law in the protection of proprietors' rights. The understated impact of the wide scope of consent under the concept of international exhaustion was also linked to the polarised approaches that can be found on regional and national levels in the interpretation of EU trademark law. The next section will examine another example of the discrepancies and tension between different approaches regarding the concept of likelihood of confusion in EU trademark law.

1.3 Issues and Questions: The Research Problem

1.3.1 Issues and Questions

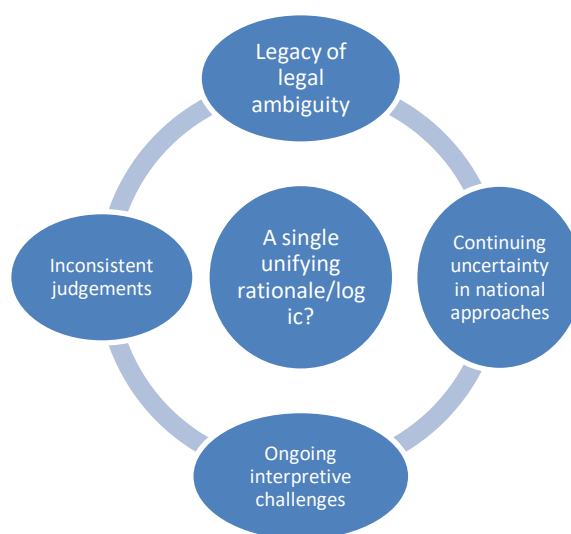
The inconsistencies referred to in this thesis has dual features, i.e. part of the problem can be traced back to the troubled drafting history of EU trademark laws borne out of the harmonising initiative started in 1960.¹⁴² The other part of the problem is attributable to the drafting consequences of the EU trademark laws; of which the interpretation has continued to perpetuate these inconsistencies and uncertainties. As such, the investigation in this thesis explores four potentially interrelated indicators of inconsistencies that are relevant to the application of EU trademark law:

1. What is the legacy of the legal ambiguity that followed the negotiations of the first Trade Mark Directive?;
2. What is the continuing uncertainty and differences in national approaches to trade mark law?;

¹⁴² This is explored in chapter 4 of this thesis.

3. Why is there on-going opportunity for interpretive challenges to the Directives?;
4. Are there inconsistent judgments in the trademark cases? This is explored in two ways in this thesis. The first enquiry carries out an inward evaluation of the CJEU's own interpretational practice in trademark cases to determine if it complies with its own precedents. This is done using EU Trademark registration cases as the line of enquiry because it is different from the other areas explored in this thesis and adds variety to the sampling contexts. This variety lends a positive context that is beneficial to the comparative analyses undertaken in this study. The second enquiry conducts a comparative analysis of the UK courts interpretational practice against the regional directions provided by the CJEU using the empirical analysis techniques.

In exploring the above lines of enquiry, this thesis asks questions such as; what is the nature and relationship between the CJEU and the UK courts approaches to interpretation? Do they complement or contravene one another? Articulating the nature of any consequential or influential connexions will also aid the informing of all areas of normativity within EU trademark.



1.3.2 The Hypothesis

The main aim of this thesis is to provide an empirical examination of the inconsistencies in UK trademark law cases. It is argued that these inconsistencies exhibit underlying patterns which link to broader inconsistencies within EU trademark law at a regional level.

This thesis argues that the inconsistencies in UK trademark law assume both a chronological identity and post-chronological character. The chronological identity raises the issue of the troubled drafting history of the two significant EU trademark laws: the Trademark Directive and Community Trademark Regulation. Examination of the chronological identity not only provides the opportunity to explore the ambiguities and inconsistencies in the wording of the laws from the initial draft to their current forms but also uncovers the specific factors that influenced the negotiations of these laws.

Scrutiny of the post-chronological character of these inconsistencies on the other hand, involves a consideration of the consequences of the drafting history of these laws. These consequences are best understood by reference to inconsistencies in the interpretational approaches in case laws.

Accordingly, this thesis seeks to define the nature and characteristics of these inconsistencies in the interpretational approaches of UK court trademark judgments. To do so, this thesis uses set theory¹⁴³ a branch of mathematics as a data handling and categorising technique to analyse the patterns of these inconsistencies. It consequently categorises and analyses the subset¹⁴⁴ relationships that emerge, using the specific factors found in the different types of inconsistencies. The use of set theory to identify, classify and analyse the

¹⁴³Carsten Q. Schneider, Claudius Wagemann, *Set-theoretic methods for the social sciences: a guide to qualitative comparative analysis* (Strategies for Social Inquiry) (Cambridge University Press Kindle Edition 2012); see also Michael Potter, *Set theory and its philosophy* (Oxford University Press 2004) see also Charles C. Ragin, *Redesigning social enquiry: fuzzy sets and beyond* (The University of Chicago Press kindle Edition 2008).

¹⁴⁴Carsten Q. Schneider, Claudius Wagemann, *Set-theoretic methods for the social sciences: a guide to qualitative comparative analysis* (Strategies for Social Inquiry) (Cambridge University Press Kindle Edition 2012); see also Michael Potter, *Set theory and its philosophy* (Oxford University Press 2004) see also Charles C. Ragin, *Redesigning social enquiry: fuzzy sets and beyond* (The University of Chicago Press kindle Edition 2008).

inconsistencies in trademark law is the original contribution to knowledge in this thesis.

This thesis contends that the conceptual clustering and patterns of inconsistencies provide a coherent illumination of the relationship between UK courts and the CJEU. Intrinsically, these categorisations can be used for two purposes. The first is that they can be used by policy and law makers to develop a strategic plan with regards to curbing these inconsistencies as a short-term plan. The second purpose is that these conceptual typographies of inconsistencies can encourage further discussions on how trademark law can evolve to act as a catalyst for a broader social change to create a more sustainable system.

Although this thesis introduced (in section 1.2) three key areas and one interrelated area which inconsistencies in EU trademark law spans: the areas of exhaustion of rights, likelihood of confusion, unfair advantage and passing off, for the purposes of the empirical part of this study, it focuses on using the area of exhaustion of rights to demonstrate some examples of these inconsistencies in EU trademark law. This is because providing the empirical study for other areas would be voluminous for the purposes of this thesis and each of those studies would benefit from separate considerations. Focusing on part of the highlighted four areas would provide much better focus and depth in the structural narrative and analysis carried out in this thesis.

Through the set theoretic analyses of the cases in the dataset, this thesis reveals that the specific nature of these inconsistencies on the UK national level is characterised by the inherent ‘balancing acts’ attempted by courts (CJEU and UK courts) to stabilise all the competing interests of all actors. It further argues that trademark law should accept that attempting an approach which tries to please everyone is a recipe for the inevitable outcome of failure. Only when such acceptance is acknowledged will it pave the way to explore other options for pursuing a more sustainable system. Instead of adopting a balancing approach, trademark should explore a different approach which is grounded in sustainability.

Any law can reflect what society is, but a better approach would be reflecting how society should be. Trademark law should transcend the difficulties that has plagued it through its adoption of a compromising stance, by evolving from its role

as an enabler of the profit-making tool of trademarks. There is a bigger picture here. Trademark proprietors and third-parties (for e.g. parallel importers) are two sides of the same coin. This coin is profit-making. Both sides' continuous fight for one-upmanship has caused more division in the substantive law of trademarks than could have ever been anticipated. Long rehashed theoretical and practical justifications which seek to extoll each side's benefits and shortcomings are fast losing their appeal. Current society proclivities show that there is strong budding demand for economic sustainability from an increasingly self-aware public enabled by ubiquitous mediums such as social media platforms.¹⁴⁵ As such, the time has never been more right to foster a discussion on whether trademark law can and should play a role in these broader social issues.

Thus, this thesis comprises a set of discussions fostering insight and conceivably, some degree of harmonisation over these inconsistencies or in any case, a measure of common understanding.

1.3.3 Research Design

The first proposition of this thesis is to systematically collate empirical data providing both a descriptive analysis and qualitative comparative analysis of the inconsistencies in UK trademark law cases. The purpose of the collation of data from both registration aspects of EU trademark law as well as infringement disputes is to build the platform for the subsequent determination of the specific connecting categories of inconsistencies found in these cases. The main aim of which is to contribute to the wider understanding of their nature.

The second proposition of this thesis follows from the analysis of the empirical data. It offers a detailed comparative analysis of the UK courts approach and the CJEU approach to provide a deeper contextual explanation of the results of the data. The original approach in this research is in the form of analysing this existing problem from a different perspective. Where existing works have either held the

¹⁴⁵See a recent example Joseph Stiglitz, 'Wealth before health? Why intellectual property laws are facing a counterattack' (The Guardian, 19th October 2017) <<https://www.theguardian.com/business/2017/oct/18/intellectual-property-laws-demand-a-21st-century-solution>> date accessed 28 January 2024.

laws to be blamed and in need of reform,¹⁴⁶ commented on the unfairness of a decision/legislation¹⁴⁷ or even held lack of expertise of judges responsible,¹⁴⁸ this thesis will add to the debate by exploring and articulating the nature and dynamics of any relationship between the CJEU and the UK courts to facilitate ample understanding of the legal communication between the regional and national levels. Existing literature in this area is not methodologically able to capture the depth of the complex processes that are characteristic of the inconsistencies in EU trademark law because they are often discussed in a theoretical fashion. This problem has so far mostly been discussed theoretically with only a few empirical studies.¹⁴⁹ This is the gap this thesis seeks to fill by utilising a ‘mixed method’ approach incorporating the fuzzy set qualitative comparative analysis (fsQCA) to analyse these inconsistencies. The fsqca method is particularly useful to this study because its structured case-oriented focus and context driven analysis help capture equifinal explanations for the inconsistencies in judgments by using membership scores. According to Rihoux and Ragin, “Fuzzy membership scores address the varying degree to which different cases belong to a set (including two qualitatively defined states: full membership and full nonmembership).”¹⁵⁰ They however, caution that the fsQCA technique does not operate as a simple rank of

¹⁴⁶[2010] EWCA Civ 535 Jacob LJ in paragraphs 7 and 39, See also the EU Commission proposals issued on 27/03/2013 recommending improvements to EU trademark law based on a thorough study of the EU trademark system carried out (at the request of the Commission) by the Max Planck Institute for Intellectual Property and Competition Law between November 2009 and February 2011

<http://ec.europa.eu/internal_market/indprop/tm/> Date accessed 14 January 2024.

¹⁴⁷Andrew Griffiths, ‘A Law-and-Economics Perspective’ in Bently, Davis and Ginsburg (eds.) *Trade Marks and Brands: An Interdisciplinary Critique*, (Cambridge University Press 2008) at 247.

¹⁴⁸See for example, Jukka Snell, ‘European courts and intellectual property: a tale of Hercules, Zeus and Cyclop’ (2004) 29(2) *European Law Review* 183.

¹⁴⁹Jane Cornwell, *Playing by its own rules? A quantitative empirical analysis of justificatory legal reasoning in the registered trademark case law of the European Court of Justice* (2021) 46(5) *European Law Review* 647-673; Ilanah Simon, *An Empirical Study of the Basis of Refusal of EU Trade Marks for 3D Marks* (July 18, 2022) in Estelle Derclaye (ed), *Research Handbook in Empirical Intellectual Property* (Edward Elgar 2022); Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement* (2006) 94 *CAL. L. REV.* 1581.

¹⁵⁰Charles C. Ragin, ‘Qualitative Comparative Analysis Using Fuzzy Sets (fsQCA)’ in Benoit Rihoux & Charles C. Ragin (eds), *Configurational Comparative Methods: Qualitative Comparative Analysis (QCA) and Related Techniques* (Applied Social Research Methods Vol 51) (Sage Publications Kindle Edition 2008) pg 90.

cases next to each other, instead it uses external criteria¹⁵¹ to determine and calibrate the varying qualitative states between full inclusion and full exclusion of a set while depicting such states using numbers.

To this end, a unique conceptual model is created from the adaptation of three existing methods, namely, descriptive statistics, fsQCA and building block analytical approach. This model is discussed and illustrated in the methodology section in chapter 3.

1.3.4 Limitation of this thesis

To achieve both the comparative analysis element of comparing UK courts interpretational discrepancies against CJEU direction and the inward analysis of the CJEU's own interpretational practice, this thesis uses exhaustion of rights likelihood of confusion and unfair advantage as lenses for comparing the UK's interpretational discrepancies against the CJEU's standard whilst the area of EU trademark registration is used as the evaluation prism for examining the CJEU's own interpretational discrepancies against the standard it has set for itself in precedents.

Whilst this thesis discusses three focus areas of exhaustion of rights, likelihood of confusion and unfair advantage in the literature review to provide a robust overview of the issues, it only collates empirical data across and uses the fsQCA and the building block analytical approach in the area of exhaustion of rights only. This is due to the word and time constraints of this thesis.

Thus, it focuses on using the area of exhaustion of rights as an investigative instrument through which the nature inconsistencies in EU trademark law on a national level can be understood, characterised and categorised.

This thesis recognises that the analyses presented in this area are representative of only this area. It makes no claim as to the transposability of the findings to the other two focus areas of this thesis not explored. However, it acknowledges that the other two areas could provide future research opportunities, the outcomes of

¹⁵¹ This external criterion relies heavily on substantive or theoretical knowledge in the discipline.

which can then be compared across the four focus areas of this thesis for a more comprehensive picture.

1.3.5 *The importance of this study*

Lord Justice John Mummery when introducing the 2011 Annual Sir Hugh Laddie lecture observed that:

Why [should] such a simple idea as having a sign to signify the source of goods or services become such a complicated, uncertain, unpredictable, area of law? ... Why has a subject which is all about preventing confusion itself become confused and confusing? I don't know about too many trade marks; but there are certainly too many cases that come out of this uncertainty.¹⁵²

The implications of such responsibility in EU trademark law has a resounding effect on not only the universal general principles of law such as; legal certainty, legitimate expectations and uniformity of the application of the law in similar occurring cases, but also on the transparency and rigour of court judgements. The legal reasoning of the Court in EU trademark cases has left very little to be desired in terms of its track record. Some illustrations of these inconsistencies can be found in not only the Courts judgements¹⁵³ but also in the opinions of different Advocates

¹⁵²The Sir Hugh Laddie Annual Lecture, 'Killing the Goose that Laid the Golden Egg: too many trademarks?' 22 June 2011, Record Available online at <http://www.ucl.ac.uk/laws/ibil/index.shtml?events_past> Accessed 29 January 2024.

¹⁵³ See for e.g. the rationale of the decision of the **L'Oreal** case C-487/07 *L'Oreal SA v Bellure* [2009] ECR I-5185 where the CJEU had held that "It was not necessary that the degree of similarity between the mark with a reputation and the sign used by the third party created a likelihood of confusion between them; it was only necessary that it created a link between them in the mind of the public" at 37-47. See also other cases with contradictory rationales to that of the **L'Oreal** case: *Specsavers v ASDA* [2010] EWHC 2035 (Ch) where the CJEU effectively made an exception to its position in *L'Oreal* regarding the creation of a link as the minimum requirement, for the big brand ASDA when it held "the fact that Asda is itself associated with the colour green, which it uses for the signs alleged to infringe the trade marks of the Specsavers group, could, inter alia, result in a reduction of the likelihood of confusion or association between those signs and the trade marks of the Specsavers group", See also *Whirlpool v Kenwood* [2009] EWCA Civ 753 where although a UK court had found that "two shapes had enough in common for the one to remind relevant average consumers of the other..." and amounted "to the necessary link", the court still concluded that there was no unfair advantage taken even though the CJEU in *L'Oreal* had previously declared that any advantage obtained from such link or association was 'unfair'. The UK court attempted to distinguish this on the basis that the

General in cases with similar facts¹⁵⁴ and subsequent deviation from past principles of reasoning in subsequent similar cases by the same Advocates Generals.¹⁵⁵ In both instances, it is not entirely clear which of the AG's opinions the Court should have been considered as both were contrasting.

Another important feature that has an impact on judicial inconsistencies is the lack of clarity associated with the legal reasoning of EU trademark judgements. Literature in this area suggests that ambiguous legal reasoning is interspersed throughout the different aspects of trademark law. Machnicka has pointed out that the territorial scope of the 'genuine use' of trademarks, their reputations and injunctions in national courts acting in the capacity of a 'Community trademark court' are three of such areas.¹⁵⁶ The latter is more so glaringly obvious due to the linguistic and cultural diversities of Member States and their respective national courts. The contributors in Kerly's¹⁵⁷ have likewise highlighted other ambiguities in reasoning surrounding spatial delineation of colour marks in trademark registration judgements.

Bicknell has also pointed out the effect of inconsistencies and ambiguities in the CJEU's judgements from a 'top-down' perspective.¹⁵⁸ Contending that these have

Kenwood did not need to ride on the coat tails of Whirlpool because it was already an established brand. See also the underlying principles in decisions of *Davidoff v Goffkid* [2003] 1 W.L.R. 1714, (C-48/05) *Adam Opel v Autec* [2007] E.C.R. I-1017, *Arsenal v Reed* [2003] EWCA Civ 696.

¹⁵⁴See for e.g the cases of *Libertel Groep BV v Benelux-Merkenbureau* [2004] 2 W.L.R 1081 where Advocate General Leger was of the opinion that colours could not be registered as trademarks because they are limited in number and allowing registration would lead to a monopoly by few whereas the CJEU in the same case held that "A colour per se could have distinctive character and be registered as a trade mark" if it was capable of certainty according an agreed international code/standard, *Shield Mark BV v Kist (t/a Memex)* C-283/01 [2004] 2 W.L.R 1117.

¹⁵⁵For e.g AG Colomer did not uphold his earlier reasoning in *Sieckmann v Deutsches Patent- und Markenamt*, [2003] 3 W.L.R 424 when delivering his opinion on a subsequent similar point of law in the *Shield Mark* case.

¹⁵⁶Agnieszka A. Machnicka, 'Territorial aspects of Community trade marks: the Single Market's splendid sovereignty' (2014) 45(8) *International Review of Intellectual Property and Competition Law* 915 on the imprecise guidelines given by the Court in the Case C-149/11 *Leno Merken BV v. Hagelkruis Beheer BV*, 19 December 2012 [2013] *Bus.L.R.* 928 and Case C-301/07 *PAGO International v. Tirolmilch*, 6 October 2009, [2009] *ECR* I-9429.

¹⁵⁷James Mellor et al, *Kerly's Law of Trade Marks and Trade Names* 15th edn, (Sweet & Maxwell, 2011), pp.16–18 and 24–25.

¹⁵⁸Paul Bicknell, 'Societe des Produits Nestle SA v Cadbury UK Ltd: single colour marks predominantly applied to the whole visible surface of the goods' (2014) 36(3) *European Intellectual Property Review* 200-202.

a problematic percolating effect among national courts that are bound to follow the inconsistency-ridden CJEU precedents, he illustrated using the **Cadbury**¹⁵⁹ case that national courts have resorted to attempting to explain such inconsistencies instead of making a reference to the CJEU to clarify its position. These further compounds the problems and uncertainties in EU trademark law.

Correspondingly, Watt and Parsons have drawn attention to the ‘...disproportionate body of case law...’¹⁶⁰ concerning the registrability and validity of non-traditional trademarks known colloquially as exotic marks such as smells, sounds, colours and shapes. They have highlighted examples such as the significant disagreement between the CJEU judgement and the opinion of Advocate General Leger in the **Heidelberger**¹⁶¹ case where Leger had called for the Court to revisit its reasoning in its previous **Libertel**¹⁶² decision because it was incompatible with the original reasoning it had articulated in the underpinning case of **Sieckmann**¹⁶³ in this area of trademark law.

More recent differing views were also emphasized in the judgements of Judge Birss of the High Court of England & Wales and Lord Justice Mummery’s judgment in the Court of Appeal in the **Cadbury case**. This is a distinctive example of the percolating ‘top-down’ effect of the Court’s inconsistent judgements suggested by Bicknell. Judge Birss was seen to have followed the reasoning and decision of the CJEU in the **Libertel** case while Lord Justice Mummery adhered to the **Sieckmann** and **Hiedelberger** judgements.

1.3.5.1 The importance of empirical evidence/research

Empirical evidence and research trace their origins the ‘scientific method’ of enquiry through observation or experience. It is often viewed as tool by which theoretical arguments can be validated or disproved.¹⁶⁴ This first-hand experience

¹⁵⁹*Societe des Produits Nestle SA v Cadbury UK Ltd* [2014] Bus. L.R. 134.

¹⁶⁰Alex Watt and Giles Parsons, ‘A fight on tiles’ (2014) 36(4) European Intellectual Property Review 262-266.

¹⁶¹(C-49/02) *Heidelberger Bauchemie GmbH's Trade Mark Application* [2004] E.C.R. I-6129.

¹⁶²*Libertel Groep BV v Benelux-Merkenbureau* [2004] 2 W.L.R 1081.

¹⁶³*Sieckmann v Deutsches Patent- und Markenamt* [2003] 3 W.L.R 424.

¹⁶⁴Salar Niharika, *The importance of empirical research in contemporary Intellectual Property rights academia*, 2024 Journal of Intellectual Property Law & Practice jpae007

is also considered as one of the various reliable sources which policy makers and legislators rely on and are influenced by in their decision-making processes.

Empirical research is particularly useful in intellectual property law as has been demonstrated by the works¹⁶⁵ of Beebe, Derclaye, Fhima, Cornwall because it provides a new type of contextual analysis not previously offered by normative theories and accounts of intellectual property rights and enforcement of such rights. Empirical research in intellectual property law has also been linked to the creation of new compilations and databases in areas with limited statistical information.¹⁶⁶

Specifically for trademarks, empirical research can uncover the existence of underlying frameworks as well as classifying any emerging subset relationships between trademark owners, consumers, courts, and legislators. It is this uncovering of unique subset relationships between these actors that this thesis is focused on demonstrating.

1.4 Structure of thesis

1.4.1 *Chapter 2*

Reviews the literature in this area. It explores the main academic arguments which are polarised into pro-protectionism and anti-protectionism of trademarks. It concludes by suggesting that the main purpose of trademark law based on

<<https://academic.oup.com/jiplp/advance-article-abstract/doi/10.1093/jiplp/jpae007/7595847?redirectedFrom=fulltext&login=false>>

accessed 20 February 2024.

¹⁶⁵Jane Cornwell, Playing by its own rules? A quantitative empirical analysis of justificatory legal reasoning in the registered trademark case law of the European Court of Justice (2021) 46(5) European Law Review 647-673; Ilanah Simon, An Empirical Study of the Basis of Refusal of EU Trade Marks for 3D Marks (July 18, 2022) in Estelle Derclaye (ed), Research Handbook in Empirical Intellectual Property (Edward Elgar 2022); Barton Beebe, An Empirical Study of the Multifactor Tests for Trademark Infringement (2006) 94 CAL. L. REV. 1581.

¹⁶⁶See for e.g. Andres Lopez, Innovation and appropriability, Empirical evidence and research agenda, The Economics of Intellectual Property, WIPO <https://www.wipo.int/edocs/pubdocs/en/wipo_pub_1012-intro1.pdf#:~:text=This%20has%20gone%20hand-in-hand%20with%20their%20increasing%20use%2C,tion%20and%20communication%20technologies%20and%20the%20cultural%20industries%29> accessed 21 February 2024.

sociobiological and psychological perspectives is to achieve territorial control based on self-enhancing interests which enable him to manipulate the mark for self-serving purposes. Expecting a trademark owner to change this innate intention is futile as is any expectation of balance from either a legislative or judicial standpoint. This innate territorial interest is one that cannot be mitigated by other factors because it is inherently selfish. It further explores a couple of potential solutions to the problem whilst also highlighting the strengths and weaknesses of each solution.

1.4.2 Chapter 3

Provides a detailed account of the theories dominating trademark law and the methodology used in this thesis. It explores the libertarian, utilitarian and Hegelian theories justifying trademarks. It concludes that any theoretical justification which does not put the consumer at its heart, overlooks a compelling aspect of trade. It also identifies the utilitarian approach as the dominant justification which incorporates the notion of consumer in its theoretical framework.

1.4.3 Chapter 4

Discusses the drafting history of EU trademark laws. Critically reviews the events in this area by exploring the intricate relationships of the negotiators during the drafting stages of the EU Trade Mark Directive. It also concludes by observing the significance influence the Benelux countries had in shaping the current system.

1.4.4 Chapter 5

Critically discusses the nature of legal reasoning in the CJEU. It uses the Attorney General Maduro's idealist teleological approach as the benchmark to test whether the legal reasoning of the CJEU conforms to it. It concludes by observing that the Court's approach does not meet these standards and continues to perpetuate inconsistencies in this area of law.

1.4.5 Chapter 6

Discusses the findings of the empirical study. It highlights the different factors which are mostly being observed by the UK courts in the three focal areas of exhaustion of rights, likelihood of confusion and unfair advantage. It also presents figures on the specific factors the courts tend to focus less on. It further explores the complex relationships of EU trademark laws on a national level using the area

of exhaustion of rights as an instrument of analysis and using the set theoretic method and building block method to analyse the different sub relationships that appear. It concludes by identifying the different categories of inconsistencies that exist in the subset relationships.

This chapter also discusses practical recommendations for legislative reform based on the specific categories of inconsistencies identified. It proposes viable alternatives to curb these inconsistencies in the short term.

1.4.7 Chapter 7

Discusses the notion of trademarks as properties from a Marxian perspective and considers whether the current use of trademarks in EU trademark law and the current capitalist system act as a tool contributing to mass exploitation of society when compared with the collective social utility of trademarks. It concludes that the inconsistencies in EU trademark law act as a fertile ground for perpetuating monopolies and oligopolies (in a capitalist system) which both have a hazardous impact on the environment and humans.

1.4.8 Chapter 8

This chapter discusses the future implications of the main theme in this research. It identifies that the legislative proposals in chapter 7 are most likely a short-term fix to this complex problem. It presents some unique and different solutions to overhaul the current trademark system. It concludes by recognising the limitations of these solutions and recognising areas for further debate.

Summarises the main arguments in this thesis as well as the recommendations. It concludes that despite the problems in this area of law, the inconsistencies in EU trademark law can act as a catalyst for implementing sustainability in this area of law with the view of effecting great change in society's future.

Chapter 2- Review of the literature

2.1 Introduction

In this chapter, a review of the existing tensions between IP rights' holders and the proper functioning of the Internal Market will be undertaken within the perspective of EU trademark law. The purpose of this chapter is to not only set the context of the research problem this thesis seeks to investigate, but to also form an analytical platform vital to the ensuing discourse in subsequent chapters. To do this, this chapter will be divided into two main parts. The first part will in the review of the history of trademarks, offer a critical analysis of this history as well as its various definitions over time and its current connotations with brand culture. The original contribution of this section to the thesis of this study is in the findings of commonalities and linkages in the broader history of trademark with the initial historical position of EU trademark law explored in Chapter 4. As such, this chapter argues that the way trademarks developed from antiquity indicates an alignment with protection of only the basic¹⁶⁷ functions of a mark which is the position the initial legacy of EU trademark laws adopted as a nod to the simpler historical identity of general trademark histories.¹⁶⁸ This also forms the basis for this thesis arguing that EU trademark law should return to its simpler origins by protecting only the technical functions of origin and quality as opposed to the current system of carving out additional functions for protection.

The second part will examine some of the dominant theories pervading the justifications of trademarks in EU trademark law with a view to contextualising discussions around how some of these theories may be used to justify the creation of other functions of a trademark in addition to the origin function.

In relation to the first part of this chapter dealing with the broader historical analysis, this thesis takes a different view from the long-held legislative consensus that the functions of trademarks are primarily to indicate origin and quality, by examining the historical reason for their creation from the proprietor's perspective. It also rejects the view that historically, there was a distinction between the purpose of proprietary marks (which indicated ownership of a thing

¹⁶⁷Origin and quality.

¹⁶⁸This initial EU trademark law legacy is critically explored in more detail in chapter 4.

but sometimes also served as trademarks in the commercial capacity)¹⁶⁹ and trademarks (which had a more technical function of designating origin and quality). It proposes two points instead. Firstly, that historically, the totality of the behaviours of trademark owners does not fully support the view that they intended for their marks to be primarily used as origin and quality denominators. Secondly and in support of the first proposition, the distinction between the so called proprietary and technical role of marks most likely did not exist in the intention of the owner because it was not likely to have been in his contemplation when the mark was created. The fact that the 'proprietary marks' were later the same marks used by the proprietors in a trading capacity (technical function) is proof that they never intended any disparities in their functions. They instead most likely viewed them as having the single function of declaring ownership, which in turn meant control. This means that for the proprietor, the mark most likely would have been viewed as having the primary function of allowing him to manipulate and control his property as he saw fit in whatever capacity.

Thus, the argument suggesting that proprietary marks were used in a personal capacity while trademarks were used in trading capacities is not one which takes the perspective of the owner into account but rather, is based on the perception of the public which has been imposed on the owner as embodying his true intentions. This thesis proposes that the true intentions of markings (trademarks included) throughout history is to be understood from biological, anthropological and psychological perspectives. Specifically, these perspectives indicate the alternative view that marks (in both personal and trading capacities) were predominantly a form of expression of the perception of ownership. The fact that they have now been commonly accepted as indicators of origin and quality are resultants of the initial expression of ownership. This sense of ownership is also consistent with Locke's theories¹⁷⁰ on property ownership as well the current brand culture which exists in modern times has been enabled by lawmakers through the granting of exclusive rights. In this regard, this thesis contests the

¹⁶⁹See for e.g. Frank I. Schechter, *The Historical Foundations of the Law Relating to Trade-marks* (The Lawbook Exchange, Ltd. 2012); William H. Browne, *A Treatise on the Law Trade Marks and Analogous Subjects*, 11 [1898], as cited in Sidney A. Diamond, 'The Historical Development of Trademarks' (1983) 73 *Trade Mark Reporter* 222.

¹⁷⁰See chapter 3.

scholarly views put forward by Schechter and Browne that historically, there was a difference between marking to indicate proprietary ownership and marking to indicate origin in trade.¹⁷¹ Schechter argues that courts have made no effort to observe this distinction between technical trademarks and proprietary marks although he concedes that often in practice in the middle ages, there was a conflation of both in the use of marks.

This thesis suggests that creating this distinction overlooks important sociobiological, anthropological and psychological foundations in the understanding of why marks were generally created and used in the first place by their owners. Arguably, the continuation of Schechter's distinction in the current system disregards the unique details which form the substance of trademarks; the 'raison d'être' in essence. They may have later been incidentally used as signs to indicate origin, but this was not the true motivation for their creation from the viewpoint of the trademark owner. His original intents are characterised by the self-seeking nature of marks which is not primarily concerned with benefitting society. The fact that the consuming society incidentally benefit (through certainty of origin and quality) from the self-seeking nature of the marks through the manipulating efforts of the owner is not reason enough to ignore the underlying nature as the real reason for the creation of trademarks. Realisation and understanding of this self-seeking nature and its general inclination towards incompatibility with all other player interests will be the first step forging lasting solutions to the problem of inconsistencies in this area.

This thesis presents the view that the sense of ownership (derived innately from a biological perspective and backed by anthropological and psychological inclinations) linked with the proprietary possession of marks is tremendously dominant to the point that any attempts to create a distinction with the later assumed technical function of a trademark is almost futile because the dominant nature will always seek to reassert itself. This is particularly observable in the modern system of trademark law where although the purported technical

¹⁷¹Frank I. Schechter, *The Historical Foundations of the Law Relating to Trade-marks* (The Lawbook Exchange, Ltd. 2012); William H. Browne, *A Treatise on the Law Trade Marks and Analogous Subjects*, 11 [1898], as cited in Sidney A. Diamond, 'The Historical Development of Trademarks' (1983) 73 *Trade Mark Reporter* 222.

function of designating origin and quality is viewed as the primary functions of a mark, it has not stopped proprietors of marks from seeking to reassert their dominance through pushing and lobbying for greater protection from the law. Thus, the creation of such a distinction (proprietary and technical natures of marks) has resulted in the law fostering the existence of two contradicting intentions. The concluding section finally observes that it has become obvious that this proprietary nature cannot coexist alongside the technical nature; neither can it exist as subordinate because it continues to reassert its dominant nature to the point of creating the perception it is the fundamental purpose of creating a trademark. It is this perception that arguably creates confusion and inconsistencies because it is at odds with the popularly acknowledged primary functions.

This section will also review existing academic works on the inconsistency issues to the effect of proposing that the inconsistencies in trademark law arise predominantly because of legislators designating the supposed technical functions of origin and quality as the primary purpose of trademarks instead of recognising that the real intention of marking property is to express territorial control through ownership. There is a difference between the two; the former is limiting in nature whilst the latter is all encompassing. It will be seen that although the CJEU through its jurisprudence and legislators through subsequent reforms, have been pressured to recognise the encompassing existence of this expression of ownership by acknowledging the existence of 'other' functions of a trademark,¹⁷² it remains inadequate to simply concede the existence of these functions alongside the functions designated as primary. The flanking of these opposing functions is inconsistent with the sense of ownership envisioned by the owner of the mark where the anticipation is usually of having the principal benefit of his creation in the highest rank and never subordinate to a resultant effect. Thus, more avenues such as branding are constantly sought to express this underlying sense of ownership with the resulting effect of differing scopes of protection for trademarks and ambiguities as to where the scopes start and end.

¹⁷²Such as advertising, investment, etc.

This section concludes by observing that the nature and characteristic of both trademarks and the trademark owner's intention is inherently self-seeking although it does confer some public benefit parenthetically. Once society (specifically lawmakers and the judiciary) can be accepting of this nature and its concurrent limitations, it will create room for establishing better solutions to the inconsistency problems that have emanated from the nature of trademarks and their proprietors' purpose for creating them. It finally recommends that the way out of this dichotomy may be to either fully recognise the proprietary (not technical) nature of trademarks as the fundamental purpose of creating them or refuse to acknowledge this proprietary nature completely. It also explores the pros and cons for each solution.

The second part of this chapter will further explore the self-seeking nature of trademarks and the wider impact on society using the Marxian principles of property as the tool for investigation. It will examine the concept that trademarks are tools which promote free and fair market competition and how as a class of private property in a Capitalist system, they create opportunities for exploitation leading to broader societal inequalities.

2.2 History and purpose of Trademarks

The importance of trademark cannot be underplayed. Since the dawn of time, it has always been a primal instinct for animals and humans to lay claim to anything considered being theirs for the purpose of differentiating or marking their territory and asserting ownership.¹⁷³ This primal instinct also lends itself as an important propeller in the history of marks which can be traced as far back as antiquity. In

¹⁷³Robert Ardrey, *The Territorial Imperative: A Personal Inquiry into the Animal Origins of Property and Nations* (Robert Ardrey's Nature of Man series Book 2, kindle edition, StoryDesign LTD 2014), see also similar views by Pierre L. Van den Berghe, *Man in society: A biosocial view* (2nd edition Elsevier 1978); Konrad Lorenz, *King Solomon's Ring* (Routledge Classics, 2nd edition, Routledge 2002); Desmond Morris, *The Naked Ape: A Zoologist's Study of the Human Animal* (Kindle Edition, Vintage Digital 2010); Emanuel Maier, 'Torah as Movable Territory' (1975) 65(1) *Annals of the Association of American Geographers* 18-23 <www.jstor.org/stable/2569169> Accessed 4th January 2024.

ancient times,¹⁷⁴ the Sumerians, Egyptians, Greeks, Romans, Chinese and even in medieval Europe were known to at one time or the other, have the 'owner's mark' on items such as pottery, masons' bricks, seal emblems, religious carvings, etc and even branded on livestock.¹⁷⁵ It was not uncommon to find the works of craftsmen indented with unique depictions and inscriptions and sometimes, even the application of their own names to their crafts as a means of identification. Even in current times, scholars devoted to the research and study of the ancient heritage of cultural marks and marking systems often use 'potters marks' to identify the maker/potter of a vessel.¹⁷⁶

It is not known for certain what the real intentions of users of marks in commercial settings in antiquity were, though logical explanations such as marking to designate origin and guarantee quality have been proffered and accepted in the academic community with little questioning. This is reinforced by consumer perceptions as to what the functions of the mark are. However, could it be that there were less altruistic reasons associated with marking one's property throughout history? This section traces and explores the history of marks in three main periods of time using sociobiological, anthropological and psychological observations to gain an understanding of the true purposes and nature of the marking systems that evolved.

From a biological standpoint, the concept of animate species leaving marks is inextricably linked with territorial behaviour. Ardrey has described this territorial behaviour as a genetic tendency driven by an innate compulsion to dominate and guard a space which is deemed as an exclusive reservation and that this is observable in most species, including humans.¹⁷⁷ Cohen who shares a similar view

¹⁷⁴Ben J. J. Haring & Olaf E. Kaper (eds), *Pictograms or Pseudo Script? Non-Textual Identity Marks in Practical Use in Ancient Egypt and Elsewhere: Proceedings of a Conference in Leiden* Egyptologische Uitgaven- Egyptological Publications: Twenty Fifth Series (Peeters Publishers 2009).

¹⁷⁵Sidney A. Diamond, 'The Historical Development of Trademarks' (1983) 73 Trademark Reporter 222.

¹⁷⁶Petra Andrassy, Julia Budka & Frank Kammerzell, *Non-Textual Marking Systems, Writing and Pseudo Script from Prehistory to Modern Times* (Lingua Aegyptia - Studia monographica 8), (Göttingen 2009).

¹⁷⁷Robert Ardrey, *The Territorial Imperative: A Personal Inquiry into the Animal Origins of Property and Nations* (Robert Ardrey's Nature of Man series Book 2, kindle edition, StoryDesign LTD 2014).

has stressed that human beings display a propensity either through instinct or culture, to attain control of a territory.¹⁷⁸

Gold asserts that this territorial nature can be detected in most of human activities as they are largely organised on a territorial basis.¹⁷⁹ He further contends that this territorial nature does not end on such a macro level but can also be observed from the fact that a considerable amount of human behaviour focuses on demarcating space and continuing boundaries.

Of course, there are others who do not share the view that the territoriality of humans is biologically instinctual.¹⁸⁰ This opposing view concedes that there are some analogous traits between animals and human with regards to their behaviours towards territory. However, it draws the line at this analogy by claiming that man's territorial nature does not originate from blind innateness but from a cultural solution to specific difficulties encountered by mankind. The underlying representation here is that while animal territoriality is engrained in basic survival needs, the territorial nature of humanity encompasses much more. It embodies more sophisticated demands such as portrayal of self-image, status and identity in society as well as differentiation and acknowledgement from others.

At the heart of these 'nature versus nurture' debates lie the fundamental question of whether a trademark can be viewed solely as an expression of territoriality through a sense of ownership because it was initially created due to a biological predisposition or whether it assumes a more technical role of designating origin and quality because it was created as a cultural solution to solve the specific societal problem of identifying the origin of goods and the person responsible for their quality. These questions are crucial to the understanding of the legal protection that is given to trademarks.

¹⁷⁸Erik Cohen et al, 'Environmental Orientations: A Multidimensional Approach to Social Ecology [and Comments and Reply]' (1976) 17(1) *Current Anthropology*, 49–70 <www.jstor.org/stable/2741584> Accessed 4 January 2024.

¹⁷⁹John R. Gold, 'Territoriality and human spatial behaviour' (1982) 6(1) *Progress in Human Geography* 44-67.

¹⁸⁰Vernon Reynolds, 'Open Groups in Hominid Evolution' (1966) 1(4) *Man* 441-452; John H. Crook, 'The Nature and Function of Territorial Aggression in Ashley Montagu (ed), *Man and Aggression* (Oxford University Press 1973) 183-220; Aristide Esser, *Behavior and Environment: The Use of Space by Animals and Men* (1971 edition, Springer 2013).

To answer this question, it is worth delving into the specific history of trademarks to understand the motivation behind their creation and trace their subsequent evolution in societal use. The starting point accordingly places this exploration in the prehistoric era of the civilisation timeline.

2.2.1 Prehistoric and Medieval periods

There have been speculations in history that the first ever use of markings was for branding of livestock.¹⁸¹ In fact, the cave paintings in Southern Europe and ancient Egyptian wall paintings depict images of branded cattle.¹⁸² Ruston has submitted that these simple designs used for branding may be confirmation that a picture writing system existed.¹⁸³ There has even been evidence of 'ear cutting' as a form of branding in Madagascar.¹⁸⁴

The next evidence in the record of markings were found in pottery which has been generally accepted as one of the oldest human creations. Prehistoric settlements like Corinth and Crete in Greece,¹⁸⁵ Tordos in Transylvania,¹⁸⁶ Abydos in Egypt¹⁸⁷ all demonstrate the use of marking systems on the earthenware found. There is some speculation that in some more advanced systems like Crete during the Minoan period, the marks were used to indicate that the owners of the materials were situated regionally because they would have had to pay taxes if the products were deemed as imported.¹⁸⁸ It appears that markings were also used on porcelain

¹⁸¹Sidney A. Diamond, 'The Historical Development of Trademarks' (1983) 73 Trademark Reporter 222.

¹⁸²Sidney A. Diamond, 'The Historical Development of Trademarks' (1983) 73 Trademark Reporter 222.

¹⁸³Gerald Ruston, 'On the Origin of Trademarks' (1955) 45 Trademark Reporter 127, see also Benjamin G. Paster, 'Trademark's—Their Early History' (1969) 59 Trademark Reporter 551

¹⁸⁴Bernard Rudofsky, 'Notes on Early Trademarks and Related Matters', in Egbert Jacobson (ed) *Seven Designers Look at Trademark Design* (Chicago, P. Theobald, 1952).

¹⁸⁵Frank I. Schechter, *The Historical Foundations of the Law Relating to Trade-marks* (The Lawbook Exchange, Ltd. 2012).

¹⁸⁶Gerald Ruston, 'On the Origin of Trademarks' (1955) 45 Trademark Reporter 134; Edward S. Rogers, *Some Historical Matter Concerning Trade-Marks*, (1910) 9 MICH. L. Rev. 29; Sidney A. Diamond, *The Historical Development of Trademarks*, (1975) 65 Trademark Rep. 265.

¹⁸⁷Gerald Ruston, 'On the Origin of Trademarks' (1955) 45 Trademark Reporter 128-130.

¹⁸⁸Malcolm H. Wiener, 'The nature and control of Minoan foreign trade', in Noel H. Gale, (ed) *Bronze Age trade in the Mediterranean* (Studies in Mediterranean Archaeology, Astrom 1991) 325-350.

as far as in Asia, China to be specific where there appeared to have been wide use of family stamps or house marks with the inclusion of the ruling emperor's name at the time.¹⁸⁹

The next set of evidence of marks in prehistory were discovered on bricks in Mesopotamia and Egypt where they not only contained the manufacturer's name and the owner of the building in which the bricks were used but also the seal of approval that the bricks were safe to use having undergone the proper drying period and sometimes the ruling king's name.¹⁹⁰

As civilisations began to grow, so did the widespread use of marks. For example, in classical Greek art, there are indications of use of the artist's name as well as other animal figures such as lions' heads, Hermes, bees, etc which have been surmised to be device marks.¹⁹¹ It is also reasoned that ancient Greeks marked products such as jars holding the famous wine of Thasos for exports by including the name of the official pledging the quality of the wine, the name of the island where it was made and the device of the winemaker.¹⁹² Similar conjectures have been made about the Etruscans and the Romans where Rogers and Ruston have identified names and device marks on famous cheese and wines.¹⁹³ It has also been noted that other markings have been found like; allusion to significant personal and public events, commendations used in games and the name of the owner of a pottery and even dedications to deities.¹⁹⁴

Rudofsky has argued that even counterfeits existed in such times and cited the example of the famous Roman oil lamps which had the mark of the famous maker 'fortis'.¹⁹⁵ He claims that it appears the mark was counterfeited at length in places

¹⁸⁹Abraham S. Greenberg, "The Ancient Lineage of Trade-Marks", (1951) 33 Journal of the Patent Office Society at 878.

¹⁹⁰Benjamin G. Paster, 'Trademarks - Their Early History' (1969) 59 Trademark Reporter 551 at 552-553; see also Edward. S. Rogers, 'Some Historical Matter Concerning Trade-Marks' (1910) 9 Michigan Law Review 28, at 29-30.

¹⁹¹Edward. S. Rogers, 'Some Historical Matter Concerning Trade-Marks' (1910) 9 Michigan Law Review 28, at 30.

¹⁹²Gerald Ruston, 'On the Origin of Trademarks' (1955) 45 Trademark Reporter 132; Benjamin G. Paster, Trademarks-Their Early History, (1969) 59 Trademark Rep. 551, 552.

¹⁹³Gerald Ruston, 'On the Origin of Trademarks' (1955) 45 Trademark Reporter 132; Edward. S. Rogers, 'Some Historical Matter Concerning Trade-Marks' (1910) 9 Michigan Law Review 31.

¹⁹⁴Gerald Ruston, 'On the Origin of Trademarks' (1955) 45 Trademark Reporter 132-133.

¹⁹⁵Bernard Rudofsky, 'Notes on Early Trademarks and Related Matters', in Egbert Jacobson (ed). Seven Designers Look at Trademark Design (Chicago, P. Theobald, 1952) at 5-6.

such as Britain, Spain, France, Holland and Germany. Diamond has explained that it soon became the generic name for an assortment of lamps.¹⁹⁶ It seems that even doctors' names were put on the packaging of eye ointments which they had formulated themselves. Likewise, an example of an inn in Pompeii which displayed the sign of an elephant along with advertising stating in Latin "an inn with a dining room with three comfortable couches"¹⁹⁷

From the above elucidation, it can be surmised that most people in antiquity generally used markers as a means of formally legitimising ownership of their property and identifying themselves as an art of expression, not entirely to show origin or guarantee. This seems to have strong links with the biological explanations that humans are innately territorial because marking one's property is a key exhibition of territorial behaviour and the sense of ownership is also linked to notions of control, which is also associated with territorial behaviour. All the above examples appear to have had more personal reasons for marking goods although there is no way to know for certain. The prevalent idea that they were used to designate origin does not appear as convincing as the argument that the marks indicated ownership.¹⁹⁸ Most of the creators of such products in antiquity were craftsmen and artists who most likely took great pride in their work and wished to show it off as theirs. Hence, the inscription of their names to it. In other instances, as has been observed, if the work was commissioned by someone else, the commissioner's name would also appear on the property. This supports the view of a sense of ownership in the motivation of marking. The commissioner's name on the product was most likely inscribed because he would have paid for the work to be done; making it his property. Even the example seen above where markings were used to designate origin, they were specifically to avoid local tax stipulated for imported goods. This is reinforced by the speculation that the first ever marks used were branding on livestock. The branding used in this manner gives a strong impression that it was to mark a person's territory through

¹⁹⁶Sidney A. Diamond, 'The Historical Development of Trademarks' (1983) 73 Trademark Reporter at 272.

¹⁹⁷Edward. S. Rogers, 'Some Historical Matter Concerning Trade-Marks' (1910) 9 Michigan Law Review 28, at 30.

¹⁹⁸Daniel M. McClure, 'Trademarks and Unfair Competition: A Critical History of Legal Thought' (1979) 69 Trademark Reporter 305.

indication of ownership on the animals. The family stamps or house marks used in ancient China also lend themselves in support of this view for the point of identifying family property. It is not explicitly clear that these marks were intended to designate origin and quality for consumers benefits.

Maniatis has speculated that the two laws in Roman antiquity which could have potentially been associated with marks were Lex Cornelia de injuriis, c. 81 B.C and actio injuriarum or the actio doli.¹⁹⁹ The former applied to public prosecutions in relation to using someone else's name for profit whilst the latter applied to the right of a buyer to bring an action for deceit in relation to falsely marked goods.²⁰⁰ Although Maniatis has made it clear that there is a serious lack of evidence in this area to provide a clearer picture of whether these actions were trademark related, it is equally conceivable that Lex Cornelia de injuriis would have had strong connections with the territorial nature of marking and sense of ownership prevalent in those times. The loosely translated meaning of this Latin phrase supports this view; a law providing a penalty for the injury to one's person. A person's property is normally considered an extension of the self. Thus, if a person's name is classed as his property, he would at the very least feel slighted if his name was used for profit by someone else.

Similarly, with regards to actio injuriarum or the actio doli these are not explicitly linked with designation of origin as the focus is on the intent to deceive. Although by allowing the buyer the right to bring an action, it does bear indirect resemblance to the modern legal basis for the use of marks in the sense that trademark law identifies origin of goods as one of the primary functions of a mark intended to avoid deceiving or confusing a buyer. Nevertheless, as there is no evidence of an action for trademark using action injuriarum or the actio doli, the most convincing proofs so far in the history of marks suggest that most marks were created and used with an underlying sense of ownership as motivation.

The middle ages in Europe largely consisted of an initial period of illiteracy, a standstill in the progress of commerce and poverty,²⁰¹ followed by a period of

¹⁹⁹Spyros M. Maniatis, 'The communicative aspects of trade marks: a legal, functional and economic analysis' (PhD thesis, Queen Mary College, University of London, 1998).

²⁰⁰Alan M. Prichard, Leage's Roman Private Law (3rd edition, Macmillan, 1967) at 56-59.

²⁰¹Sidney A. Diamond, 'The Historical Development of Trademarks' (1983) 73 Trademark Reporter at 272; Bernard Rudofsky, 'Notes on Early Trademarks and Related Matters', in

economic growth as evidenced by the prosperity and expansion of trade. House or family or personal marks were still in use during this period, having originated from their use in prehistory.

These marks by definition, served primarily to distinguish one man's possession from another during that era although this soon changed with the advent of mass commercialisation. This transition was an important one as the marks used in antiquity do not appear to have been initially used predominantly in trade. However, with the rise of subsequent forms of trading, it became acceptable practice that the people who owned house or family or personal marks would also use them in their businesses to demonstrate their presence in that aspect of trade through use of marks like seals, coat of arms, signets etc as store/shop/inn signs.²⁰² This depicts a strong resonance with the territorial nature of ownership of marks already argued above.

Diamond has noted that these personal or house marks carried on serving their proprietary function of designating ownership even though they were used simultaneously in trade.²⁰³ Some famous examples of property that bore these markings were practically anything that could be marked including animals and human slaves and prisoners.²⁰⁴ In Britain, there was even evidence of the monarch granting marks cut in the skin of swans' beaks to the nobility as proof of their privilege to claim ownership of the birds protected by royal decree.²⁰⁵

Schechter has traced the current use of origin and quality as primary functions of a mark back to the use of personal marks by clothiers in the middle ages. Though these marks were proprietary in nature, they were soon viewed as a way of differentiating fabrics which were of superior quality.²⁰⁶ Even manufacturers of

Egbert Jacobson (ed) *Seven Designers Look at Trademark Design* (Chicago, P. Theobald, 1952) at 13.

²⁰²Sidney A. Diamond, 'The Historical Development of Trademarks' (1983) 73 *Trademark Reporter* at 272; Gerald Ruston, 'On the Origin of Trademarks' (1955) 45 *Trademark Reporter* 136-137.

²⁰³Sidney A. Diamond, 'The Historical Development of Trademarks' (1983) 73 *Trademark Reporter* at 273.

²⁰⁴Sidney A. Diamond, 'The Historical Development of Trademarks' (1983) 73 *Trademark Reporter* at 273.

²⁰⁵Frank I. Schechter, *The Historical Foundations of the Law Relating to Trade-marks* (The Lawbook Exchange, Ltd. 2012) at 35-37.

²⁰⁶Frank I. Schechter, *The Historical Foundations of the Law Relating to Trade-marks* (The Lawbook Exchange, Ltd. 2012) at 94-95.

the tapestries were at some point known to have their seals on the products as personal guarantee of quality.²⁰⁷

2.2.2 Modern period: Brand Culture

In this section, an examination of the evolution of branding to its current position will be made in relation to its impact on trademark. It will be argued that 'branding' is simply a reinforcement of the self-objecting nature of the sense of ownership that has long existed in the history of creating marks. That the expansion of the 'functions' of a trademark has evolved, giving rise to brand culture in markets, is merely an expression of this.

Undoubtedly, a fundamental aspect of a business which guarantees profit making is its image. In more accurate terms, it is the perception the general public has of the company's representation. Hence, it is no wonder that businesses, in particular big ones, expend quite a lot of resources in ensuring that its customers' view of the company is not distorted.

The branding used in this manner gives a strong impression that it was to mark a person's territory through indication of ownership on the property.

Maniatis has speculated that the two laws in Roman antiquity which could have potentially been associated with marks were Lex Cornelia de injuriis, c. 81 B.C and actio injuriarum or the actio doli.²⁰⁸ The former applied to public prosecutions in relation to using someone else's name for profit whilst the latter applied to the right of a buyer to bring an action for deceit in relation to falsely marked goods.²⁰⁹

Although Maniatis has made it clear that there is a serious lack of evidence in this area to provide a clearer picture of whether these actions were trademark related, it is equally conceivable that Lex Cornelia de injuriis would have had strong connections with the territorial nature of marking and sense of ownership prevalent in those times. The loosely translated meaning of this Latin phrase supports this view; a law providing a penalty for the injury to one's person. A person's property is normally considered an extension of the self. Thus, if a

²⁰⁷Sidney A. Diamond, 'The Historical Development of Trademarks' (1983) 73 Trademark Reporter at 273.

²⁰⁸Spyros M. Maniatis, 'The communicative aspects of trade marks: a legal, functional and economic analysis' (PhD thesis, Queen Mary College, University of London, 1998).

²⁰⁹Alan M. Prichard, Leage's Roman Private Law (3rd edition, Macmillan, 1967) at 56-59.

person's name is classed as his property, he would at the very least feel slighted if his name was used for profit by someone else.

Similarly, with regards to *actio injuriarum* or the *actio doli* these are not explicitly linked with designation of origin as the focus is on the intent to deceive. Although by allowing the buyer the right to bring an action, it does bear indirect resemblance to the modern legal basis for the use of marks in the sense that trademark law identifies origin of goods as one of the primary functions of a mark intended to avoid deceiving or confusing a buyer. Nevertheless, as there is no evidence of an action for trademark using *actio injuriarum* or the *actio doli*, the most convincing proofs so far in the history of marks suggest that most marks were created and used with an underlying sense of ownership as motivation.

This basic perception of ownership can be further enlightened from a psychological perspective using the phenomenon of the endowment effect. The endowment effect in psychological terms is the conception that owners of property or things will ascribe more value to them than others are willing to.²¹⁰ To demonstrate this phenomenon, Kahneman, Knetsch and Thaler conducted experiments where they allocated coffee cups to only half of the study's population and asked them to quote the price they were willing to sell it their cups for while the other half of the participants in the study were asked to quote the price they were willing to buy each cup.²¹¹ The results showed that those who were given the cups were disinclined to sell it for less than \$5.25 while the buyers would not pay more than \$2.75. Another study also supporting this view showed that people were willing to pay only \$31 for a hunting permit which they concomitantly on average charged \$143 to sell.²¹² At first, it was argued by Kahneman et al that an explanation behind this phenomenon is the concept of loss aversion which entails that humans are naturally opposed to the feelings of loss associated with parting of their property. However, more recently, other researchers have argued that ownership is the true cause of the endowment effect

²¹⁰Richard Thaler, 'Toward a positive theory of consumer choice' (1980) 1 *Journal of Economic Behavior & Organization* 39-60.

²¹¹Daniel Kahneman et al, 'Experimental Tests of the Endowment Effect and the Coase Theorem' (1990) 98(6) *Journal of Political Economy*, 1325-1348 <www.jstor.org/stable/2937761> date accessed 4 January 2024.

²¹²Ziv Carmon & Dan Ariely, 'Focusing on the Forgone: How Value Can Appear So Different to Buyers and Sellers' (2000) 27(3) *Journal of Consumer Research* 360-370.

not loss aversion.²¹³ This is known as the ‘mere ownership’ effect in which a person places more value on their property not because they expect the pain of parting with it to be greater than acquiring another property but because they expect they simply own it. This high value placed on ownership has now been explained as possible because of ‘positive feelings toward the self’ which are constituted of sentiments of pride.²¹⁴ Alexopoulos et al postulate that because of these positive feelings of pride which generate a reliable endowment effect, the “...endowed good becomes part of the self.”²¹⁵ They also suggest that this sense of placing a high value on one’s goods is to be regarded as a ‘self-enhancement’ strategy commencing or resulting from the connection with the ‘self-object’ nature of endowment. It should be observed at this point that the characterisation of this self-object nature of endowment has narcissistic connotations.²¹⁶ The notion of self-object embodies the selfish drive in the serving of the self which is ranked above anything else.

Using this insight from psychology, it is postulated that the marking of property is a way of exaggerating its value in order to solidifying territorial control over it. The innate drive to mark one’s property would most likely have been to make a visible impression in service of the self as a self-enhancement strategy to the high value placed on one’s property because of the feelings of pride associated with ownership.

²¹³Carey K. Morewedge et al, ‘Bad riddance or good rubbish? Ownership and not loss aversion causes the endowment effect’ (2009) 45(4) *Journal of Experimental Social Psychology* 947-951
<<https://www.sciencedirect.com/science/article/pii/S0022103109001279>> Accessed 4 January 2024.

²¹⁴Theodore Alexopoulos et al, ‘Good self, bad self: Initial success and failure moderate the endowment effect’ (2015) 50 *Journal of Economic Psychology* 32-40
<<https://www.sciencedirect.com/science/article/pii/S0167487015000951>> Date accessed 4 January 2024.

²¹⁵Theodore Alexopoulos et al, ‘Good self, bad self: Initial success and failure moderate the endowment effect’ (2015) 50 *Journal of Economic Psychology* 32-40
<<https://www.sciencedirect.com/science/article/pii/S0167487015000951>> Date 4 January 2024.

²¹⁶For e.g. see the work of Heinz Kohut, *The Analysis of the Self: A Systematic Approach to the Psychoanalytic Treatment of Narcissistic Personality Disorders* (Reprint edition, University of Chicago Press 2009); see also Brian Smothers ‘Selfobject’ in David A. Leeming (ed) *Encyclopedia of Psychology and Religion* (2nd edition Springer 2014).

During the Great Depression that spread worldwide in 1929, the society became more prudent with spending and this drove down sales.²¹⁷ In order to drive sales, a new marketing strategy of products was introduced. A significant part of this was achieved through advertising, although other efforts included, the price, quality and packaging of the product. The end product of the above 'efforts' as perceived by a consumer can be referred to as constituting a brand. In the words of Ganjee and Burrell, "While the brand owner certainly initiates the process, a brand ultimately exists in the minds of consumers, where it fluctuates and is reconstituted, sometimes in unpredictable ways."²¹⁸

The important feature is that it is the consumer's perception of the projected values that lends the business its brand image and as such, it is intangible in nature. For example, from the advertising of Persil the laundry product, it is obvious that in the producer's view, Persil is more than an indication of origin. It is a brand that 'embodies the spirit of motherhood' of being firm but fair in providing unbeatable cleaning results every time and has continually done so for over a century at fair prices.²¹⁹ This producer's view is then undoubtedly projected to the consumer through a series of unrelenting advertising and eye-catching product packaging. The result being, a subliminal mental encoding that inadvertently alters and adapts itself every time to suit the end user's unique need. This unique need being more psychological in nature can take any form of assurance of comfort, security, thrill or any emotion the end user relates to at that point in time. Thus, according to Landes and Posner:

A trademark conveys information that allows the consumer to say to himself, 'I need not investigate the attributes of the brand I am about to purchase because the trademark is a shorthand way of telling me that the

²¹⁷Gene Smiley, 'Great Depression' (The Concise Encyclopaedia of Economics) <<http://www.econlib.org/library/Enc/GreatDepression.html>> Accessed 24 January 2024.

²¹⁸Dev Gangjee and Robert Burrell, 'Because You're Worth It: L'Oréal and the Prohibition on Free Riding', (2010) 73(2) Modern Law Review 291.

²¹⁹<<http://www.unilever.co.uk/brands/homecarebrands/Persil.aspx>> Accessed 24 January 2024.

attributes are the same as that of the brand I enjoyed earlier.²²⁰

In this regard, a brand could be said to be a provider of stability through the emotional attachment of the consumer. This position is also succinctly illustrated by Litman using two boxes of cereal for kids, with and without Batman on it, “[i]t has nothing to do with the way the cereal tastes. What kids want isn’t a nutritious part of a complete breakfast; they want Batman to have breakfast with them. One box supplies that; the other doesn’t.”²²¹

Today, brands and trademarks have progressed to be literally synonymous and share the same history with trademarks. Perhaps, largely to do with the fact that they both were borne out of the same purpose; i.e. the need to gain territorial control through differentiating one product from others by marking. While the term ‘branding’ has evolved economically to exude a totality of values in product image, there is still expectation from the consuming public that the technical reality of trademark (its use for differentiating products and signifying quality) will be the primary focus of proprietors. Unfortunately, as the concept of branding indicates, this is not the trademark proprietor’s primary focus. As argued in the historical exploration above, the proprietor’s primary focus remains the inclination to delineate his territory through the control and narcissistic manipulation of his mark. Guaranteeing origin and quality is the icing on the cake for him, through his decision to constantly adopt a self-enhancing strategy to reassert his territorial control (which is the cake itself). This self-enhancing strategy involves manipulating his territorial reputation through the mark in such a way that consumers are compelled to want to associate themselves with the endowment effect of the mark which the owner has projected on to them. This is evidenced by Newman’s explanation on Thorstein Veblen’s coined phrase, ‘conspicuous consumption’²²² that people make purchases signalling their social

²²⁰ Willam M. Landes & Richard A. Posner, ‘Trademark Law: An Economic Perspective’ (1987) 30(2) *The Journal of Law & Economics* 265 <<https://www.jstor.org/stable/725498>> accessed 4 January 2024.

²²¹ Jessica Litman, ‘Breakfast with Batman: The Public Interest in the Advertising Age’ (1999) 108 *Yale Law Journal* 1717, note 3 at 1727.

²²² Thorstein Veblen, *The theory of the leisure class: An Economic Study of Institutions* (Augustus M. Kelly 1975) (1899).

status.²²³ According to Newman, Veblen's theory is currently used to refer to products that signify wealth and status in the society.

The actuality in EU trademark law is that the components of branding such as 'status signalling' qualities have been incorporated under trademark as 'functions'. This means that big brands are now pushing to extend the protection originally afforded to their trademarks to encompass these extra values. As already explored before, this position is simply reiterating its historical roots. Senftelben has remarked that, "The investment in brand image creation, therefore, is an individual, selfish marketing decision for which the trademark owner cannot expect a reward from society as a whole."²²⁴

Also criticising this trend towards broader protection is Harrison who stated that, "The reason for the cross-over of trademark from a method of lowering transaction costs to a legal means of protecting status signalling akin to tattoos and piercings for the relatively well-to-do is not clear. It is a judicially created "right" that seems to serve little more than the vanity of the some at the expense of the many more."²²⁵

Observing the finer points of the above arguments, it appears correct to say that the status signalling role of trademarks has now been offered legal protection as a right in law. However, this thesis elucidates that the assertion of this controlling feature by trademark owners and their consequent acceptance by legislators and judicial actors, is clear because it is consistent with the sociobiological and psychological purposes of the creation of a mark as examined in the history of marks. Trademarks embody an expression of the territorial nature of property which their owners intend to dominate. The fact that the public expect different is astounding; trademark owners cannot act inconsistently with this nature which is inherently self-objecting or narcissistic. It would be anomalous to the very idea of self-enhancing the endowment effect owners have in relation to their marks and property.

²²³Daniel E. Newman, "Portraying a Brand World"

<<http://www.jltp.uiuc.edu/archives/newman.pdf>> Accessed 24 January 2024.

²²⁴Martin Senftelben, 'The Trademark Tower Of Babel- Dilution Concepts In International, US And EC TrademarkLaw' (2009) 40(1) International Review of Intellectual Property and Competition Law, 53.

²²⁵Jeffrey L. Harrison, 'Trademark Law and Status Signaling: Tattoos for the Privileged' (2007) 59 Florida Law Review 195 <<http://scholarship.law.ufl.edu/facultypub/180>> Accessed 24 January 2024.

Conversely, Griffiths considers that trademarks may add extra value in the form of acting as a fixed position in which consumers can associate other goods to appealing systems of standards, ideals or images.²²⁶ Gerhardt has also argued that the evolution of trademarks into brands means that they are now compelling channels of self-expression and assertion of a person's personal beliefs and values.²²⁷ Arguably because of these extra values that trademarks provide, their owners feel their personal property which they created to provide these extra values should be deserving of legal protection.²²⁸ The rationale cited for this is that if they are not afforded legal protection, it would affect the quality of the marks reputation which consumers rely on.²²⁹ However, Ramello has argued that there is no conclusive evidence of social benefit in protecting trademarks as an effective intangible product.²³⁰ In similar fashion, Brown has casted a dubious shadow over the professed social utility of trademarks.²³¹

Bone has attempted to explain this protectionist view as originating from the fact that trademark law engenders high enforcement costs which the protection of these extra functions can be viewed as legal tools which the owners utilise to operate these costs.²³² Loughlan offers a contrasting perspective to this view by emphasizing on the limited nature of the monopolies afforded to trademark owners to foster free competition by allowing ideas to be free for public use.²³³ Furthermore, a new school of thought offers a different perspective on the current role of trademarks. It is now said that trademarks act as embodiments of

²²⁶Griffiths, 'Trade Mark Monopoly' (2007) *Intellectual Property Quarterly* 312.

²²⁷Deborah R. Gerhardt, 'Consumer Investment in Trademarks' (2010) 88 *North Carolina Law Review* 427.

²²⁸Rebecca Tushnet, 'Gone in Sixty Milliseconds: Trademark Law and Cognitive Science' (2008) 86 *Texas Law Review* 507.

²²⁹Tony Martino and Werner Ullah, 'The Quality Guarantee Function of Trade Marks: An Economic Viewpoint [1989] *European Intellectual Property Review* 265; Mathias Strasser, 'The Rational Basis of Trademark Protection Revisited' (2000) 10 *Fordham Intellectual Property, Media & Entertainment Law Journal* 375.

²³⁰Giovanni B. Ramello, 'What's in a Sign?' (2006) 20(4) *Journal of Economic Surveys* 547.

²³¹Ralph Brown, 'Advertising and the Public Interest: Legal Protection of Trade Symbols' (1948) 57 *Yale Law Journal* 1165, reprinted in (1999) 108 *Yale Law Journal* 1619.

²³²Robert Bone, 'Enforcement Costs and Trademark Puzzles' (2004) 90 *Virginia Law Review* 2099

²³³Patricia Loughlan, "Trade Marks: Arguments in a Continuing Contest" [2005] *Intellectual Property Quarterly* 294.

consumers' emotional, spiritual and psychological values.²³⁴ The intangibility of these experience has now been termed as the 'experience economy' function of trademarks.²³⁵ Therefore, Swann argues that the successful reputation of a mark is dependent on its ability to exceed the norm of guaranteeing origin and quality by offering these extra values to consumers.²³⁶ This experience economy has been justified using cognitive theory in psychology on the basis that trademarks have evolved from their 'inducing' roles to 'stimulating' roles in present times and have thus, achieved a salient status in society.²³⁷ In its inducing role, a trademark is seen as an influence in the decision-making processes of the consumers where they already have need for the product but are then influenced by the mark to choose that particular product over other similar competing products. Whereas, in its stimulating role, consumers may not have any need for the product but are triggered to make a purchase because of the intangible appeal attributed to the marks. Proponents of this view cite famous marks as possessing these inherent attributes which has the capacity to act as a vehicle for consumer self-expression and communal sentiments.²³⁸

Thus, trademarks no longer succeed because of product differentiation but because of the number of consumers the mark is salient to. This salience is effectively achieved through the medium of advertising.²³⁹ While Yap²⁴⁰ identifies that the salience theory is the foundation of the justification for the additional functions like advertising and investing especially in famous or well-known marks, Tarawneh emphasizes the need for a reminder that these additional functions are

²³⁴Giovanni Ramello and Francesco Silva, 'Appropriating Signs and Meaning: the Elusive Economics of Trademark' (2006) 15(6) *Industrial and Corporate Change* 937, 949; Jere B. Swann et al, 'Trademarks and Marketing' (2001) 91 *Trademark Reporter* 787; Katya Assaf, 'Magical Thinking in Trademark Law' (2012) 37(3) *Law & Social Inquiry* 595-626 <www.jstor.org/stable/23252240> Accessed 4 January 2024.

²³⁵B. Joseph Pine and James Gilmore, *The Experience Economy: Work is Theatre and Every Business is a Stage* (Boston: Harvard Business School Press, 1999) 5.

²³⁶Jere B. Swann et al., 'Trademarks and Marketing' (2001) 91 *Trademark Reporter* 787.

²³⁷Giovanni B. Ramello, 'What's in a Sign?' (2006) 20(4) *Journal of Economic Surveys* 547.

²³⁸Deborah R. Gerhardt, 'Consumer Investment in Trademarks' (2010) 88 *North Carolina Law Review* 427.

²³⁹Andrew Ehrenberg et al., 'Differentiation or Salience' (1997) 37 *Journal of Advertising Research* 7.

²⁴⁰Po-Jen Yap, 'Making Sense of Trade Mark Use' [2007] *European Intellectual Property Review* 420.

merely offshoots of the main functions of guaranteeing origin and quality.²⁴¹ He also points out that the current status of EU trademark law is calibrated to endow the proprietor of a mark with a monopoly to control the illicit use of his mark even where there is no confusion by means of Article 5(2) of the TMD and consequently section 10(3) of the Trade Mark Act 1994. All the proprietor must do is prove that the illicit use of his mark took unfair advantage of or caused detriment to the distinctive character of his mark. Scholars against this approach have argued that a proprietor should receive protection only on the basis that they are instruments for communication between manufacturers and consumers as this would ensure the emphasis is limited to only the interest of the public.²⁴² Others also argue that this anti-dilution approach found diminishes consumer importance to the point of harm.²⁴³ At the extreme end of this view, Klein labels famous marks as perilous and impractical because of the false needs they create and encourage behaviour which is deemed undesirable in society.²⁴⁴ Consequently, illogical factors influence and penetrate consumer choices which lead to failure of the economic system in allocating resources efficiently.²⁴⁵

Another economic rationale for trademark protection which has been put forward is the 'Kaldor-Hicks efficiency' method of evaluating the cost-benefits of trademark rights, where if the extension of the right would cause hindrance to others, it would only be extended if the sum benefit is greater than the sum cost.²⁴⁶

As a solution to the problems in this area, Tarawneh advocates "a new classification for trade mark functions that will allow us to better apply these

²⁴¹Jasem Tarawneh, 'A new classification for trade mark functions' (2016) 4 Intellectual Property Quarterly 352-370; see also See Dior [1997] E.C.R. I-6013; [1998] 1 C.M.L.R. 737, Opinion of A.G. Jacobs at 42.

²⁴²Hazel Carty, 'Do Marks with a Reputation Merit Special Protection?' [1997] European Intellectual Property Review 684.

²⁴³Jennifer Davis, 'To Protect or Serve? European Trade Mark Law and the Decline of the Public Interest' [2003] European Intellectual Property Review 180; Deborah Gerhardt, 'Consumer Investment in Trademarks' (2010) 88 North Carolina Law Review 427, 499; Devin Resai, 'From Trademarks to Brands' (2012) 64(4) Florida Law Review 981, 1043.

²⁴⁴Naomi Klein, *No Logo: Taking Aim at Brand Bullies* (London: Flamingo, 2001).

²⁴⁵Robert Klieger, 'Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection' (1997) 58 University of Pittsburgh Law Review 801, 858.

²⁴⁶Charles Rowley and Francesco Parisi (eds), *Origins of Law and Economics: Essays by the Founding Fathers* (Edward Elgar Publishing 2005) pp 41–43.

newly recognised roles within the infringement framework as a whole.”²⁴⁷ He proposes a structured flexibility approach which he states the law should accept the proprietary rights of marks with the proviso that they are assessed against societal needs and the objectives of trademark law. The status of trademarks as private property will only be given effect when they will be necessary to promote economic efficiency which would comprise of boosting social welfare. He cites the rigid definitions of the CJEU in relation to these other functions as the approach to avoid and instead places emphasis on ‘flexible umbrella functions’ which would allow the courts to adapt to the specific context of cases in light of risks to public detriment considerations by restricting the usage of these functions.²⁴⁸ He traces support for this approach in some of the recent judgments of the Advocate Generals of the CJEU.

Unfortunately, this line of reasoning assumes that ‘economic efficiency’ is an overall beneficial concept to society which trademark law should work towards or enable. However, some notable scholars have argued that there is no economic efficiency or pareto optimum because the irrationality of market participants exists and not just randomly but also regularly and systematically.²⁴⁹ As such, there is no useful incentive why trademark law should cater to the concept of free market or free competition. However, it is worth noting that the irrationality of market participants does not necessarily mean that there is no need or drive for economic efficiency.

²⁴⁷Jasem Tarawneh, ‘A new classification for trade mark functions’ (2016) 4 Intellectual Property Quarterly 352-370.

²⁴⁸See also Lisa P. Ramsey and Jens Schovsbo, ‘Mechanisms for Limiting Trade Mark Rights to Further Competition and Free Speech’ (2013) 44 International Review of Intellectual Property and Competition Law 671.

²⁴⁹Bruce C. Greenwald & Joseph E. Stiglitz, ‘Externalities in Economies with Imperfect Information and Incomplete Markets’ (1986) 101 The Quarterly Journal of Economics 229, 230; see also Daniel Kahneman, *Choices, Values, and Frames* (Cambridge University Press 2000); Daniel Kahneman, *Thinking, Fast and Slow* (Reprint edition, Penguin 2012); Vernon L. Smith, *Rationality in Economics: Constructivist and Ecological Forms* (Cambridge University Press 2009); Vernon L. Smith, *Bargaining and Market Behavior: Essays in Experimental Economics* (Cambridge University Press 2000); Daniel Kahneman, *Thinking, Fast and Slow* (Reprint edition, Penguin 2012); Vernon L. Smith, *Rationality in Economics: Constructivist and Ecological Forms* (Cambridge University Press 2009); Vernon L. Smith, *Bargaining and Market Behavior: Essays in Experimental Economics* (Cambridge University Press 2000).

2.2.3 Theories

2.2.3.1 Introduction

The inconsistencies in EU trademark law explored as the research problem of this thesis has dual features, i.e. part of the problem can be traced back to the troubled drafting history of EU trademark laws borne out of the harmonising initiative started in 1960. The other part of the problem is in relation to the drafting consequences of the EU trademark laws; specifically, the interpretation given by courts (CJEU and UK courts) that have continued to perpetuate these inconsistencies and uncertainties. Given that a core part of the divergent interpretational approaches by courts is driven by the choice to use some of the dominant theories in EU trademark law as justifications for the expansion of the protection of trademark rights, it is imperative that these specific theories are explored in depth to draw a linkage between theories and the courts' practice in cases. The specific aspect of the courts' interpretation which is relevant to this section discussing the dominating theories in EU trademark law is in relation to the legal rights of a trademark proprietor; which is derived from the function(s) of a trademark.

It is relatively accurate to observe that the legal rights of trademark owners have increased partly due to the Courts interpretation of the function(s) of a trademark.²⁵⁰ Among the rights conferred on a trademark owner is the significant right to initiate a claim for infringement of said rights. The Courts assessment of this trademark infringement has also been reflective of the expansion approach of trademark proprietors' rights. For instance, where the initial criteria for invoking infringement under the Trade Mark Directive (TMD) and EU Trade Mark Regulation (Regulation) entailed proof of 'confusion' of consumers, 'unfair advantage' of or detriment to the distinctive character of a trademark as a consequence of use of a trademark, the interpretation given by the Courts have, especially in the definition of what constitutes 'unfair advantage', been expanded to include non-traditional characterisations.²⁵¹

²⁵⁰See for e.g. Case C-487/07 *L'Oreal SA v Bellure* [2009], ECR I-5185. The other part is reflected in the legislative history; see Chapter 4.

²⁵¹See for example the *L'Oreal* case where the CJEU held that that tarnishing or blurring of a trademark's image was not a prerequisite for unfair advantage to be taken by a third party. According to the Court, the most important element is the occurrence of benefit accruing to the third party because of the use of the mark without due

This section reviews the theories explaining or justifying Intellectual Property Rights (IPRs) on a general level and as a means of evaluating an acceptable scope of the rights/privileges they evoke. While not all these theories are directly applicable to trademarks, some of their various elements constitute the very foundations of the rationalizations of trademark law that are usually based on the premise of either pro or anti protectionism validating either of the inconsistencies found in issues of tension with competition principles. Some of these include elements of philosophy, economics and human rights etc, which seek to either justify or condemn the private nature of such rights taking precedence over other competing interests. Even more frequent are commentaries which are entirely in a class of their own. These academic approaches advocate for either a ‘balancing of interests’ theories or a pluralistic approach.

[2.2.3.1.a Originality and contribution to knowledge of this section](#)

This section will explore the major theories that form structures for the various explanations for such justifications to the effect of emphasizing the varying scopes, duration and enforcement that each theory details. The specific originality added through these discussions is the initial identification and classification of linkages between the dominant theories and practice by the courts in case laws to set the stage for further empirical analysis in chapter 6. The first explored in this chapter is the Libertarian theory, the second is the Utilitarian theory and the third is the Hegelian theory of self-expression. In these subsections, a well-rounded exploration of not only all the various interpretations of the theories, but also the different sub-perspectives that fall under them, is provided.

2.2.4 Main theoretical justifications in EU trademark law

2.2.4.1 Libertarian theory

The libertarian theory is one which has philosophical roots and was first propagated by the famous 17th century British philosopher John Locke.²⁵² For

cause/compensation. As a result of this, the logical characterisation of ‘unfair advantage’ which would normally indicate some form of detriment has been discarded. It begs the questions; is it really logical for one to play the unfairness or injustice card if he cannot provide evidence that he has been hurt in anyway? and how do we define ‘unfair advantage’? Case C-487/07 *L’Oreal SA v Bellure* [2009], ECR I-5185, paragraph 50.

²⁵²Peter Laslett (ed), *Locke: Two Treatises of Government Student Edition* (Cambridge University Press 1988).

purposes of this section, the phrases, 'labour theory', 'libertarian theory' and 'philosophical theory' should be read as transposable. For reference purposes, the relevant original proviso of Locke's theory states:

Though the earth and all inferior creatures be common to all men, yet every man has a "property" in his own "person." This nobody has any right to but himself. The "labour" of his body and the "work" of his hands, we may say, are properly his. Whatsoever, then, he removes out of the state that nature hath provided and left in it, he hath mixed his labour with it, and joined to it something that is his own, and thereby makes it his property. It being by him removed from the common state Nature placed it in, it hath by his labour something annexed to it that excludes the common right of other men. For this "labour" being the unquestionable property of the labourer, no man but he can have a right to what that is once joined to, at least where there is enough, and as good left in common for others.²⁵³

In Locke's view, all persons held the God given earth in 'common' with strict prohibition on ownership of any property in the 'commons' except that in his 'person'.²⁵⁴ In this sense, one has natural rights or claim to life, liberty and property. With regards to property rights, Locke justified the claiming of ownership based only on the fact that one's labour has been mixed with something found in nature to the result of having a product which has the added value of effort expended on it, usually to improve it. Although Locke was referring to tangible²⁵⁵ forms of property such as land, buildings etc, in his discussion, the particular assertion on which IP proponents of the libertarian view base its applicability is that IP is a type of property comparable to other forms of

²⁵³John Locke, *Second Treatise of Government*, (Hackett Publishing Co 1980).

²⁵⁴Peter Laslett (ed), *Locke: Two Treaties of Government Student Edition* (Cambridge University Press 1988) 305-306.

²⁵⁵Peter. Drahos *A Philosophy of Intellectual Property* (Dartmouth England 1996) pp 47; See also, Seana Valentine Shiffrin, 'Lockean Arguments for Private Intellectual Property' in S. Munzer (ed) *New Essays in the Legal and Political Theory of Property* (Cambridge, Cambridge University Press 2001) pp 154.

real/tangible property.²⁵⁶ Specifically, Spector has argued that ownership of property in one's 'person' includes ownership of one's mind and any proceeds from the labour of the mind permits ownership for the labourer as per Locke's theory.²⁵⁷ The legal rights that emanate from these natural rights are therefore based on philosophical principles of morality.²⁵⁸ On this account, a variety of interpretations have evolved as to the actual meaning of Locke's theory of appropriation of property rights.

Karl Widerquist has provided a detailed discussion of all the 'Lockean' interpretations and extensions and has argued that anyone seeking to refute the theory justifying property based rights must address all versions of it as opposed to simply choosing one convenient version.²⁵⁹ Before he deconstructs the Lockean theory, he points out its wide influence in the fields of not only intellectual property rights but also territorial rights, international law, bioengineering etc, and as such, refers to Nicholson's thoughts which emphasize that making sense of Locke's theory of property has become one of the greatest challenges in the history of political thought.²⁶⁰ This intellectual struggle also echoes Widerquist's objectives which are reflected in his article as he states in his abstract:

Although John Locke's theory of appropriation is undoubtedly influential, no one seems to agree about exactly what he was trying to say. It is unlikely that someone will write *the* interpretation that effectively ends the controversy. Instead

²⁵⁶See for example Tom G. Palmer, "Are Patents and Copyrights Morally Justified? The Philosophy of Property Rights and Ideal Objects" (1990) 13(3) *Harvard Journal of Law & Public Policy* at 819, see also Lysander Spooner, "The Law of Intellectual Property: or An Essay on the Right of Authors and Inventors to a Perpetual Property in Their Ideas," in Charles Shively (ed), *The Collected Works of Lysander Spooner*, vol. 3, (1855; reprint, Weston, Mass.: M&S Press, 1971).

²⁵⁷H. M. Spector 'An Outline of a Theory Justifying Intellectual and Industrial Property Rights' (1989) 11 EIPR 271.

²⁵⁸See John A. Simmons, *The Lockean Theory of Rights*, (Princeton, Princeton University Press 1992); see also John A. Simmons, *On The Edge of Anarchy: Locke, Consent, and the Limits of Society*, (Princeton, Princeton University Press 1993) where Simmons states that the 'state of nature' under Locke's concept of natural law refers to specific set of moral relations that guide a set of people and not references to geographical territory.

²⁵⁹Karl Widerquist, 'Lockean Theories of Property: Justifications for Unilateral Appropriation' *Public Reason* 2.1 (2010): 3-26. Available at: <<http://works.bepress.com/widerquist/20>> Accessed 31 January 2024.

²⁶⁰Peter Nicholson, 'Review Article: The Limits of Lockean Rights in Property' (1998) 29 *Locke Newsletter* 153-68.

of trying to find the one definitive interpretation of Locke's property theory, this article attempts to identify the range of reasonable interpretations and extensions of Lockean property theory that exist in the contemporary literature with an emphasis on his argument for unilateral appropriation. It goes through Locke's argument point-by-point discussing the controversy over what he said and over what he perhaps should have said to make the most valuable and coherent argument. The result is an outline of Lockean theories of property: a menu of options by which one might use appropriation to justify property rights. Supporters only need to pick the version they find most plausible, but opponents should be aware of the entire menu. Anyone claiming to refute appropriation based property rights must address not only one but all potentially valid versions of it.²⁶¹

Although Wilderquist's thorough analyses of the various Lockean interpretations and modifications are appealing in every way, for focus reasons, this chapter will concentrate on the only Lockean modification/extension applied to intellectual property which he discusses. First developed by Robert Nozick in his brief but significant dialogue of patent law in *Anarchy, State, and Utopia*, this Lockean extension offers a slightly different interpretation to the original proviso in Locke's theory.²⁶²

Nozick asserts that the correct interpretation of Locke's theory as it can be applied to intellectual property, in particular; patents, is that ownership through labour is only justifiable if there is 'no net harm' done to other people. This added criterion comes from his interpretation of the proviso phrase, 'at least where there is enough, and as good left in common for others'. He reasons that, "the crucial point is whether appropriation of an unowned object worsens the situation of others"²⁶³

²⁶¹Abstract; Karl Widerquist, 'Lockean Theories of Property: Justifications for Unilateral Appropriation' *Public Reason* 2.1 (2010): 3-26. Available at <<http://works.bepress.com/widerquist/20>> Accessed 31 January 2024.

²⁶²Robert Nozick, *Anarchy, State, and Utopia* (Basic Books, 1974) 178-182.

²⁶³Robert Nozick, *Anarchy, State, and Utopia* (New York: Basic Books, 1974) 175.

Widerquist in his analysis of Nozick's interpretation of the 'Lockean proviso' presented the varying scholastic arguments on the subject matter. Firstly, because Nozick's extension is based solely on the limitation clause, 'at least where there is enough, and as good left in common for others' he points out that some commentators have refuted the notion that this limitation is indeed a condition in Locke's proviso. The implication of this is important as the consequence will vary depending on the stance taken; if it is a condition, then it follows that Nozick may be in fact, accurate in his interpretation of Locke's proviso whereas if it is not a condition, then the basis of his interpretation may be rendered questionable. In fact, Widerquist cites specific comments from Macpherson²⁶⁴ and Waldron²⁶⁵ who opine that there is a possibility that the limitation proviso could be deemed as 'sufficiency limitation' or simply a depiction of the consequence of the 'no waste proviso in the state of nature' that was thoroughly stressed by Locke in a few sections (31,38,46) of his *Two Treatises of Government* book. In the first view, 'at least where there is enough, and as good left in common for others' is a minimum requirement for appropriation of property and not a necessary condition to be met before appropriation. The argument for this is because the structure of the phrase which did not permit any room for restriction as Locke was known to put the phrase 'at least' before the subsequent assertion and if it were the case that he intended it to be a condition; he would have placed the phrase after so that it reads 'where there is at least enough, and as good left in common for others'. Thus, it follows that on this reasoning, Nozick's theory of 'harm' may be invalidated as it functions as a condition to regulate the justification of acquiring property and the rights attached to it.

The second argument that the 'at least where' proviso is simply an explanation of Locke's previous emphasis on a 'no waste' attitude refers to the notion that a person appropriating must not waste his/her property or take more than s/he can use. Widerquist has observed that an apparent explanation for this is that if waste occurs, there may not be enough to go around.

²⁶⁴Crawford Brough Macpherson, *The Political Theory of Possessive Individualism: Hobbes to Locke* (Oxford, Clarendon Press 1962).

²⁶⁵Jeremy Waldron, *Enough and as Good Left for Others'* (1979) 29(117) *Philosophical Quarterly* 319-328, 320.

Widerquist also draws attention to a contrasting argument to that advanced by Waldron and Macpherson. Kramer²⁶⁶ has argued that just because there is 'enough and as good' left in resources to appropriate, it does not negate any feelings of injury brought on by the appropriation and felt by another. A typical example cited was; if a person kills a rhinoceros but leaves 'enough and as good' left for anyone else who wants to hunt and another person does not want to shoot one of what is left simply because he considers it a sacred creature, this in no way means that the other person who refuses to hunt a rhinoceros should not feel injured by the appropriation of the first person killing it.²⁶⁷ In essence, 'quantity of resources left' ought not to be the only factor to be considered in determining what a sufficient condition is, other basic humane/civilised factors such as harm or injury should be the minimum standard.

The significance in this harm/injury theory first introduced to patents by Nozick stems from the fact that this 'harm' extension to Locke's original theory may have possibly found its way into trademark law. Lemley and McKenna have proposed the idea of 'trademark injury' as a criterion for establishing unfair advantage under trademark infringement,²⁶⁸ although they cite their inspiration for this idea from the creation of antitrust injury doctrine created by the US courts in the 1970s. Under this precept, before a trademark proprietor's claim for infringement is justifiable, he is under an obligation prove that injury/harm has been sustained to his business and that the injury is instead of being mere benefit to the third party, evocative of actual consumer detriment. The injury/harm would consist of confusion to the consumers, whether about the source of goods or otherwise.²⁶⁹ It is not entirely clear whose harm/injury model; Nozick or the US courts, first impacted on trademark law as both emerged around the same time in the 1970s

²⁶⁶Matthew H. Kramer, *John Locke and the Origins of Private Property* (Cambridge, Cambridge University Press 2004) 106.

²⁶⁷Matthew H. Kramer, *John Locke and the Origins of Private Property* (Cambridge, Cambridge University Press 2004) 106.

²⁶⁸Mark A. Lemley and Mark P. McKenna 'Owning Mark(et)s' (2010) 109 Michigan Law Review 143, Available at <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1604845> Accessed 06 January 2024.

²⁶⁹Mark A. Lemley and Mark P. McKenna 'Owning Mark(et)s' (2010) 109 Michigan Law Review 143, Available at <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1604845> Accessed 06 January 2024.

but what is certain is its subsequent appearance in trademark law. In fact, the libertarian theory to which this model owes its roots is deeply embedded in discussions of the philosophy of morality. It is no wonder that this model of harm/injury was made with reference to keeping with the theme and spirit of this theory.

Perhaps, the most interesting influencing factor about this libertarian approach is that its proclivity towards the philosophy of morality can be found in the other theories as will be seen in subsequent sections. As Naser has correctly identified, "...it opens up a way for further theoretical arguments which in turn enrich the discussion, leading to further arguments regarding trademarks."²⁷⁰

However, Resnik has argued that it is an inadequate approach to all IP rights on the basis that the degree or scope of protection afforded to IP rights does not always reflect the equivalent of the quantity of effort or 'labour' the owners of such rights have invested in the specific intellectual property concerned.²⁷¹ Thus according to this argument, if one is entitled to the improved end result of having a product which has the added value of one's effort expended on it, then it follows that the legal protection of the rights such property invokes should correspond only to the exact amount of effort invested therein. In simple terms; one should get only what one put in. Naser in agreeing with this view also asserts that this theory was initially intended by Locke to apply to tangible property and as such its applicability to trademarks (intangible property) creates a situation in which trademark proprietors are over compensated.²⁷²

Furthermore, since Locke's theory is fully reliant on one's exertion of labour as the reason for the existence of property rights, there has been a debate on if the creation of trademarks constitutes any application of labour. On the one hand, it has been argued that mere creation of a trademark involves little or no labour,

²⁷⁰ Mohammad Amin Naser, *Revisiting the Philosophical Foundations of Trademarks in the US and UK* (Cambridge Scholars Publishing 2010) 16; Horacio Spector, An outline of a theory justifying intellectual and industrial property rights (1989) EIPR 11:270.

²⁷¹ David. B. Resnik, 'A Pluralistic Account of Intellectual Property' (2003) 46(4) Journal of Business Ethics 322.

²⁷² Mohammad Amin Naser, *Revisiting the Philosophical Foundations of Trademarks in the US and UK* (Cambridge Scholars Publishing 2010) pp 38; See also P. Drahos *A Philosophy of Intellectual Property* (Dartmouth England 1996) pp 47; See also, Seana Valentine Shiffrin, 'Lockean Arguments for Private Intellectual Property' in S. Munzer (ed) *New Essays in the Legal and Political Theory of Property* (Cambridge, Cambridge University Press 2001) 154.

especially in different situations²⁷³ while on the other hand, the actual creation is viewed as a mental effort as production of ideas are not conjured from thin air.²⁷⁴ Both Resnik's and Naser's views that the libertarian/philosophical theory is insufficient in its applicability to IP rights especially to trademarks appear sound but for a different reason. Based on Widerquist's observation of one of the various variations of the Lockean theory of natural rights/labour that a person is entitled to the result of appropriated natural resources improved with his 'labour' provided an adequate amount of the natural resources is left to be used by others,²⁷⁵ the question is; how can the concept of 'adequate amount' be quantified? In particular, where a concept crafted for tangible property is being applied to intangible property as Naser has identified in relation to trademarks.²⁷⁶ Furthermore, to situate this enquiry within Resnik's and Naser's arguments above, it should be asked what the definitive measurement for the degree or scope of protection for trademark rights is. What method of estimation would ensure that the protection afforded correctly matches the 'labour' a trademark proprietor has invested in his mark? With various works proposing different solutions,²⁷⁷ these questions are certainly not new to both the field of IP rights as a whole and more so trademarks. However, there is yet to be an agreed measurement for deciding degree/scope. In so far as this theory proffers a plausible justification for creating rights in IP, it fails miserably at identifying the acceptable limits for such rights,

²⁷³Mohammad Amin Naser, *Revisiting the Philosophical Foundations of Trademarks in the US and UK* (Cambridge Scholars Publishing 2010) pp 38. Naser further argues that the production of trademarks constitutes no exertion of labour of the proprietor on the basis that the mark is co-authored by both the proprietor and the public (see discussions of the Public Authorship Model in section...) with the substantial amount of labour exerted by the public through mental association of the mark with the proprietor. The proprietor on the other hand, merely selects the mark.

²⁷⁴Justin Hughes 'The Philosophy of Intellectual Property' (1988-1989) 77 *The Georgetown L J* at 300 & 301.

²⁷⁵See discussion above on pages 85-88.

²⁷⁶See footnote 256.

²⁷⁷See for example, Robert P. Merges, *Justifying Intellectual Property* (Harvard University Press 2011) proposing that IP systems need to be trusted in effecting the much needed balance as subjecting each theory to detailed scrutiny would be tantamount to 'ignoring the wood for the trees'; See also Justine Pila, 'A Constitutionalized Doctrine of Precedent and the Marleasing Principle as Bases for a European Legal Methodology' in: Ansgar Ohly & Justine Pila (eds), *The Europeanization of Intellectual Property Law: Towards a European Legal Methodology* (Oxford, Oxford University Press 2013), proposing the Marleasing principle and principle of proportionality as an effective means of balancing competing interests in IP law.

especially in trademark law. As was astutely identified by Hettinger, “A person’s labour and its product are inseparable, and so ownership of one can be secured only by owning the other.”²⁷⁸ Until such a time where there exists a crafted logical explanation/measurement for the labour theory as specifically applicable to trademark law, it remains evocative of trying to fit a ‘square peg in a round hole’. In conclusion of this section, the only element of this libertarian theory that appears to be logically applicable to trademarks is the harm/injury derived from Nozick’s interpretation of the Lockean proviso of ‘at least where there is enough and as good left in common for others’. This interpretation as discussed previously above has already been argued by Lemley and Mckenna for trademark law to create a system where without proof of harm/injury to a proprietor’s business in form of consumer confusion or loss of sales, there would be no trademark infringement. However, the reality remains that the application of this principle has been inconsistent in EU trademark law. In fact, two prime cases illustrate this; **Arsenal v Reed**²⁷⁹ and **Adam Opel**.²⁸⁰ In the Arsenal case, ‘general’ consumer confusion was a deciding factor in the finding of trademark infringement in the judgement reached while in the Adam Opel case, no infringement was found as there was no confusion from ‘relevant’ consumers. The gap between these two cases serves as an example of the inconsistency issues in EU trademark law which this study will investigate.

2.2.4.2 Utilitarian theory

The utilitarian theory (also commonly referred to as the economic theory) being the most adopted by both legislators and judges in IP argues that the social utility of IP can be maximised through an incentive system in order to encourage innovation and development and justify the usefulness of IPRs.²⁸¹ This theory is heavily reliant on the logic of the utility, usefulness or economy of IP rights and as such, has fared better in its specific applicability to trademarks due to the commercial nature of trademarks. Menell states that because “trademark law is

²⁷⁸Edwin C. Hettinger ‘Justifying Intellectual Property’ (1989) 18(1) Philosophy and Public Affairs 47-48.

²⁷⁹[2003] EWCA Civ 696.

²⁸⁰[2010] E.T.M.R. 50.

²⁸¹Michael Svatos, ‘Biotechnology and the Utilitarian Argument for Patents’ (1996) 13(2) Social Philosophy and Policy 113-144.

principally concerned with ensuring that consumers are not misled in the marketplace”, it is ‘principally amenable to economic analysis.’²⁸²

According to one facet in the rationalization of this theory, the protection of trademarks that owners enjoy through rights that can be legally enforced; is justifiable on the reasoning that the protection afforded creates opportunities for the maximisation of wealth or as Fisher expressed, ‘maximisation of net social welfare’.²⁸³ In fact, this approach argues that the more protection afforded, the greater the wealth maximisation.²⁸⁴ The concept of wealth maximisation in the utilitarian view can be traced back to the 19th century English philosopher and economist John Mill who has been dubbed the ‘most influential utilitarian theorist’ by Resnik.²⁸⁵ In Mill’s view, utility is associated with the ‘greatest happiness’ principle which simply put, justifies rules on the basis that they exist for the promotion of general public good or social utility.²⁸⁶

Hettinger has argued that the utilitarian justification can only be valid if there is evidence to prove that granting owners exclusive rights outweigh any bad consequences resulting from such grant.²⁸⁷ Thus, in support of the greatest happiness principle/wealth maximisation claim, theorists in this area usually highlight the advantages by drawing on economic, psychological and social sciences data,²⁸⁸ thereby making the utilitarian approach the prevailing concept for the justification of IP rights in general.

²⁸²Peter S. Menell ‘Intellectual Property: General Theories’ in B Bouckaert and G de Geest (eds) *Encyclopedia of Law & Economics* (Vol 2, Edward Elgar Cheltenham UK 2000) 156-163.

²⁸³ William Fisher ‘Theories of Intellectual Property’ in S. Munzer (ed) *New Essays in the Legal and Political Theory of Property* (1st edn Cambridge University Press Cambridge 2001) 194, 198.

²⁸⁴Norman Stephan Kinsella ‘Against Intellectual Property’ 15(2) *Journal of Libertarian Studies* 11, available at <http://www.mises.org/journals/jls/15_2/15_2_1.pdf> Accessed 08 January 2024.

²⁸⁵David. B. Resnik, ‘A Pluralistic Account of Intellectual Property’ (2003) 46(4) *Journal of Business Ethics* 331.

²⁸⁶John Mill, [1861] *Utilitarianism* (George Sher (ed) Hackett Publishing Company, Indianapolis 1979).

²⁸⁷Edwin C. Hettinger ‘Justifying Intellectual Property’ (1989) 18(1) *Philosophy and Public Affairs* 47-48.

²⁸⁸Christopher May, ‘Thinking, Buying, Selling: Intellectual Property Rights in Political Economy’ (1998) 3(1) *New Political Economy* 59-78; Robert Merges, ‘Property Rights Theory and the Commons: The Case of Scientific’ (1996) 13(2) *Social Philosophy and Policy* 145-167.

A frequent benefit normally associated with the protection of trademarks and often cited by utilitarian theorists is in relation to the economic role that a trademark performs. Landes and Posner have alluded to the phrase 'search costs' as having benefitted the most from trademarks.²⁸⁹ By reducing the "...costs of acquiring information about products or of having to incur the risks of uncertainty..."²⁹⁰ utilitarian theorists argue that trademarks have evolved from just designating origin of goods. They are now viewed as also having an important economic function, besides their origin function. Higgins and James attribute this to the fact that a trademark "is easier to recognize and remember; and it is often easier to physically mark on the goods themselves rather [than] provide the producer's full name and address."²⁹¹ For this reason, it is 'economical' to use a trademark.

Further to the above argument of a trademark being an economical vehicle of communication, Landes and Posner have also asserted that trademarks have a secondary benefit of improving the language collection by making available new words to be used in daily speech, which thus, economise on communication and information costs due to their shorter and quicker way of referring to a product or service.²⁹² More so, they state that trademarks "enrich the language, by creating words or phrases that people value for their intrinsic pleasingness as well as their information value."²⁹³ Also in support of the language benefit are Jacoby and Port who have also pointed out that trademarks are also capable of turning into generic words which adds to the language pool.²⁹⁴

²⁸⁹William M. Landes and Richard A. Posner 'The Economics of Trademark Law' (1988) 78 Trademark Reporter 270.

²⁹⁰Andrew Griffiths, *A Law-and-Economics Perspective on trademarks* in L Bently and others, *Trade Marks and Brands: An Interdisciplinary Critique*, (Cambridge University Press, New York, 2008) pg 247.

²⁹¹D. M. Higgins and T. J. James 'The Economic Importance of Trade Marks in the UK (1973-1992) A Preliminary Investigation' (1996) The Intellectual Property Institute 4.

²⁹²William M. Landes and Richard A. Posner 'The Economics of Trademark Law' (1988) 78 Trademark Reporter 273.

²⁹³William M. Landes and Richard A. Posner 'The Economics of Trademark Law' (1988) 78 Trademark Reporter 273.

²⁹⁴Jacob Jacoby 'The Psychological Foundations of Trademark Law: Secondary Meaning, Genericism, Fame, Confusion and Dilution' (2001) 91 Trademark Reporter 1031; K. L. Port 'Foreword: Symposium on Intellectual Property Law Theory' (1992-1993) 68 Chicago-Kent L Rev 597.

Furthermore, in relation to the economic reasons used as evidence of the justification of the utilitarian theory, Spector has identified that it is reliant on the principle of *externality*. He defines this as an, "...economic situation in which an individual's pursuit of his self-interest has spill over effects on the utility or welfare of others."²⁹⁵ Thus, an externality is capable of having either a negative or positive impact and in some instances, both. For instance, in EU trademark law, the positive utility advantages identified above occur alongside the negative consequences of monopoly, both resulting from the externality of a trademark owner's pursuits.

As utilitarian theorists are well aware of these extremes, several scholars have long continued to emphasize the need for a balance between the impacts of granting trademark owners' rights as an incentive and the negative consequence of monopolies that may result from that.²⁹⁶ What is interesting about this is the fact that this 'balancing' method is a clear deviation from the original utilitarian concept which advocates that trademark rights are only valid if they are for the greater good for the public and should thus, outweigh the negative consequences. As far as this balancing act goes, it is yet to be achieved in trademark law.²⁹⁷

The other facet at the core of utilitarianism is in relation to the 'incentives' concept. Kozinski has argued that, "the primary justifications for trademark law are "to facilitate and enhance consumer decisions" and "to create incentives for firms to produce goods of desirable qualities even when these are not observable before purchase."²⁹⁸ This incentive argument claims that providing trademark owners with guarantees in form of rights and privileges ensures that these producers of IP creations have the motivation to produce high quality products. The core reasoning normally associated with this argument is that if these rights and privileges were not in place or if they were in place but did not provide adequate protection, trademark owners would not be inclined to manufacture or even invest in improving already created products. Lemley has termed this justification as 'ex ante' because it intends to manipulate performance/outcome

²⁹⁵H. M. Spector 'An Outline of a Theory Justifying Intellectual and Industrial Property Rights' (1989) 11 EIPR 271.

²⁹⁶For eg, William Fisher 'Theories of Intellectual Property' in S. Munzer (ed) *New Essays in the Legal and Political Theory of Property* (Cambridge University Press Cambridge 2001) 194, 198.

²⁹⁷See chapter 6 on empirical findings.

²⁹⁸Alex Kozinski 'Trademarks Unplugged' (1994) 84 Trademark Reporter 451.

before the justification exists.²⁹⁹ The incentive theory also goes a step further in asserting that having rights/control over trademarks would act as an incentive in the protection from ‘free- riders’ as they argue that trademark owners would be deterred from creating trademarks if free riders were allowed to gain benefits from the creations they did not contribute to.³⁰⁰

Perhaps the most compelling argument on the incentive theory which should be argued by theorists in this area is the one which relates back to the origin function of a trademark. What better incentive to manufacture trademarked products than their capability of distinguishing origin of products?

Whilst it is accurate that trademarks reduce search costs, the incentive argument under the utilitarian theory which claims that providing trademark owners with guarantees in form of rights and privileges ensures that these producers of the trademarked goods have the motivation to produce high quality products, has its pitfalls.³⁰¹ The core reasoning normally associated with this argument is that if these rights and privileges were not in place, trademark owners would not be inclined to manufacture or even invest in improving already created products. However, this reasoning is defective on the basis that no business, firm or individual would turn down an opportunity to create or invest in a trademarked product when such creation is viable and capable of leading to profit making, regardless of whether or not they are granted rights in respect of the trademark

²⁹⁹Mark Lemley, ‘Ex ante versus Ex Post Justifications for Intellectual Property’ (2004) 71 University Chicago Law Review, UC Berkeley Public Law Research Paper No. 144. Available at SSRN: <http://ssrn.com/abstract=494424> or <http://dx.doi.org/10.2139/ssrn.494424> Accessed 14 January 2024.

³⁰⁰Adam D. Moore ‘Intellectual Property, Innovation, and Social Progress: The Case against Incentive Based Arguments’ (2003) Vol 26(3) Hamline Law Review 611.

³⁰¹See Peter S. Menell and Suzanne Scotchmer, ‘Intellectual Property’ in A. Mitchell Polinsky and Steven Shavell (eds) *Handbook of Law And Economics* (vol 2, North Holland 2007) pp 59 & 60 where it was stated that, “Traditionally, there has been nothing in trademark law analogous to the desire to encourage invention or creation that underlies patent and copyright law. There is no explicit federal policy to encourage the creation of more trademarks. Rather, the fundamental principles of trademark law have developed from two tort-based causes of action: the tort of misappropriation of the goodwill of the trademark owner and the tort of deception of the consumer. In this sense, trademarks should not be thought of as “property” rights at all. Rather, they are rights which are acquired with use of a trade mark in commerce⁶ and derive protection based on the likelihood of indirect harm to potential purchasers of the trademark owner’s products.” See also *Trade-Mark Cases*, 100 U.S. 82, 94 (1879) where the Supreme Court of the United States of America stated that a trademark does not, “depend upon novelty, invention, discovery, or any work of the brain. It requires no fancy or imagination, no genius, no laborious thought.”

on the goods. This concept in economics is known as profit motive³⁰² and its logic is simple and based on straightforward economics. Notions of profit making always override any interest in having rights or privileges, save in circumstances where the lack of ownership/control of such rights impact negatively on profit making. Thus, the manufacture of goods has a far deeper motive of profit making rooted in economics than in mere incentives in the form of rights/privileges for manufacturing such goods and affixing a mark on them.³⁰³ As Hazlitt puts it, “If there is no profit in making an article, it is a sign that the labor and capital devoted to its production are misdirected: the value of the resources that must be used up in making the article is greater than the value of the article itself.”³⁰⁴

Another typical example of the incentive motive argued by utilitarian/economic theorists is the concept of ‘free-riding’ which they claim that without rights granting control of the trademark on creations, producers would be deterred from creating or investing in the products because imitators would ‘gain’ benefits from their creations when they have not contributed in any way to the creations.³⁰⁵ This example again is flawed because with regards to ‘imitation’; there is a strong distinction between counterfeiting, and situations where one gains a benefit from ‘free riding’ without negatively impacting on the owner of the IP creation. The former is already dealt with specifically by counterfeit laws and as such trademark law is not the appropriate channel to handle such claims. The latter as has been discussed elsewhere in this thesis,³⁰⁶ has now crept in to EU trademark law through this utilitarian theory. However, using this example of free riding to cite a basis for justifying trademark rights is defective because on referring back to the argument that the need to make profit overrides the need to have control of trademark rights unless not having the control of such rights will be harmful to making profit, it is clear that this form of free riding which has no form of ‘harm’

³⁰²Henry Hazlitt, *Economics in One Lesson* (Crown Publications 2010) 141.

³⁰³Tom G. Palmer ‘Intellectual Property: A Non-Posnerian Law and Economics Approach’ (1988-1989) 12 Hamline L Rev 300; see also S.L. Carter ‘The Trouble with Trademark’ (1989-1990) 99 Yale Law Journal 768.

³⁰⁴Henry Hazlitt, *Economics in One Lesson* (Crown Publications 2010) pp 141.

³⁰⁵See PS Menell ‘Intellectual Property: General Theories’ in B Bouckaert and G de Geest (eds) *Encyclopedia of Law & economics* (Vol 2, Edward Elgar Cheltenham UK 2000) at 149; see also Mohammad Amin Naser, *Revisiting the Philosophical Foundations of Trademarks in the US and UK* (Cambridge Scholars Publishing 2010) pp 21.

³⁰⁶See for e.g. on the discussion of Jacob LJ in the L’Oreal case.

brought on the trademark owner cannot be reconciled with the typical arguments of the utilitarian/economic theory. In essence, if a trademark owner is not granted the rights to control, for e.g., in this instance, free riding activities of others, it would not really deter him from creating or investing in his trademarked products as his sole purpose is to make profit from his these, unless of course the free riding activities negatively affect his trademarked goods ability to make profit. In such an instance, the incentive theory would become plausible as 'losing out on profit' would act as a better incentive.

A further challenge with the free riding argument under the incentive theory is that it operates on the assumption that only trademark owners have contributed to the creation of the trademarked goods. A counter argument to this is that trademark owners do not entirely own trademarks as they are 'co-owned' with the consuming public and as such rights to the trademark are jointly owned. Thus, free riders being a part of the consuming public have claims to trademarks. This concept also known as the Public Authorship Model asserts that trademarks are created in two stages; firstly, when the owner produces trademarked goods and secondly, when the consuming public infer an association between produced goods and the trademark.³⁰⁷ The logic of this appears credible as without consumers, there would be no market(s) and therefore, no trademarks. Realistically, the consuming public is just as important a factor in the validation of trademarks. This was demonstrated in the *Speciality European Pharma Ltd v Doncaster Pharmaceuticals Group Ltd* cases in both the High court³⁰⁸ and Court of Appeal³⁰⁹ where the utilitarian theory variant of 'unfair advantage' was observed as the dominant justification in considering whether a parallel importer had effective access to the market and whether there was strong resistance from a significant number of consumers to rebranded products.³¹⁰

³⁰⁷ Steven Wilf 'Who Authors Trademarks?' (1999) 17 *Cardozo Arts & Entertainment Law Journal* 8.

³⁰⁸[2013] EWHC 3624 (Ch)

³⁰⁹[2015] EWCA Civ 54

³¹⁰See section 6.3.1.

2.2.4.3 Hegel's theory of self-expression/personhood

The theory of self-expression as first founded by Hegel³¹¹ and subsequently modified by Avineri³¹² and Rawls³¹³ justifies IP rights based on the idea that property provides a freedom of opportunity for the realisation of one's self which can be done by converting this freedom to exist in an external area and as a means of realising human freedom. To deny a person control over a property in which he has expressed him/herself according to Dworkin,³¹⁴ is to restrict a person's autonomy. In this regard, Radin expresses that, "The premise underlying the personhood prospective is that to achieve proper self-development –to be a *person*– an individual needs some control over resources in the external environment. The necessary assurances of control take the form of property rights."³¹⁵

What is unique about the Hegelian approach is its influence from the Lockean theory. Hegel articulated that a person is entitled to the work resulting from his self-expression because he owns the natural rights/possession to his body. He further argues that mere intention to own something is not enough grounds to have rights in relation to it; occupancy is needed either by physically possessing it or using it. It is on this note of taking possession that he enunciates that 'marking a thing' is indeed one method of instigating possession.³¹⁶ As such, this is the element which has relevance to trademark law.

Hughes, in favour of this argument, has justified trademark rights by stating that it is only the expression of a manufacturer that is relevant to the Hegelian theory and not the rights of consumers.³¹⁷ To validate his theory about the will of self-expression translated in to property, Hegel explains that a person can choose to withdraw his will which is attached to his property and sever the relationship as

³¹¹T. M. Knox (tr), *Georg Wilhem Friedrich Hegel, The Philosophy of the Right* (Oxford University Press 1976).

³¹²Shlomo Avineri, *Hegel's Theory of Modern State* (Cambridge University Press 1972).

³¹³John Rawls, *Justice as Fairness: A Restatement* (Harvard University Press 2001).

³¹⁴Gerald Dworkin, *The Theory and Practice of Autonomy* (Cambridge University Press 1988).

³¹⁵M. G. Radin 'Property and Personhood' (1981-1982) 34 Stanford L Rev 957.

³¹⁶Georg Wilhem Friedrich Hegel, *The Philosophy of the Right* (T. M. Knox tr, OUP 1976) pp 49.

³¹⁷J Hughes 'The Philosophy of Intellectual Property' (1988-1989) 77 The Georgetown L J 290.

long as it is 'his will'.³¹⁸ However, he goes on to elucidate that the aptitude to disengage one's personality or self-expression from an intellectual creation is inapplicable to intellectual works because a person's personality which he has expressed in the intellectual creation cannot be 'alienated' from the finished product because in most cases, the finished product is the intellectual creation. Spinello also accepts this explanation as he further explains that this is more so since trademarks have evolved to symbolize the personality of the corporations they reflect and thus, are harder to separate the trademark's own actual persona from the corporation's personality.³¹⁹

On this account, Hughes has reasoned that the greater a person's self-expression or personality in an object, the greater the importance for rights in relation to the control of that object. This justifies the need for trademark rights and if according to Hegel's theory that alienation of self-expression or personality cannot be applied to intellectual creations because it is impossible intellectual works are internal (a product of mental skill) and thus, also impossible to quantify how much self-expression was invested in the intellectual creation, how can the rights that emerge from such justifications be unequivocally characterised?

Resnik has also echoed this as he argued against this self-expression theory, citing that one major drawback lies in the attempt to define the scope of the IP rights that are validated by this theory. He enquires as to the implications of the varying degrees of self-expression and how they would be measured to ensure that the level of protection given to the IP right corresponds with the amount of self-expression a person has willed into an intellectual creation, especially when there is a case of collaboration between two or more people in a single creation.³²⁰ He further argues that, "...we need some way of distinguishing between activities that are highly self-expressive and those that are not, otherwise the Hegelian theory would imply the absurd conclusion that we can assert property rights over almost anything, including the air we breathe."³²¹

³¹⁸Georg Wilhem Friedrich Hegel, *The Philosophy of the Right* (T. M. Knox tr, OUP 1976) pp 361.

³¹⁹Richard A. Spinello and Maria Bottis, *A Defense of Intellectual Property Rights* (Edward Elgar Publishing 2009) pp 165.

³²⁰David B. Resnik, 'A Pluralistic Account of Intellectual Property' (2003) 46(4) *Journal of Business Ethics* 326.

³²¹David B. Resnik, 'A Pluralistic Account of Intellectual Property' (2003) 46(4) *Journal of Business Ethics* 326.

Hegel's supposition that his self-expression theory is inapplicable to all intellectual works because a person cannot separate his personality (as expressed in the intellectual creation) from the intellectual creation itself is unconvincing. This is because in relation to trademarks, it is somewhat applicable.³²² If a consumer purchases a trademarked product, he owns only the product and not the trademark attached to it.³²³ In this way, the trademark owner's self-expression as manifested in his trademark is easily separable from the end product and while it is true that his actual self-expression in the trademark is really inseparable from the mark itself, this is inconsequential because a consumer of a trademarked product is usually interested in the product itself and not the mark (unless he is a rival or for other legitimate purposes). However, being able to separate the self-expression or personality manifested in the intellectual creation from the end-product in trademarks is still no justification of the rights associated with trademarks as Naser has argued that the self-expression theory should also acknowledge the creating role of the consuming public.³²⁴ Resnik is right in pointing out that there is great need for the scope of such justification. There seems little or no justification in having rights if both the owner and society are not aware of the distinct terms of such rights. Furthermore, to justify this reasoning, Hegel in his discussions of his theory alluded to examples using the different intellectual property like patents, copyrights etc except trademarks. If he was of the belief that his theory was applicable to trademarks, one may have expected an illustration of his theory specifically relating to trademarks.³²⁵

Interestingly, in there were no case examples of the Hegelian theory applied or used as justification in the empirical analysis of case laws carried out in section 6.3.1. This may be because the Hegelian approach owes some of its roots to the

³²²J Hughes, 'The Philosophy of Intellectual Property' (1988-1989) 77 The Georgetown LJ at 347.

³²³Mohammad Amin Naser, *Revisiting the Philosophical Foundations of Trademarks in the US and UK* (Cambridge Scholars Publishing 2010) 46.

³²⁴Mohammad Amin Naser, *Revisiting the Philosophical Foundations of Trademarks in the US and UK* (Cambridge Scholars Publishing 2010) 45.

³²⁵Tom G. Palmer, "Are Patents and Copyrights Morally Justified? The Philosophy of Property Rights and Ideal Objects" (1990) 13(3) *Harvard Journal of Law & Public Policy* at 837-843.

Libertarian approach and this was already identified above as being utilised by courts.

2.2.5 Trademark functions protection: to tame the beast or not?

“Chaos in the streets

Hunger in your teeth

Strong from the weak

Nature of the beast”

~ Lyrics from Madchild’s song ‘Nature of the beast’

The above lyrics resonate with the problems discussed above in the previous section. The self-seeking nature of trademarks appear to be akin to the nature of a beast which triggers the question; to tame it or not?

It is submitted that due to the nature of debate in this area, all the proposals for a balancing approach do not focus on the underlying issue that the inconsistency between the inherent self-serving nature of a trademark cannot be reconciled in any context because it is borne out of self-seeking interests. The only options for a long-term solution would be to either completely embrace this territorial nature to the maximum (an option which would not be sustainable for society) or to strip trademarks of their proprietary nature for the most part. This thesis advocates the latter approach because it would ensure that there are no self-serving territorial rights which all of society would be in competition with.

However, on the one hand, the substitute view of reverting to the ‘sense of ownership’ argument as the primary function of a mark may result in curbing the inconsistencies in trademark law in the short term at least. The consequence of this would be that a trademark owner’s interests would be ranked above all other interests. Of course, there is an argument to suggest that guaranteeing origin and qualities are also in the owner’s interest. However, it is incidental rather than the primary intention as his primary interests remain in controlling his territorial ownership. This suggestion which lies on the extreme end of the spectrum of solutions would solve the inconsistencies in this area of law because the tussle

between competing interests would be removed since the proprietor's interests would be viewed as sovereign and always first in any dispute. It would most likely be welcomed by majority of trademark owners; especially the big brands and may lead other smaller brands and even non-existent ones to expend more effort and resources in achieving elite statuses in branding. Overall, the current trends in branding would increase significantly. However, this strategy would be most unfavourable because there would be no checks and balances for this purported sovereign economic right and other third-party actors like parallel traders would be placed in even more precarious positions than they currently are where they may have little or no recourse in law to protect them.

On the other hand, the solution on the opposite end of the spectrum will be to accept that the proprietary nature of marks is self-seeking, and proprietors will always act consistent with this nature. This should then lead to considering the option of removing them entirely. However, in light of the public benefit they bestow in their now accepted role as communicators of vital purchasing information, it would be prudent to retain these incidental positive aspects. However, there should be no room to indulge every single aspect of communication³²⁶ which a mark fulfils as this would lead to a position where the mark and proprietor's self-seeking intentions look for more avenues to reassert their dominance. A safer option would be to grant a proprietor of a mark a 'placeholder'³²⁷ version of his rights only in relation to the communication function of guaranteeing origin and quality. In this context, building on Tarawneh's proposal for a new classification of trademark functions,³²⁸ the only functions which will be recognised and protected by law would be the trademark's accepted communicative role in origin and quality. Thus, where Tarawneh's solution suggests structured flexibility in recognising other communicative roles in addition to origin and quality, this solution differs in that regard because it considers that any notion of flexibility (structured or not) may weaken the purpose of restricting the self-seeking nature of a mark and its

³²⁶For e.g. emotional, spiritual or psychological values communicated by the mark.

³²⁷Placeholder rights would be temporary holder of rights that are limited to the origin and quality functions of a trademark.

³²⁸Jasem Tarawneh, 'A new classification for trade mark functions' (2016) 4 Intellectual Property Quarterly 352-370.

proprietor's corresponding intention. The idea of flexibility in protecting trademark functions which undoubtedly confers benefits by allowing courts to adapt the rules according to each situation and not having a 'one size fits all' approach also presents the hidden dangers of exploitation by proprietors. If the history of marks and their protection has imparted any useful lesson, it is that they may use such flexibility as an avenue to manipulate granting wider protection³²⁹ to their marks in ways which are consistent with the self-seeking territorial nature and characteristic of both the mark and the proprietor's intention for it. Hence, the confusion and inconsistencies in this area of law which largely result because of the reluctance to accept this interest of self-seeking territoriality is one which cannot be balanced or tamed as it is 'the nature of the beast'. Such problems will continue to thrive because various interest holders continue to exploit the disparities emanating from this nature.

Granted trademark owners may find this solution most unappealing and some may even argue that there would be no incentive³³⁰ to invest in the mark which acts as a vehicle to stimulate aspects of trade; particularly those which consumers find appealing for their endowment effect values. However, it should be noted that this incentive theory has already been viewed with scepticism as a legitimate rationale for affording trademarks wide protection because they merely act as vehicles for identifying ownership of the property as opposed to being considered property themselves.

Furthermore, it could also be argued that product differentiation which is a core part of a mark's self-enhancement strategy is inherently self-seeking because the sole purpose is to give the mark and product an edge or advantage in the marketing competition of similar products. Thus, it is this self-seeking nature which is a strong driving force behind marking and branding and is unlikely to stop simply because proprietors stop receiving extensive legal protection. After all, the real self-seeking incentive for businesses is to sell more of their products

³²⁹Nicola Bottero et al, 'The Extended Protection of 'Strong' Trademarks' (2007) 11(2) *Marquette Intellectual Property Law Review* 265, 274–276.

³³⁰Jonathan Aldred, 'The Economic Rationale of Trade Mark: An Economic Critique' in Lionel Bently et al. (eds), *Trade Marks and Brands: An Interdisciplinary Critique* (Cambridge University Press, 2008) Ch.12.

than competitors of similar goods and ultimately make profits.³³¹ It is highly likely that no trademark owner ever thought in the first instance 'I want to create a marketing image or brand around my mark so that I can stop others from using my mark in a court of law'. Rather, it is more likely that the thought process would be something like 'I want to create an image or brand around my mark so that I can convince and appeal to more consumers of my products and increase my selling power'. Thus, product differentiation will always act as an overriding incentive when compared to the protection of investment incentive. It will also ensure that proprietors continue to invest in their marks whether the legal protection afforded them is restricted or not. This was coined by Landes and Posner as the mark's self-enforcing feature.³³²

2.2.6 Conclusion

In conclusion, this chapter has traced the history of trademarks from their humble beginnings in some earliest known civilisations. It also followed its journey through each important period in history to understand the way and manner it was used in relation to the different sociobiological, anthropological and psychological acuties which pervaded it. It concluded that the real purpose of a trademark can be found by examining the intention of the owner who created it. It used different perspectives from sociobiological, anthropological and psychological angles to attempt to elucidate this intention and reached the conclusion that trademarks were created specifically as an expression of the inherent desire of humans to achieve territorial control. It also identified that this innate desire also possesses a self-seeking nature and characteristic which compels it to utilise self-enhancing strategies. It is this selfish nature which is the antithesis of other players' interests that results in the problems of inconsistencies and ambiguities in trademark law. This section further examined the legal literature in this area as polarised into pro-protectionism and anti-

³³¹A disappointed consumer is bad for business and profits. See also Patricia Loughlan, 'Trade Marks: Arguments in a Continuing Contest' [2005] *Intellectual Property Quarterly* 294, 296.

³³²William M. Landes and Richard A. Posner, 'Trademark Law: An Economic Perspective' (1987) 30 *Journal of Law & Economics* 265, 275; see also Frederick K. Beier, 'Territoriality of Trade Mark Law and International Trade' (1970) 1 *International Review of Intellectual Property and Competition Law* 48, 64.

protectionism. It contributed to this debate by exploring a couple of solutions whilst examining the pros and cons of each one. The conclusion is that the current system would be better off with the allocation of 'placeholder rights' to trademark owners which would only provide protection in law for two specific points: origin and quality guarantee.

This chapter has reviewed the main theoretical justifications for trademarks as well as the specific methodology utilised in this thesis.

In relation to the theories in trademark law, trademarks by their very nature are by far the most 'trade-centred' of intellectual property creations; although patents and copyrights tend to have financial/economic value to them, the primary purpose for their creation is not focussed on commerce. Patents are usually borne out of an invention to advance humanity while copyrights are normally concerned with the legal exchange of ideas/information that has been expressed uniquely in either a written or recorded form. Trademarks in particular; are the only creations borne out of necessity to trade in the trading world. The implication of this is that they are *primarily* controlled and driven by market norms and trading rules and as such, theories that would apply to other intellectual creations tend to have little or no effect on them. One major example of a market norm that drives trademarks is the presence of consumers. Consumers being the embodiment of society at large, are principally attached as the 'enablers' of the existence of trade; without a consumer, trade is impossible. Thus, what currently exists is a trading world which has been built with the 'consumer' as the foundation and centre piece. Businesses need consumers to buy their products to make profits and are literally tenacious in their efforts to achieve this. There appears to be no other apparent reason a great deal of resources (financial and otherwise) is continuously invested in 'brands'. Consequently, it is submitted that any theory utilized for trademarks that does not consider the consumer is not justifiable as it overlooks a compelling aspect of trade.

Conclusively, of the three main theories reviewed above, the utilitarian approach is the only one which considers the overall relationship with social dynamics such as the position of consumers, through one of its sub-perspectives 'economic benefit'; the Lockean and Hegelian approaches are incompatible with trademarks

for obvious discussed reasons. However, even the utilitarian/economic perspective with its consideration of consumers has been seen to be exploited by trademark owners as identified from the ‘spill over’ effects of Spector’s principle of externality.

Chapter 3 Theories and Methodology

3.1 General Introduction

As an opening point for this chapter, the author wishes to draw to the reader’s attention, a definition of the term ‘methodology’ given by Cryer et al.³³³ They explain methodology as an imperative theoretical base in which every research commences from. This foundation is crucial to any research as it elucidates how every part is investigated and interpreted to arrive at a concept or conclusion. Succinctly put, “Methodology guides our thinking or questioning of, or within, that field or both.”³³⁴

This guidance provided by methodology has been described by Pila as also being applicable to all aspects of law and legal research, including decision-making.³³⁵ This, she asserts is particularly important in the field of Intellectual Property Law where the theoretical justifications differ in jurisdictions, forms and substance and as such, are weighted and presented varying by law and decision-makers.

Based on the above premises, it is necessary to distinguish between the definitions of a theoretical justification and a methodology. A theory (or theoretical justification as identified by Pila above) is defined by the Oxford dictionary as a hypothesis or a synchronization of ideas constructed to explain a specific

³³³Robert Cryer et al, *Research Methodologies in EU and International Law*, (Oxford, Hart publishing 2011).

³³⁴Robert Cryer et al, *Research Methodologies in EU and International Law*, (Oxford, Hart publishing 2011) 5.

³³⁵Justine Pila, ‘A Constitutionalized Doctrine of Precedent and the Marleasing Principle as Bases for a European Legal Methodology’ Published in: Ansgar Ohly & Justine Pila (eds.), *The Europeanization of Intellectual Property Law: Towards a European Legal Methodology*, (Oxford, Oxford University Press 2013), pp 227-252.

phenomenon or justify a course of action.³³⁶ Methodology on the other hand, it defines as the system of methods used in a particular field of study.³³⁷ Thus, methodology and theory have a distinctive relationship in which a theory's explanation of a specific situation or intellectual discipline informs the discussions about the system of methods available and suitable to conduct an investigation or inquiry in that intellectual discipline. One of the definitions of 'method' also defined by the Oxford English dictionary that is relevant to this study is, "A special form of procedure or characteristic set of procedures employed (systematically) in an intellectual discipline or field of study as a mode of investigation and inquiry, or of teaching and exposition."³³⁸

Therefore, this chapter provides an account of both the theoretical bases that explain and justify trademarks and the specific methodology utilized to investigate the research hypotheses and questions in the overall thesis. By undertaking such analysis, it may not only offer an understanding of why the theories and research methods utilized form the best practice for the research problems and solutions of this thesis, but also identify the limitations of the theoretical conclusions and methods more honestly. In this regard, this study refers to methodology as a group of the methods chosen by the author to carry out inquiries in this discipline. For this purpose, this chapter has been organised into two parts.

The first section conducts a review of the typical theoretical justifications in this discipline. The underlying reason for this is simple; it contributes to the discussion by explaining which elements of these theories dominate this discipline and may help illuminate the reasons for such choice arguments and justifications by courts, particularly in relation to the comparative analysis of CJEU and UK courts approaches which will be conducted later in the thesis.

³³⁶See Oxford Dictionaries Language Matters, Online at <<http://www.oxforddictionaries.com/definition/english/theory>> Accessed 25 January 2024.

³³⁷ See Oxford Dictionaries Language Matters, Online at <<http://www.oxforddictionaries.com/definition/english/methodology?q=methodology>> Accessed 25 January 2024.

³³⁸See Oxford English Dictionary, Online at <<http://www.oed.com/view/Entry/117560?rskey=IOGDHX&result=1#eid>> Accessed 26 January 2024.

The second section examines the two main methods utilised in this thesis to explore the research hypotheses and questions; empirical research methods and comparative analysis method. The empirical research methods employ both quantitative and qualitative methods to investigate the approaches of the UK courts and the CJEU. In particular; the quantitative research design uses the descriptive statistics method in UK case samples to establish associations between CJEU identified factors and two of the four potentially interrelated indicators of inconsistencies that are relevant to this thesis EU trademark law: 1) Ongoing interpretive challenges between national legal systems and the legal order of the EU and 2) continuing uncertainty in national approaches.

In addition to the descriptive method identified above, this thesis also utilises the ‘membership scores’ technique from fuzzy set Qualitative Comparative Analysis³³⁹ to depict the degree of consistency to which different cases exhibit these factors. The fsQCA ‘membership scores’ technique is grounded in in set theoretic terms by reference to subset relationships identified in the membership of specific factors. Set theory is “a branch of mathematics or of symbolic logic that deals with the nature and relations of sets.”³⁴⁰ It is important to highlight that this thesis does not use the use the fsQCA method as the analytic approach of the data and results, rather it is incorporated as a general approach in the operationalisation of the research model designed for this study. As such, this study does not construct and analyse the requisite truth table which is characteristic of using the QCA as an analytic technique. Instead it uses the ‘building block’ approach³⁴¹ as the analytic method. The reason for this is simple; this analytic technique is better suited to build on the degrees of consistency already identified using the fsQCA approach because they are more specific to socio-legal theories and phenomena. Another reason for choosing this method is largely due to the varying sizes of the samples.

³³⁹Charles C. Ragin, *Redesigning social enquiry: fuzzy sets and beyond* (The University of Chicago Press Kindle Edition 2008).

³⁴⁰Heather Kane et al, ‘Using qualitative comparative analysis to understand and quantify translation and implementation’ 2014 4(2) Translation Behavioural Medicine <<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4041929/>> Accessed 28 January 2024.

³⁴¹“Building Block” studies of particular types or subtypes of a phenomenon identify common patterns or serve a particular kind of heuristic purpose” Alexander L. George & Andrew Bennett, *Case studies and theory development in the social sciences* (Belfer Center Studies in International Security) (MIT Press Kindle Edition 2005) 76.

This method is better suited to quantitatively analyse small to medium sized samples (for e.g. 10 to 50 case studies).

The ‘building block’ case study approach works by moving down “the ladder of generality to contingent generalizations and the identification of more circumscribed scope conditions of a theory, rather than up toward broader but less precise generalizations.”³⁴² In doing so, it utilises the fsQCA membership scores to conduct detailed analysis on the case categories to understand and describe the contexts in which inconsistencies occur.³⁴³ This method is used to offer a comprehensive critical insight to the relationship between the CJEU and the UK courts practises and any influential implications. The rationale for choosing this approach is because it offers a thorough means to realise the aims of this thesis by allowing for an in-depth exploration of how complex set of factors in a particular circumstance drive a specific outcome in trademark judgments.

3.2 Methodology

This section explores the empirical research methods and the building block analytical method as the chosen approaches to undertake the study in this thesis.

3.2.1 Empirical methods used in thesis

As has been already stated in the introduction, descriptive statistics and Qualitative Comparative Analysis are used in this study. While both methods have advantages, which lend themselves to the research hypotheses and questions, this section will also indicate their limitations.

3.2.2 Descriptive Statistics

The first method of analysis utilised to explore the UK data-set is descriptive statistics as opposed to inferential statistics. Descriptive statistics are a research method typically used to describe what data shows in a concise manner. An accurate explanation of the advantages ensuing from this method is that, “Descriptive statistics help us to simplify large amounts of data in a sensible way.

³⁴²Alexander L. George & Andrew Bennett, Case studies and theory development in the social sciences (Belfer Center Studies in International Security) (MIT Press 2005) 77.

³⁴³Alexander L. George & Andrew Bennett, Case studies and theory development in the social sciences (Belfer Center Studies in International Security) (MIT Press 2005) 76.

Each descriptive statistic reduces lots of data into a simpler summary.”³⁴⁴ Contrastingly, it states that inferential statistics methods seek to make general conclusions based on the inference made from the sample data.³⁴⁵

This study does not employ the inferential method in analysing the data-set because the descriptive method of analysis is better suited to investigating the research hypotheses due to the small to medium sample sizes. This means that the sample size for the ‘exhaustion of rights’ section has a total of 21 cases while the section on ‘likelihood of confusion’ has a total of 68 cases and the section on ‘unfair advantage/detriment’ has 59 cases.

Thus, using any probabilistic method (for e.g. logistics regression) to infer more generalised statistical data would have been problematic because such methods fundamentally require larger samples to produce sound and reliable analysis.³⁴⁶

The descriptive statistics used in this thesis are principally to describe the basic features of the UK data by providing summaries about the samples and measures. It makes no projected statements about the sample population in general but rather focuses on explaining the specific data as it is. The limitation of using this method is that it cannot be demonstrated conclusively that there is a causal relationship between certain factors and outcomes.³⁴⁷

³⁴⁴Gill Marshall & Leon Jonker, ‘An introduction to descriptive statistics: A review and practical guide’ (2010) 16(4) *Radiography* e1
<[http://www.radiographyonline.com/article/S1078-8174\(10\)00002-7/fulltext](http://www.radiographyonline.com/article/S1078-8174(10)00002-7/fulltext)> Accessed 13 January 2024; see also

<<http://www.socialresearchmethods.net/kb/statdesc.php>> Accessed 05 January 2024.

³⁴⁵See also Karen A. Randolph and Laura L. Myers, *Basic Statistics in Multivariate Analysis* (Oxford University Press 2013).

³⁴⁶Andrew Gelman and Deborah Nolan, *Teaching Statistics: A Bag of Tricks* (Oxford University Press 2017); see also Thomas R Black, *Doing quantitative research in the social sciences: An integrated approach to research design, measurement and statistics* (Sage Publications 1999); William L. Neuman, *Social Research Methods: Pearson New International Edition: Qualitative and Quantitative Approaches* (7th edition, Pearson 2013).

³⁴⁷Rein Taagepera, *Making Social Sciences More Scientific: The Need for Predictive Models* (Oxford University Press 2008); see also Murray J. Fisher & Andrea P. Marshall, ‘Understanding descriptive statistics’ (2009) 22(2) *Australian Critical Care* 93
<[http://www.australiancriticalcare.com/article/S1036-7314\(08\)00173-2/fulltext](http://www.australiancriticalcare.com/article/S1036-7314(08)00173-2/fulltext)>
Accessed 12 January 2024; Alan Bryman, *Social Research Methods* (5th edition, Oxford University Press 2015).

3.2.3 Fuzzy set Qualitative Comparative Analysis (fsQCA)

The QCA method is one which is case focused and facilitates ample dialogue between cases and theories.³⁴⁸ Originally used in disciplines such as politics and history³⁴⁹ for empirical research, it is now increasingly used in a variety of disciplines including sociology, criminology and legal studies.³⁵⁰ The three techniques developed under this method are the crisp set, multi value set and the fuzzy set.³⁵¹ The fsQCA techniques integrated in this study was first developed by Ragin³⁵² as a technique of QCA to gain a deeper understanding of subset relationships in concepts through precise distinctions. Thus, utilizing the calibration technique for fuzzy sets complements the aims of this study by transforming the existing data into subset relationships to be further analysed. Kane et al suggest that the QCA method is one which is particularly suitable for 'case-studies' oriented approach because of its 'mixed method' to understand the context in which factors or conditions work in a concept. They argue that one of the advantages this method provides is that "it models *equifinality*, which is the ability to identify more than one causal pathway to an outcome (or absence of the outcome)."³⁵³ They propose a conceptual model for the use of QCA which

³⁴⁸Dirk Berg-Schlosser et al, 'Qualitative Comparative Analysis (QCA) as an Approach' in Benoit Rihoux & Charles C. Ragin (eds), *Configurational Comparative Methods: Qualitative Comparative Analysis (QCA) and Related Techniques* (Applied Social Research Methods Vol 51) (Sage Publications Kindle Edition 2008) 1.

³⁴⁹Dirk Berg-Schlosser et al, 'Qualitative Comparative Analysis (QCA) as an Approach' in Benoit Rihoux & Charles C. Ragin (eds), *Configurational Comparative Methods: Qualitative Comparative Analysis (QCA) and Related Techniques* (Applied Social Research Methods Vol 51) (Sage Publications Kindle Edition 2008) 3.

³⁵⁰Norat Roig-Tierno et al, 'An overview of qualitative comparative analysis: A bibliometric analysis' (2017) 2(1) *Journal of Innovation & Knowledge* 15-23; see also Huiqi Yan, *Pesticide Law and Compliance Decision Making: A Case Study of Chinese Farmers* (Springer 2017).

³⁵¹Crisp sets work based on dichotomous/binominal data, multi value sets works with multi-nominal data while fuzzy sets using numerical scores, can illustrate the degrees to which cases belong to different sets.

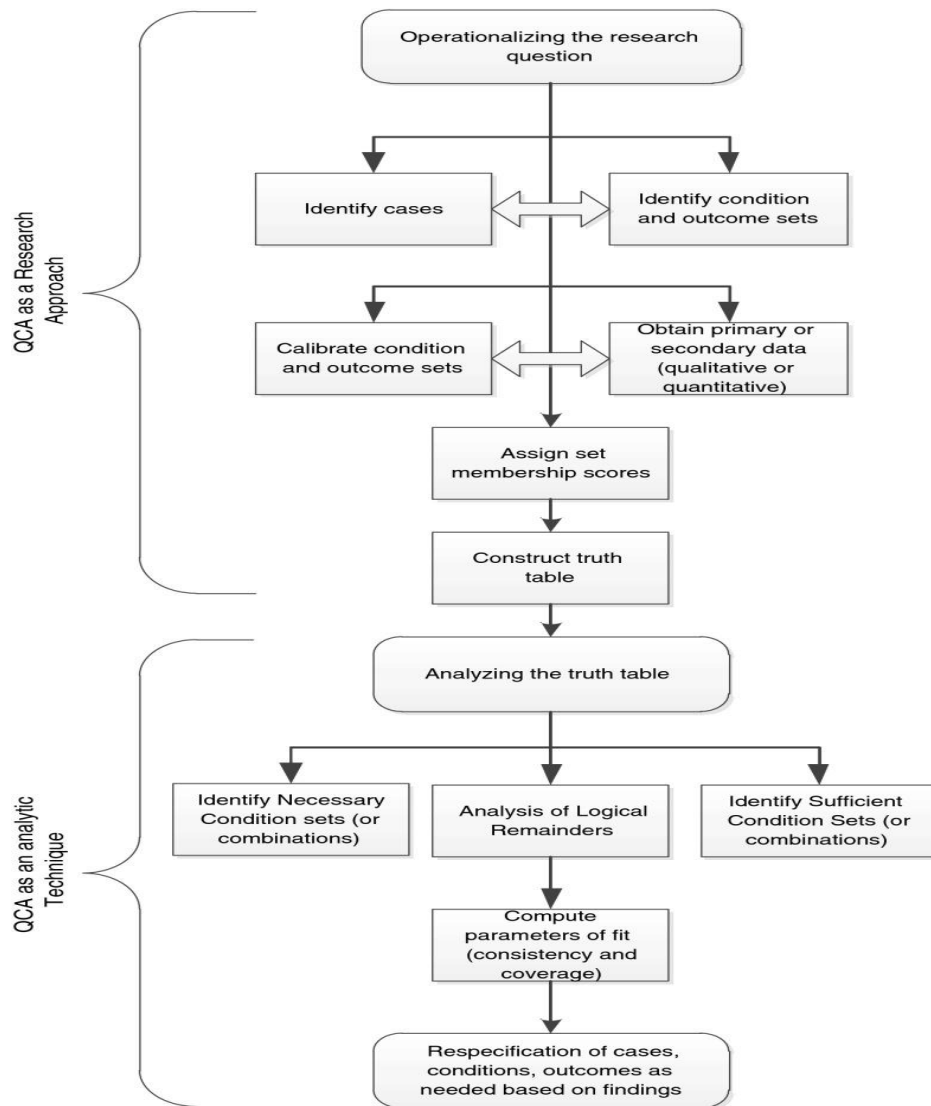
³⁵²Charles C. Ragin 'Using qualitative comparative analysis to study causal complexity' (1999) 34(5 Pt 2) *Health Services Research Journal* 1225-1239.

³⁵³Heather Kane et al, 'Using qualitative comparative analysis to understand and quantify translation and implementation' 2014 4(2) *Translation Behavioural Medicine* <<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4041929/>> Accessed 28 January 2024, 202 of 208; see also John Stuart Mill, *A System of Logic, Ratiocinative and Inductive: Volume 1: Being a Connected View of the Principles of Evidence, and the Methods of Scientific Investigation* (Cambridge University Press 2011); Patrick Emmenegger et al, 'Making the Most of Configurational Comparative Analysis: An Assessment of QCA Applications in Comparative Welfare-state Research' (2013) 66 *Political Research Quarterly* 185-90.

demonstrates that it can be used in two ways; as a general research approach and as an analytic technique. See diagram below:

Conceptual model by Kane et al³⁵⁴

³⁵⁴Heather Kane et al, 'Using qualitative comparative analysis to understand and quantify translation and implementation' 2014 4(2) Translation Behavioural Medicine <<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4041929/>> Accessed 28 January 2024, 203 of 208; see also Charles C. Ragin, *The comparative method: moving beyond qualitative and quantitative strategies* (The University of California Press 1987).

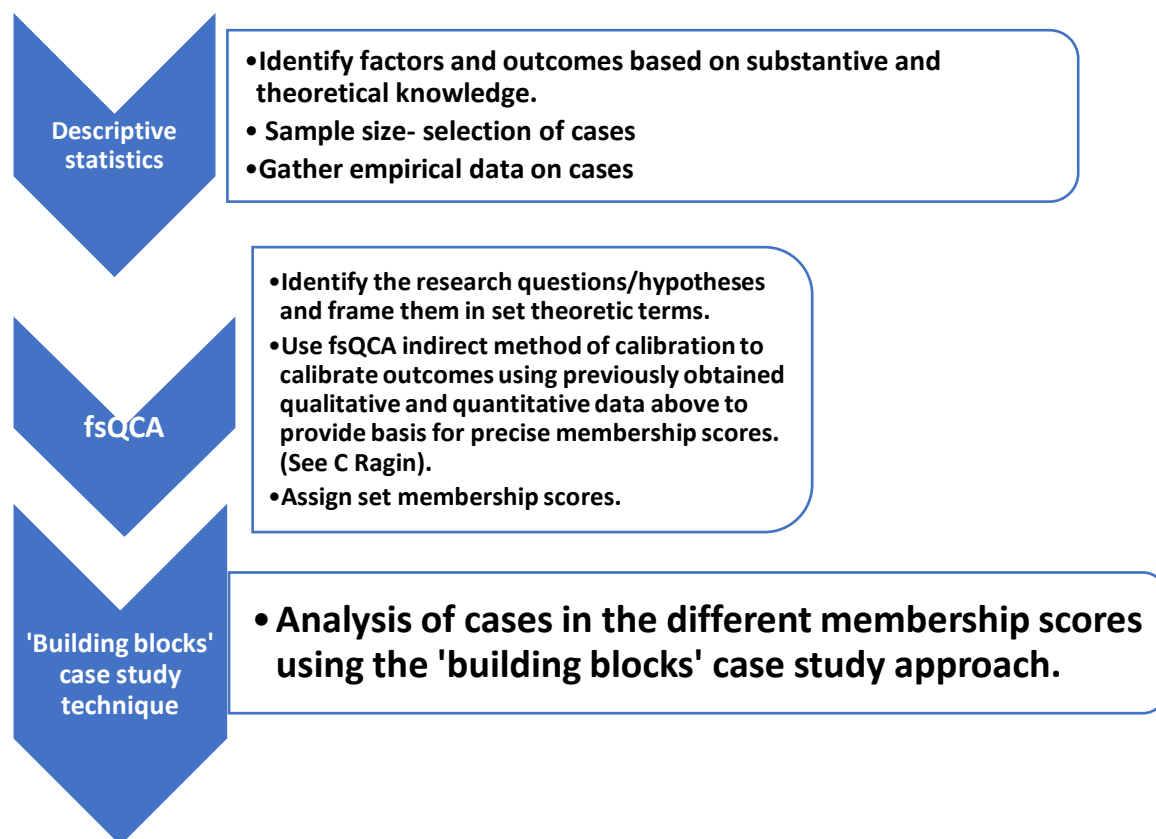


This thesis is not concerned with using QCA as an analytic technique; instead it incorporates the first part of the Kane model in the research strategy designed for this thesis. Thus, it is concerned with using the steps outlined in the Kane model as a structured mechanism for handling the empirical data from cases to identify the unique subset relationships.³⁵⁵ These subset relationships are later analysed using two other analytic techniques suitable for comparative analysis of case studies in law. The resulting combination of these is a new conceptual model for

³⁵⁵Carsten Q. Schneider, Claudius Wagemann, *Set-theoretic methods for the social sciences: a guide to qualitative comparative analysis* (Cambridge University Press 2012); Heather Kane et al, 'Using qualitative comparative analysis to understand and quantify translation and implementation' 2014 4(2) Translation Behavioural Medicine <<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4041929/>> Accessed 28 January 2024, 202 of 208; see also Berg-Schlosser D, De Meur G. Comparative research design: case and variable selection in Benoit Rihoux & Charles C. Ragin (eds), *Configurational Comparative Methods. Qualitative Comparative Analysis (QCA) and Related Techniques* (Sage Publications 2009).

conducting the type of study undertaken in this thesis. See diagram below for conceptual diagram:

Conceptual model designed for this study:



To set up the procedure for utilising the fsQCA method, this study has reformulated the research aims in set theoretic terms as suggested by Schneider and Wageman.³⁵⁶ Ragin contends that almost all social science concepts are implicitly based on the idea of 'sets' and 'set relations' due to their verbal nature.³⁵⁷ He gives an example of a set theoretic statement and its subset relation in a statement that asserts 'small farmers are risk averse'. He indicates that this

³⁵⁶Carsten Q. Schneider, Claudius Wagemann, *Set-theoretic methods for the social sciences: a guide to qualitative comparative analysis* (Strategies for Social Inquiry) (Cambridge University Press Kindle Edition 2012) 23-24.

³⁵⁷Charles C. Ragin, *Redesigning social enquiry: fuzzy sets and beyond* (The University of Chicago Press kindle Edition 2008) pg 136; see also Michael Potter, *Set theory and its philosophy* (Oxford University Press 2004).

claim is “set theoretic: small farmers constitute a rough subset of risk-averse individuals.”³⁵⁸

Schneider and Wageman further explain this idea of concepts as sets as “...defined in terms of “boundaries that define zones of inclusion and exclusion” (Mahoney 2010: 7), then “[c]ases are measured according to their fit within the boundaries of a set.”³⁵⁹ In other words, ‘sets’ act like ‘storage boxes’ for data which further assist in the delineation of the nature of cases within the concept.

Ragin suggests that since set relations reflect social connections, the formulations of sets should be grounded in theoretic knowledge. Thus, the research hypotheses in this study have been reformulated in set theoretic terms to be: UK court judgments are inconsistent with CJEU requirements in EU trademark law. This means that UK court judgments constitute a rough subset of inconsistent court decisions in EU trademark law.

After this reformulation of the research hypothesis in set theoretic terms, it is necessary to assign memberships scores to a set by means of a process called ‘calibration’ which involves using empirical evidence and theoretic knowledge on cases as the basis.³⁶⁰ According to Schneider and Wageman, it is the duty of the researcher to use justifiable rules for assigning membership scores to cases. They put forward five important components of a successful exercise in calibration. These are outlined below:

- (a) a careful definition of the relevant population of cases;
- (b) a precise definition of the meaning of all concepts (both the conditions and the outcome) used in the analysis;
- (c) a decision on where the point of maximum indifference about membership versus non-membership is located (signified by the 0.5 anchor in fuzzy sets and the threshold in crisp sets);
- (d) a decision on the definition of full

³⁵⁸Charles C. Ragin, *Redesigning social enquiry: fuzzy sets and beyond* (The University of Chicago Press kindle Edition 2008) pg 136; see also Steven Pollard, *Philosophical Introduction to set theory* (Dover Publications Inc 2015).

³⁵⁹Carsten Q. Schneider, Claudius Wagemann, *Set-theoretic methods for the social sciences: a guide to qualitative comparative analysis* (Strategies for Social Inquiry) (Cambridge University Press Kindle Edition 2012) 24.

³⁶⁰Carsten Q. Schneider, Claudius Wagemann, *Set-theoretic methods for the social sciences: a guide to qualitative comparative analysis* (Strategies for Social Inquiry) (Cambridge University Press Kindle Edition 2012) 32.

membership (1) and full non-membership (0); (e) a decision about the graded membership in between the qualitative anchors.³⁶¹

It is also suggested that “knowledge which is external to the data”³⁶² be used for calibration. Such knowledge can be sourced from obvious facts or from theoretical knowledge in the specific field of study. Translated to the research aims of this thesis, the ‘external’ criteria used to define inconsistencies in UK courts decisions are sourced from both the existing EU trademark laws and the jurisprudence of the CJEU in EU trademark cases. In other words, it means ‘when UK courts’ decisions do not address any of the specific factors identified by the CJEU or do address some’.

Using the indirect method³⁶³ for calibration as proposed by Ragin, cases under the three focus areas of this thesis (parallel trading, likelihood of confusion and unfair advantage/detriment) were initially sorted into different levels of membership using obtained quantitative data about the number of factors present in each case. The precise approach used was the dominant approach by social scientist called the indicator approach. This approach allows the researcher to:

identify the best possible empirical indicators of their theoretical concepts. For example, national income per capita (in constant U.S. dollars, adjusted for differences in purchasing power) is often used as an empirical indicator of the theoretical concept of development applied to countries. In the indicator approach, the main requirement is that the indicator must vary across cases, ordering them in a way that is consistent with the underlying concept. All techniques in the indicator family share a deep

³⁶¹Carsten Q. Schneider, Claudius Wagemann, *Set-theoretic methods for the social sciences: a guide to qualitative comparative analysis* (Strategies for Social Inquiry) (Cambridge University Press Kindle Edition 2012) 32.

³⁶²Carsten Q. Schneider, Claudius Wagemann, *Set-theoretic methods for the social sciences: a guide to qualitative comparative analysis* (Strategies for Social Inquiry) (Cambridge University Press Kindle Edition 2012) 32.

³⁶³Please section in the appendices.

reliance upon observed variation. The values of national income per capita, for example, must distinguish less-developed developed from more developed countries in a systematic manner.³⁶⁴

Using the indicator approach for this study, the 'number of factors' present in a case was used as the 'empirical indicator' of consistency or inconsistency in UK courts' adhering to CJEU requirements. For example, cases under parallel trading were sorted based on whether they exhibited 1 factor, 2 factors, 3 factors, 4 factors etc. The same sorting was done for cases under likelihood of confusion and unfair advantage. The exact details can be found in the appendices.

Once cases were sorted into different levels of membership as detailed above, these different levels were then assigned membership scores according to the initial six key qualitative categories as suggested by Ragin. The scores in these categories range from 0.0 to 1.0. They are:

1. In the target set (membership = 1.0)
2. Mostly but not fully in the target set (membership = 0.8)
3. More in than out of the target set (membership = 0.6)
4. More out than in the target set (membership = 0.4)
5. Mostly but not fully out of the target set (membership = 0.2)
6. Out of the target set (membership = 0.0)³⁶⁵

As further recommended, these six membership scores were then additionally refined for precision using the quantitative data about the number of factors previously gathered from the cases. For example, the cases under 'exhaustion of rights' were split into categories; repackaging and non-repackaging cases because the number of factors required differ in each category. Thus, for cases in both groups, the original six membership scores were further refined as follows:

Repackaging cases:

³⁶⁴Charles C. Ragin, *Redesigning social enquiry: fuzzy sets and beyond* (The University of Chicago Press kindle Edition 2008) 739-740.

³⁶⁵Charles C. Ragin, *Redesigning social enquiry: fuzzy sets and beyond* (The University of Chicago Press kindle Edition 2008) 957-965.

1. In the target set= Displays all 8 factors out of 8 (percentage value=100%, converted to decimal=1.0. Therefore, membership = 1.0)
 2. Mostly but not fully in the target set = Displays only 7 factors out of 8 (percentage value=87.5%, converted to decimal=0.875. Therefore, membership = 0.88 when rounded to the nearest hundredth even number)
 3. More in than out of the target set = Displays only 6 factors out of 8 (percentage value= 75%, converted to decimal=0.75. Therefore, membership = 0.75)
 4. More in than out of the target set = Displays only 5 factors out of 8 (percentage value= 62.5%, converted to decimal=0.625. Therefore, membership = 0.62 when rounded to the nearest hundredth even number)
 5. Neither in nor out in the target set = Displays only 4 factors out of 8 (percentage value=50%, converted to decimal=0.50. Therefore, membership = 0.50 or 0.5)
- crossover point 50%**
6. More out than in the target set = Displays only 3 factors out of 8 (percentage value=37.5%, converted to decimal=0.375. Therefore, membership = 0.38 when rounded to the nearest even number)
 7. Mostly but not fully out of the target set = Displays only 2 factors out of 8 (percentage value=25%, converted to decimal=0.25. Therefore, membership = 0.25)
 8. Mostly but not fully out of the target set = Displays only 1 factor out of 8 (percentage value=12.5%, converted to decimal=0.125. Therefore, membership = 0.12 when rounded to the nearest hundredth even number)
 9. Out of the target set= Displays only 0 factor out of 8 (membership = 0.0)

Non- Repackaging cases:

1. In the target set= Displays all 3 factors out of 3 (percentage value=100%, converted to decimal=1.0. Therefore, membership = 1.0)
2. Mostly but not fully in the target set= Displays only 2 factors out of 3 (percentage value=66.66%, converted to decimal=0.66. Therefore, membership = 0.66)
3. Mostly but not fully out of the target set = Displays only 1 factor out of 3 (percentage value=33.33%, converted to decimal=0.33 Therefore, membership = 0.33)
4. Out of the target set (membership = 0.0).

The precise calibration scores developed for the other two focal aspects in this thesis (likelihood of confusion and unfair advantage) can be found in the appendices.

The section ____ below explains the sample selections, delineating of factors and coding used.

3.2.4 The 'Building block' analytical approach

This analytical procedure as submitted by George and Bennett states that “Each block—a study of each subtype—fills a “space” in the overall theory or in a typological theory.”³⁶⁶ This analytical strategy is well suited with the already calibrated degree of membership in the sets identified above because each category of case(s) is studied independently as a piece of the overall puzzle contributing to a better understanding of the inconsistencies in this area. In terms of drawing implications, this study concentrates on the problems associated with the one type of trademark infringement; exhaustion of rights, which guided the construction of the aims of this study. As such, studying these constituent parts (as individual blocks) contributes to the overall picture in the understanding of the inconsistencies in EU trademark law.

Overall depiction of methods used:

³⁶⁶Alexander L. George & Andrew Bennett, *Case Studies and Theory Development in the Social Sciences* (Belfer Center Studies in International Security) (The MIT Press. Kindle Edition 2005) 78.



3.2.5 Sample Selection of UK Trademark cases

The final (non-exhaustive) versions of the sample selections were carried in June 2017 by searching via Westlaw UK as it offered the most comprehensive record of UK case laws. It is expected that the total number of cases may change if these search criteria were replicated at a future date, due to pending appeals. Cases not returned by the search but included in the appellate history of a case returned by the search, were included in the dataset and analysis because it was logical to give a full picture of the starting and end points of a case with such a history.

Cases regarding the Trade Marks Act 1938, passing off, UK Trademark Registry, Company Names Tribunal, Judicial review, use of the trade mark, account of profits, counterfeits, goods in transit, bad faith, human rights and Criminal prosecution for infringement were discounted because their main subject matter and place of hearing do not directly relate to the focus of this study.

It was decided that for clarity and certainty purposes in the recording of data, cases on a specific point of appeal were recorded under the 'appealed' tab only if they were relevant for the specific factor under examination. This means that for e.g. if a case was not appealed on the likelihood of confusion point but was appealed on a different point, it would not be recorded as 'appealed' even though in general terms, it was appealed albeit on a different point of law within that case.

See tables below for a precise record of the search criteria used on the Westlaw website:

Search criteria 1 based on Article 7 (1), (2) TMD and its equivalent in Article 13 (1), (2) Regulation:

Free Text = trademark AND infringement & exhaustion AND of AND rights
Topic = Trademarks
Jurisdiction = UK
Date = Between 01/01/1990 AND 01/12/2017
Total number= 55 cases
After sample selection= 36 cases.
After sorting and recording= 28

Search criteria 2 based on Article 5 (1) (b) TMD and its equivalent in Article 9 (1)

(b) Regulation:

Free Text = Likelihood AND of AND confusion & similarity AND of AND a AND trademark & identical AND trademark & function AND of AND a AND trademark
Topic = Trade marks
Jurisdiction = UK
Date = Between 01/01/1990 AND 01/12/2016
Total number of cases= 84 cases
After sample selection= 78 cases.
After sorting and recording= 68 cases

Search criteria 3 based on Article 5 (2) TMD and its equivalent in Article 9 (1) (c):

Free Text = reputation AND of AND a AND trademark & unfair AND advantage & detriment AND to AND the AND distinctive AND character
Topic = Trademarks
Jurisdiction = UK
Date = Between 01/01/1990 AND 01/12/2016
Total number of cases= 61 cases
After sample selection= 59 cases.
After sorting and recording= 59 cases

The provisions included in the sample selection are tabled below in Table 2. Please note that for ease of reference, the exact similar provisions found in the relevant Articles of the TMD and Regulation have been placed parallel to each other.

Directive 89/104 EEC as amended by Directive 2008/95/EC	Regulation 40/90 as amended by Regulation 207/2009
Articles 5 (1) (b)	Articles 9 (1) (b)
Article 5 (2)	Articles 9 (1) (c)
Articles 7 (1), (2)	Articles 13 (1), (2)

It should be noted that the reason for the differing cut off points for the sampling of exhaustion cases and Art 5 cases was due to the volume of cases to be analysed. Art 5 case samples (combined) were cut off a year earlier because they were twice more in volume compared to the exhaustion case samples. The exhaustion samples search parameters were extended by another year to gain more case in order to increase the sample size to gain more statistical weighting in the outcomes.

3.2.6 Delineation of factors and Coding Matrix of UK cases

This focus of this element of empirical study is on examining UK courts' cases. The precise focus is on comparing how the UK courts adhere to specific EU trademark rules set by the regional standard of the Directive/Regulation and CJEU judgments. To do this, this study will be exploring the extent to which the factors compiled from EU trademark law in landmark cases are those that explicitly drive judicial decision-making in the UK courts/cases. In particular, the focus will be on examining the analysis part of decisions in the selected cases to determine if these factors are articulated within such analyses. This is situated within the context of two of the four focal areas of this thesis: 1) Ongoing interpretive challenges between national legal systems and the legal order of the EU and 2) Continuing uncertainty in national approaches. Please refer to the appendices for the precise method used in choosing the factors.

3.2.7 Sample Selection of CJEU Trademark cases

The sample focus of CJEU trademark cases chosen for this thesis was on the registration of trademarks. Given that the sample focus for the empirical study was already on exhaustion of rights, this thesis opted to use another area of trademarks as an additional lens to analyse the inconsistencies to provide a more robust assessment. An advanced search in the CJEU case law search engine³⁶⁷ revealed no available trademark registration cases in the CJEU between the periods of 1989 and 2000. A further search on the OHIM trademark case law database³⁶⁸ also uncovered no such records. It however showed between the periods of 1995-2000 that 8 trademark registration cases were decided by the General Court on appeal from the OHIM database. These will be examined in the section 5.4.

3.2.8 Conclusion

This chapter reviewed the methodology of this thesis, which includes the unique combination of descriptive statistics, fuzzy set qualitative comparative analysis and the building block approach all aid the specific social inquiry which this thesis is concerned with. Having already explored the viability of other methodologies prevalent in law, these methods offer the best co-ordination and fit to the specific nature of inquiry into the different subset relationships in cases.

Chapter 4 Legacy of Ambiguity: history of EU trademark laws

4.1 Introduction

This chapter provides a chronological context of the inconsistencies in EU trademark law for the sole purpose of addressing the first research question of

³⁶⁷InfoCuria <<http://curia.europa.eu/juris/recherche.jsf?language=en>> Accessed 28 January 2024.

³⁶⁸<<https://oami.europa.eu/eSearchCLW/#advanced>> Accessed 28 January 2024.

this thesis, namely; the legacy of the legal ambiguity that followed the negotiations of the first Trade Mark Directive. It accomplishes this by exploring the historical sequence of events leading up to the birth of current EU trademark laws. It will be shown through this chapter that the history of these inconsistencies is a substantial part of this context. The originality in this chapter is achieved by situating these inconsistencies against this historical backdrop which has allowed further opportunities for providing a deeper understanding of their nature and classification. This analysis of the legislative history which traces the inconsistencies of EU trademark law in this chapter also develops the crucial piecing together of data, factors and theories that informs the empirical analysis undertaken in chapter 6. It also identifies and analyses the initial development of EU trademark law as similar to the broader trademark histories discussed in chapter 2 and argues that EU trademark law started life from adopting the simple and uncomplicated origins of how trademarks were used to designate origin and quality. However, this chapter builds on the argument made in chapter 2 by going further to argue that a unique chaotic identity has emerged as a legacy of the development of EU trademark law which owes its origins to the culture clash amongst the early European states involved in the negotiation. Thus, the concluding picture is that while the European Union initially aimed for EU trademark law to have simple basis in guaranteeing origin and quality, divergent cultural approaches thwarted this position and can be viewed as the bedrock of some of the inconsistencies in EU trademark law that still exist today. These analyses and findings are in line with one of the main aims of this thesis which is to provide a critical examination of the on-going opportunity for interpretive challenges to the EU trademark Directives; to the effect of investigating the existence of an underlying coherent logic or pattern.

Traditionally, trademark rights have been seen as territorial: acquired, protected and enforced by national legislation and legal tradition. This territorial rootedness of trademark law has proven problematic within the context of the European Union (EU) internal market and the first harmonising Directive (first Directive)³⁶⁹ had a long and troubled gestation period. Marked by tough negotiations and

³⁶⁹First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks, OJ L 040, 11/02/1989, 1-7.

disagreement over the scope of trademark infringement criteria, compromise became essential for the appearance of the Directive.

This chapter will map out the difficult and drawn-out history of the Trademark Directive (TMD) in two stages. The first part begins with a memorandum in 1976 that was marked by a succession of drafts, discussions, and new proposals lasting some eleven years before the birth of the first Directive. The second part will briefly continue the trace after the first Directive to the present version of the Directive to date. In line with the aims of this thesis, it should be noted that the focal point of this chapter will be restricted to the core areas that are relevant to the tension with free trade in EU trademark law, namely, trademark infringement and grounds for refusal of registration. In reflecting on the legacy of legal ambiguity and uncertainty that has characterised this history, this chapter concludes by considering its main research question; what were the key issues that influenced the negotiations of the Directive. It is anticipated that the identifying of these factors will contribute towards the overall aim of this thesis; ascertaining a coherent rationale for the inconsistencies found in EU trademark law.

4.2 Part I-Before the First Directive

4.2.1 Background to the Memorandum

The EU Commission (Commission) Memorandum which situates itself as the most concrete pioneer of the TMD first started life as the draft of a Convention for European Trade Mark. Although work on the preliminary version of this draft commenced in 1961 under the chairmanship of Dr De Haan (President of the Dutch Patent Office at the time), it was not concluded until 1964 (1964 draft). Due to differences in opinions on some issues early on in the draft, it remained abandoned and unpublished until the Commission resumed work on it in 1973. As an opening measure, it decided to publish the 1964 draft³⁷⁰ in order to invite comments from members of the general public and also parties/companies/trade

³⁷⁰An unofficial English translation has been published: Department of Trade and Industry, Proposed European Trade Mark: Unofficial Translation of a Preliminary Draft of a Convention for European Trade Mark (H.M.S.O. 1973) ISBN 0115108807.

bodies with interest. Following this, earnest discussions about the draft began with various international and private bodies communicating to the Commission, their positions on the contents of the draft. Subsequent to these feedbacks, it was clear that the 1964 draft would need to be readjusted in light of all the developments and public reactions since 1964. Thus, the Commission established a working group in 1974 consisting of experts³⁷¹ from academia, private practice and the industrial world in addition to officials from the Commission. Following the deliberations of the working party, the Commission adopted a memorandum on the creation of a Community trademark in Brussels in July 1976,³⁷² which had as its basis; an incorporation of all the relevant occurrences prior to its creation. Of particular importance in the developments that were taken into account in the memorandum were the legal systems of the new member states that had joined the Community at the time, the recent changes at the time to member states case laws and academic studies and the continuous development of Community law at the time; especially the most recent decisions of Court of Justice of the European Union (CJEU) prior to the memorandum.

4.2.2 The Memorandum

In extolling the benefits a Community trademark system would have on the economic goals of the Community, this document proceeded to highlight the basic arguments for its necessity. First and foremost, the needs of consumers across the Community would be met as there would be access to have alternatives in the form of Community trademark goods covering the internal market as opposed to the restricted national trademark goods covering just one territory. Also, consumers would have uniform protection against confusion, deception and misleading information under the centralised system. Based on the Community-wide effect the trademarks would have, another advantage emphasized in the

³⁷¹Professor Dr Friedrich-Karl Beier (Director at the time of the Max Planck Institute); Mr Alain Thrierr (Deputy Director-General at the time of Union des Fabricants, a trade union of pharmaceutical companies) and Mr John Burrell (a member of the Queen's Council London).

³⁷² European Commission, Memorandum on the creation of an EEC Trade Mark adopted by the Commission on 6 July 1976 SEC(74) 2462 final, *Bulletin of the European Communities, Supplement 8/76*. [EU Commission - SEC Document]. Can be found electronically at the Archive of European Integration (AEI) website <http://aei.pitt.edu/30458/1/P_57_76.pdf> Accessed 17 January 2024.

memorandum was that there would be significant reduction in the cost and time of applications and enforcement of trademarks. Most importantly, the above benefits would be in line with the internal market's need for a common trademark system and therefore, this breaking down of barriers within the internal market would be consistent with one of the main objectives of the Community; free movement of goods. In a brief moment of envisaging utopia for the proposed uniform system of trademarks in Europe, the memorandum enunciated that in order to remain consistent with the free movement of goods aim, steps must be taken to eradicate barriers in the form of national legal systems in industrial property law.³⁷³ One of such steps reflected on was that the national trademark laws be replaced with the Community trademark in order to completely avoid any conflict between free movement of goods and inconsistent national trademark laws. However, it went further to state that this method was one that could not be reasonably contemplated from a legislative perspective at that point in time, given the upheaval such reformation was likely to cause both economically and legally.³⁷⁴ Advocating a gradual approach instead towards resolving the foreseen conflict, the memorandum anticipated that with the progressive integration of the internal market through one of such means as uniform trademark law, the existing national trademark laws would gradually decline in importance.³⁷⁵ As part of the gradual approach, the Commission indicated that establishing a CTM alone in itself was not an adequate step given that national trademark laws would continue to

³⁷³European Commission, Memorandum on the creation of an EEC Trade Mark adopted by the Commission on 6 July 1976 SEC (74) 2462 final, *Bulletin of the European Communities, Supplement 8/76*. [EU Commission - SEC Document]. Can be found electronically at the Archive of European Integration (AEI) website <<http://aei.pitt.edu/5363/1/5363.pdf>><http://aei.pitt.edu/30458/1/P_57_76.pdf> Accessed 17 January 2024.

³⁷⁴European Commission, Memorandum on the creation of an EEC Trade Mark adopted by the Commission on 6 July 1976 SEC(74) 2462 final, *Bulletin of the European Communities, Supplement 8/76*. [EU Commission - SEC Document]. Can be found electronically at the Archive of European Integration (AEI) website <<http://aei.pitt.edu/5363/1/5363.pdf>><http://aei.pitt.edu/30458/1/P_57_76.pdf> Accessed 17 January 2024.

³⁷⁵European Commission, Memorandum on the creation of an EEC Trade Mark adopted by the Commission on 6 July 1976 SEC (74) 2462 final, *Bulletin of the European Communities, Supplement 8/76*. [EU Commission - SEC Document]. Can be found electronically at the Archive of European Integration (AEI) website <<http://aei.pitt.edu/5363/1/5363.pdf>><http://aei.pitt.edu/30458/1/P_57_76.pdf> Accessed 17 January 2024.

exist and the differences in the national legal systems had at the time, resulted in impeding the free movement of goods. The Commission at the time, drawing on the judgements of the Court of Justice of the European Union (CJEU), especially in the case of *SirenaSrl v EdaSrl*³⁷⁶ where the Court commented on the effect of the lack of approximation of national trademark laws at the time on free movement of goods; decided to approximate the necessary national trademark laws alongside the existence of a CTM.

Thus, whilst the original intention had been to introduce a Community Trade Mark (CTM) and a harmonising directive at the same time, this was abandoned in 1988 and a decision made to adopt the directive³⁷⁷ first owing to both the gradual approach assumed in the memorandum and political issues at the time in the launching of a Community Trademark Office and the official languages to be utilised in the CTM.

4.2.3 Substantive trademark law in the Memorandum

Function(s)/scope of a trademark, rights conferred on a trademark and exhaustion of rights in the Memorandum

In this section, only the substantive parts found in the memorandum which are relevant to the theme thesis will be scrutinized. These include the scope, definition and rights conferred by a trademark (functions of trademarks, infringement, limitations on the rights and exhaustion) and grounds for refusal of registration.

In recognising that the function(s) which are ascribed to a trademark play an ultimate role in the regulation of trademarks, the memorandum sought to clarify the position on which functions should be given priority legally. It later on enunciated that legally, the only function of a trademark that should be acknowledged was the origin function.³⁷⁸ Identifying that although based on the

³⁷⁶[1971] CMLR 4.

³⁷⁷European Commission, Memorandum on the creation of an EEC Trade Mark adopted by the Commission on 6 July 1976 SEC(74) 2462 final, *Bulletin of the European Communities, Supplement* 8/76. [EU Commission - SEC Document]. Can be found electronically at the Archive of European Integration (AEI) website <<http://aei.pitt.edu/5363/1/5363.pdf>><http://aei.pitt.edu/30458/1/P_57_76.pdf> Accessed 17 January 2024.

³⁷⁸European Commission, Memorandum on the creation of an EEC Trade Mark adopted by the Commission on 6 July 1976 SEC(74) 2462 final, *Bulletin of the European Communities, Supplement* 8/76. [EU Commission - SEC Document]. Can be found electronically at the Archive of European Integration (AEI) website

primary function of indicating the origin of goods; trademarks perform other functions such as promoting sales for their proprietors and a guarantee of quality to consumers, it went on to describe these other functions as fulfilling in only economic life.³⁷⁹ It further conceded that the priorities of both consumer and the proprietor differed given that the quality function prevails in the mind of the consumer while the proprietor is usually more interested in the publicity function. Also considering national courts judgements on the admissibility of parallel importation at the time, it concluded that the compatibility of the legal position between free movement of goods and trademark law was dependent on confining legal protection of trademark to the origin function as the decisive legal criterion.³⁸⁰

In relation to the rights conferred on a trademark, where the 1964 draft was worded to grant the owner of a trademark the right(s) to oppose the use of his mark or similar mark, the memorandum proposed that the wording that the owner be granted exclusive right(s) to use the mark should be adopted instead.³⁸¹ By adopting this new wording, it was expected that there would be clear expression that the trademark not only conferred rights which the owner could assert in infringements but also other property related rights which could be transferred by way of licences or assignments. However, this optimism of clarity seems unnecessarily unfounded given that the phrase 'exclusive right' gives the

<<http://aei.pitt.edu/5363/1/5363.pdf>><http://aei.pitt.edu/30458/1/P_57_76.pdf>
 Accessed 17 January 2024.

³⁷⁹European Commission, Memorandum on the creation of an EEC Trade Mark adopted by the Commission on 6 July 1976 SEC(74) 2462 final, *Bulletin of the European Communities, Supplement 8/76*. [EU Commission - SEC Document]. Can be found electronically at the Archive of European Integration (AEI) website
 <<http://aei.pitt.edu/5363/1/5363.pdf>><http://aei.pitt.edu/30458/1/P_57_76.pdf>
 Accessed 17 January 2024.

³⁸⁰European Commission, Memorandum on the creation of an EEC Trade Mark adopted by the Commission on 6 July 1976 SEC(74) 2462 final, *Bulletin of the European Communities, Supplement 8/76*. [EU Commission - SEC Document]. Can be found electronically at the Archive of European Integration (AEI) website
 <<http://aei.pitt.edu/5363/1/5363.pdf>><http://aei.pitt.edu/30458/1/P_57_76.pdf>
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³⁸¹European Commission, Memorandum on the creation of an EEC Trade Mark adopted by the Commission on 6 July 1976 SEC(74) 2462 final, *Bulletin of the European Communities, Supplement 8/76*. [EU Commission - SEC Document]. Can be found electronically at the Archive of European Integration (AEI) website
 <<http://aei.pitt.edu/5363/1/5363.pdf>><http://aei.pitt.edu/30458/1/P_57_76.pdf>
 Accessed 17 January 2024.

impression of total monopoly as opposed to the expectation the memorandum went on to elucidate.

As a matter of further ambiguity, the memorandum did not explicitly provide a basic definition of 'exclusive right'. It stated that the exclusive right should be defined in general terms by means of the formula 'use in the course of trade'.³⁸² This suggestion has very little clear basis in the logic of proposing a definition. The definition proposed by the memorandum relates to the use of the exclusive right, i.e. its scope, it does nothing by way of explaining the consequence of the connotation and significance of an exclusive right. The scope of the exclusive right is only one part of its definition. In hindsight, perhaps it would have been a safe idea to eliminate such an uncertain phrase from the memorandum as it did eventually end up in the first Directive and has been kept ever since in subsequent amendment. The idea of an exclusive right seems to have had an impact (albeit consciously or not) on case laws as will be explored in the later part of this chapter. Taking into account the objections (following the 1964 draft) to extend the scope of the exclusive right to include the opposing of use beyond use of an identical or similar mark in respect of similar or identical goods or services, the memorandum proposed as a substitute, the inclusion of a provision targeted to only well-known marks. Thus, exclusive rights of well-known marks proprietors were to be extended to permitting them to oppose use of the mark in relation to dissimilar goods or services where such use is likely to have a detrimental effect to the distinctive character and advertising value of the mark in question.

This provision suggests an inclination towards the other functions of a trademark as opposed to the earlier disposition of the memorandum regarding which function of a trademark should be given legal priority; the origin function. Such backpedalling only further serves to highlight the legal uncertainty found in this pioneer document of the Directive. Although it would appear that the draftsmen were cognisant of this uncertainty as the memorandum further indicates that the

³⁸²European Commission, Memorandum on the creation of an EEC Trade Mark adopted by the Commission on 6 July 1976 SEC(74) 2462 final, *Bulletin of the European Communities, Supplement 8/76*. [EU Commission - SEC Document]. Can be found electronically at the Archive of European Integration (AEI) website <<http://aei.pitt.edu/5363/1/5363.pdf>><http://aei.pitt.edu/30458/1/P_57_76.pdf> Accessed 17 January 2024.

dealing of such situation would be better suited to Competition law or Tort law as they do not fall within the ambit of Community trademark law.³⁸³

The principle of exhaustion of rights contained in the memorandum mirrored that outlined in the 1964; a trademark proprietor should be prohibited from using his exclusive trademark rights as a means to partition the internal market through the opposition of further marketing of the goods that have been placed in the market either by him or with his consent. Maintaining this principle, according to the memorandum, would be consistent with the true function of a trademark.³⁸⁴

Definition of a trademark /criteria for registration and grounds for refusal in the Memorandum

The anticipated definition of a trademark in the Community trademark system was expected to be as broad as possible to cover a wide range of signs, letters, numbers, colour combinations, shapes, etc; as long as it was capable of distinguishing the origin of one undertaking from the another. This preference towards a wider definition of trademark at the Community level as opposed to the narrower version adopted by national courts was influenced by expressions from interested parties and international developments at the time; e.g. the definition of trademarks adopted in 1963 at the Berlin Congress of AIPPI(International Association for the Protection of Industrial Property).³⁸⁵As an alternative to setting

³⁸³European Commission, Memorandum on the creation of an EEC Trade Mark adopted by the Commission on 6 July 1976 SEC(74) 2462 final, *Bulletin of the European Communities, Supplement 8/76*. [EU Commission - SEC Document]. Can be found electronically at the Archive of European Integration (AEI) website <<http://aei.pitt.edu/5363/1/5363.pdf>><http://aei.pitt.edu/30458/1/P_57_76.pdf> Accessed 17 January 2024.

³⁸⁴European Commission, Memorandum on the creation of an EEC Trade Mark adopted by the Commission on 6 July 1976 SEC (74) 2462 final, *Bulletin of the European Communities, Supplement 8/76*. [EU Commission - SEC Document]. Can be found electronically at the Archive of European Integration (AEI) website <<http://aei.pitt.edu/5363/1/5363.pdf>><http://aei.pitt.edu/30458/1/P_57_76.pdf> Accessed 17 January 2024.

³⁸⁵European Commission, Memorandum on the creation of an EEC Trade Mark adopted by the Commission on 6 July 1976 SEC(74) 2462 final, *Bulletin of the European Communities, Supplement 8/76*. [EU Commission - SEC Document]. Can be found electronically at the Archive of European Integration (AEI) website <<http://aei.pitt.edu/5363/1/5363.pdf>><http://aei.pitt.edu/30458/1/P_57_76.pdf> Accessed 17 January 2024.

out a list of exclusions for what could be considered a trademark, the memorandum chose a less restrictive tactic by opting for the fulfilment of criteria in order for a proposed mark to be eligible for registration as a trademark. The intended criteria were to examine if the mark applied for was inherently distinctive by nature or had acquired distinctiveness through its use in the course of trade. Such examination was to be conducted prior to registration.³⁸⁶

The memorandum also adopted the absolute and relative grounds for refusal as contained in the 1964 draft.³⁸⁷ Under the absolute grounds, any proposed mark will be refused for registration if it is not sufficiently distinctive, is descriptive, is contrary to public policy, morality or is deceptive to consumers. Cautioning against the ambiguous term found in the 1964 draft which recommended that all facts be considered when examining if a mark is eligible for registration, the memorandum suggested the insertion of an express provision declaring that even though a mark failed the distinctiveness criteria, it could nevertheless be registered as a CTM in circumstances where due to its use in the trade, it had acquired distinctiveness. It went further to advocate the utilisation of self-explanatory provisions in the wording of the absolute grounds for refusal.

Considering the particular difficulty of the possibility of the existence of different meanings in various member states of a trademark applied for,³⁸⁸ the memorandum decided to espouse the 1964 draft principle that a CTM cannot be acquired in such an event. In what appears to be a contradictory statement, it goes on to assert that the application of this principle should not unjustifiably hinder registration. For e.g. if a trademark is regarded in most parts of the Internal Market as eligible for protection, a careful examination should be conducted to determine

³⁸⁶European Commission, Memorandum on the creation of an EEC Trade Mark adopted by the Commission on 6 July 1976 SEC(74) 2462 final, *Bulletin of the European Communities, Supplement 8/76*. [EU Commission - SEC Document]. Can be found electronically at the Archive of European Integration (AEI) website <<http://aei.pitt.edu/5363/1/5363.pdf>><http://aei.pitt.edu/30458/1/P_57_76.pdf> Accessed 17 January 2024.

³⁸⁷European Commission, Memorandum on the creation of an EEC Trade Mark adopted by the Commission on 6 July 1976 SEC(74) 2462 final, *Bulletin of the European Communities, Supplement 8/76*. [EU Commission - SEC Document]. Can be found electronically at the Archive of European Integration (AEI) website <<http://aei.pitt.edu/5363/1/5363.pdf>><http://aei.pitt.edu/30458/1/P_57_76.pdf> Accessed 17 January 2024.

³⁸⁸For instance, a mark may be a descriptive term in one Member State and a fanciful designation in others.

if there exists a serious need for such a descriptive term to be made freely available to others by refusal of registration.³⁸⁹

The memorandum also changed the initial relative grounds contained in the 1964 draft from providing that all prior rights holders were entitled to oppose registration of a CTM to limitation of the right to enter an opposition to owners of registered marks and of other recognised trademarks; the restriction of opposition proceedings to those relating to used trademarks; introduction of a conciliation procedure.³⁹⁰

It is worth noting that the memorandum's position is different from the historical

4.3 The drafting history of the first Directive

The major disagreement was on two trademark infringement topics; one of the elements of the acceptable criteria and the proper scope for trademark infringement. Essentially, it turned out to be a deliberation platform segmented by two differing groups. On the one hand, the Benelux States represented by the Belgian and Dutch delegations advocated points that were consistent with the Benelux Trademark Act while other Member States opposed. The next section will consider these two issues and the debate surrounding them.

4.3.1 Ambiguities and Inconsistencies

Issue No 1: Acceptable trademark infringement criteria

The first bone of contention between the Benelux States and the other Member States of the EU at the time was in relation to the 'likelihood of confusion/association' test for trademark infringement found in Article 3 of the draft for the Directive.³⁹¹ Favouring a broad scope for the infringement criteria, the

³⁸⁹European Commission, Memorandum on the creation of an EEC Trade Mark adopted by the Commission on 6 July 1976 SEC(74) 2462 final, *Bulletin of the European Communities, Supplement 8/76*. [EU Commission - SEC Document]. Can be found electronically at the Archive of European Integration (AEI) website <<http://aei.pitt.edu/5363/1/5363.pdf>><http://aei.pitt.edu/30458/1/P_57_76.pdf> Accessed 17 January 2024.

³⁹⁰European Commission, Memorandum on the creation of an EEC Trade Mark adopted by the Commission on 6 July 1976 SEC(74) 2462 final, *Bulletin of the European Communities, Supplement 8/76*. [EU Commission - SEC Document]. Can be found electronically at the Archive of European Integration (AEI) website <<http://aei.pitt.edu/5363/1/5363.pdf>><http://aei.pitt.edu/30458/1/P_57_76.pdf> Accessed 17 January 2024.

³⁹¹Council Working Group documents #9049/87 and 9631187.

Dutch delegation proposed that the *likelihood of confusion* phrase be substituted with the *likelihood of association* instead and evidence of actual or potential confusion should not be a requirement to establish infringement.³⁹² Other Member States rejected this and it was obvious that in order to proceed with concluding the negotiations, a compromise had to be reached. This concession on both sides was in the form of including both phrases as tests for trademark infringement.³⁹³ Consequently, this arrangement is evidenced in the current version of Article 5(1)(b) of the Directive.

This compromise reached represents an example of an ego-driven breakdown in the channel of communication during the negotiation process. Examining the phrases; likelihood of confusion and likelihood of association, it is clear logic that both interested groups should have realised that it would be unconstructive to place side by side, two phrases that connote different degrees of thresholds for infringement. Opting for such a compromise route seemingly reflects that the agreement was decided with much concentration on the brevity of the time-frame rather than on the quality of the decision to be made. With such influential interests from both dominant groups (especially Benelux law as it was at the time of the drafting one of the most modern fully harmonised trademark laws), it is no wonder legal uncertainty and inconsistency concerning the acceptable threshold for trademark infringement has continued to exist.

Issue No 2: Acceptable scope of trademark infringement

The other fiercely debated issue was in relation to the Benelux proposal of extending the protection afforded to trademarks to include allowing proprietors to bring actions against any other use in the course of trade which could be detrimental to trademarks as influenced by Article 13(A)(2) of the Benelux Trademark Act 1971. Such extension was deemed to have huge consequences and was thus, rejected by both the Commission and other Member States. As was documented in the Working Group document,

³⁹²Council Working Group document #9185/87, at pp.5-6 (publication date October 28, 1987).

³⁹³Council Working Group document #9886/87, at pp.2-3 (publication date November 24, 1987).

'The Belgian and Netherlands delegations made their acceptance of the approach by the Commission and the majority subject to the inclusion in Article 3 of a clause inspired by Article 13A of the Benelux law on trademarks. This law, as a result of a long judicial evolution, has recognized as rights conferred by the trade mark, further to the traditional rights recognized in most States, the right to oppose any use of the trade mark or a similar sign *in the course of trade [sic]* and without just reason under conditions which might cause prejudice to the trade mark owner, This very extensive right confers on the owner a protection under trade mark law against acts by third parties which, in the other Member States is usually conferred under the more restrictive conditions which govern civil liability or unfair competition actions. These two delegations consider this a fundamental progress in trade mark legislation, highly appreciated by their industry, and they are not prepared to give it up. The other delegations and the Commission were not prepared to accept this development contained in the Benelux trade mark law as a general rule in the Community. On the contrary, in their view, the interests protected by this provision are more efficiently protected by the rules of civil liability and unfair competition...'³⁹⁴

As an intimidation tactic, the Belgian and Dutch delegations responded by threatening to abandon the previous support they had endorsed for the then pending Community Trade Mark Regulation. In spite of this ruthless negotiating ploy, the Commission and other negotiating parties initially refused to accede to the Benelux request. After four weeks of terse silence on the issue, a proposal to insert a fifth section to Article 3 of the proposal for the Directive was made as a

³⁹⁴Council Working Group document #9185/87 at pp.5-6 (publication date October 28, 1987).

peace offering. The intention was that this new addition would preserve the Benelux proposed doctrine under Article 13(A)(2). This Article 3(5) became the equivalent of the current Article 5(5) and stated that:

‘Paragraph 1 to 4 shall not affect provisions in any Member State relating to the protection against the use of a sign other than for the purposes of distinguishing goods or services, where use of that sign without due cause takes unfair advantage of or is detrimental to, the distinctive character or the repute of the trade mark.’³⁹⁵

In addition to the above, by the end of the negotiating process, the previous suggestion by the Committee to extend protection of trademarks in relation to dissimilar goods had found its way back in the final text of the Directive in spite of initial hesitations about it. This was reflected under Article 5(2) which states that, ‘Any Member State may also provide that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services **which are not similar** to those for which the trade mark is registered, where the latter has a reputation in the Member State and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.’³⁹⁶

4.3.2 A First Directive in 1989

After the concession by the Commission and other Member States to the demands of the Benelux States, the European Council met and adopted a common position on the changes on June 24, 1988. This was then followed by advice from the European Economic and Social Committee on October 5, 1988 and an opinion from the European Parliament on December 5, 1988. Finally, the first Directive was adopted by the Council on December 21, 1988.³⁹⁷ The concluding negotiations had seen the proposed Article 3 renumbered to Article 5 in the final draft of the first Directive. It is worth mentioning that the approximation of laws carried out was never intended to be a full-scale harmonisation at that stage. The first

³⁹⁵Council Working Group document #9886/87 at p.3

³⁹⁶ First Council Directive 89/104 to approximate the laws of Member States relating to trademarks OJ L40/1 of 11 February 1989.

³⁹⁷ First Council Directive 89/104 to approximate the laws of Member States relating to trademarks OJ L40/1 of 11 February 1989.

Directive was limited to only those national trademark law provisions that interfered with the aims and functioning of the Internal Market; especially free movement of goods and services and free competition.³⁹⁸ As per the nature of a Directive, Member States were under an obligation to revise their laws in line with the first Directive. The first official time-frame set under Article 16(1) was 28 December 1991.

4.4 Part II- After the First Directive

This part will epigrammatically consider the different reactions by the Benelux States, other Member States and the CJEU to the appearance of the first Directive. Although the first Directive had issued a 'comply before' date of 28 December 1991, very few Member States had implemented it to bring their trademark laws in line with the Directive before this deadline. For this reason and as well as wanting the implementation to coincide with the enforcement of the EU Trade Mark Regulation ('Regulation'), the Council decided on December 19, 1991 that an extension of the implementation date was in order. Thus, Member States had the option of deferring implementation until December 31, 1992.³⁹⁹ The Council was very optimistic at the time that it would not be long before the CTM would come into force.

Spain was the first Member State to implement the Directive under its Act No. 32/1988 - ley de marcas. In fact, it had chosen to do so in 1988,⁴⁰⁰ a year before the first Directive was finalised and enacted. Interestingly, the only rights it conferred on the trademark proprietor regarding infringement were in relation to use of an identical/similar mark or sign for identical/similar goods/services where the use may be misleading or cause confusion and the right to prevent traders/distributors from removing the trademark without his express consent. It had opted to forgo the optional implementation of extending exclusive rights

³⁹⁸Third Recital of the Directive.

³⁹⁹Council Decision of 19 December 1991 postponing the date on which the national provisions applying Directive 89/104/EEC to approximate the laws of the Member States relating to trademarks are to be put into effect OJ L6/35 of 11 January 1992.

⁴⁰⁰ Law No. 32/1988 of November 10, 1988 on Trademarks (Date of entry into force: 12 May 1989) English version of the text can be found at the World Intellectual Property Organisation (WIPO) site <http://www.wipo.int/wipolex/en/text.jsp?file_id=126581> Accessed 8 January 2024.

similar goods and services not similar to those which the mark is registered for as contained in the final draft under Article 5(2) of the first Directive.

France and Denmark were next in line to comply before the initial deadline of December 28, 1991; with France enacting the Act No. 91-7/91 of January 4, 1991⁴⁰¹ and Denmark passing Act No. 341 of June 6, 1991.⁴⁰² Italy did implement the Directive before the extended deadline of December 31, 1992 by passing the Decreto Legislativo No. 480/1992, which came into force on December 4, 1992.

The year 1993 did not see any Member State complying with the implementation requirements, however, membership candidates at the time; Sweden, Finland and Austria, all carried out harmonisation activities to their respective laws prior to their joining the Community on January 1, 1994. The United Kingdom (UK) was next to reform its trademark laws and did so with the Trade Mark Act 1994. Germany and Portugal also followed suit in 1995. Norway also complied with the Directive before its accession to the EU on January 1, 1995 and Ireland establishing the Irish Trademarks Act in 1996.

Another attention-grabbing detail with regards to implementing the first Directive was the stance of various Member States on the doctrine of exhaustion. On the one hand, some Member States favoured international exhaustion and thus, argued that Article 7(1) prescribed the minimum standard for exhaustion from which they could apply the more generous scope of international exhaustion. On the other hand, there was the question of whether the Directive by virtue of declaring Community wide exhaustion had ruled out the possibility of international exhaustion. A third dynamic to the state of affairs were the Member States who preferred national exhaustion. Interestingly, Sweden refused to expressly state the scope for exhaustion of rights; Spain expressly opted for national exhaustion while Germany felt obliged to remove the principle of international exhaustion. Though Austria and Denmark adopted the wording of the Directive in their laws, the explanatory memorandum indicated an expression that international exhaustion was not included though stating that it was a matter for the courts to decide. With different Member States vacillating from one end of

⁴⁰¹In force since December 28, 1991, French version available online at http://www.wipo.int/wipolex/en/text.jsp?file_id=184798 Accessed 8 January 2024.

⁴⁰²In force since January 1, 1992, English version can be found online at http://www.wipo.int/wipolex/en/text.jsp?file_id=267177 Accessed 8 January 2024.

the spectrum to the other, this increased legal uncertainty in which the CJEU felt compelled to clarify the position.

4.4.1 Benelux reaction: further inconsistencies and uncertainties

Given that the Benelux States were chief instigators in certain phraseologies used in the Directive, it was surprising that they did not immediately jump at the chance to implement all aspects. In fact, it was not until 1996 that this was realised. December 2, 1992 saw the then Ministers of Foreign Affairs of the Benelux States sign the protocol to initiate amendment of Benelux trademark law. However, it was not until January 1, 1996 that the amendment came into force. Even so, the implementation in 1992 fell short of the instruction issued by the Directive. Where Article 5(1)(b) had stipulated both *likelihood of confusion and association* as the threshold tests for trademark infringement, during implementation, the Benelux Trade Mark Act ('BTA') 1996 opted for only *likelihood of association*. Article 13(A)(1)(b) which implemented Article 5(1)(b) of the Directive reads, 'Without prejudice to the possible application of ordinary civil law in matters of civil liability, the proprietor of a mark may, by virtue of his exclusive right, prohibit: (b) any use in the course of trade made of the mark or of a similar sign for goods for which the mark is registered or for similar goods where there exists *a likelihood of association* on the part of the public between the sign and the mark.'⁴⁰³

Such a bold move was not shocking given that the Benelux States had clearly indicated this phraseology as their preference during negotiations of the first Directive. Nevertheless, this inevitably compounded the already existent problem of legal uncertainty fostered by adopting the two tests; confusion and association. The legal uncertainty was in the form of the Benelux States having a different law to the rest of the Union.

As a predictable consequence of the situation, it was not very long before the courts were called upon to clarify the position. In the landmark case of **Puma v Sabel**,⁴⁰⁴ the CJEU decided (in its preference for the confusion test) that the likelihood of association should not be considered as a substitute for the likelihood of confusion. Instead, the correct interpretation of Article 5(1)(b) of the TMD was

⁴⁰³ Benelux Trade Mark Act (BTA) 1996

⁴⁰⁴ C-251195 Sabel BV v. Puma AG Rudolf Dassler AG [1998] 1 C.M.L.R. 445.

that the likelihood of association should be viewed as a definition of the scope of the likelihood of confusion. Furthermore as part of its reasoning, it drew attention to the Tenth Recital of the Directive which states:

‘Whereas the protection afforded by the registered trademark, the function of which is, in particular, to guarantee the trademark as an indication of origin, is absolute in the case of identity between the mark and the sign and goods or services; whereas the protection applies also in case of similarity between the mark and the sign and the goods or services; whereas it is indispensable to give an interpretation of the concept of similarity in relation to the likelihood of confusion; whereas the likelihood of confusion, the appreciation of which depends on numerous elements and, in particular, on the recognition of the trademark on the market, of the association which can be made with the used or registered sign, of the degree of similarity between the trademark and the sign and between the goods or services identified, constitutes the specific condition for such protection; whereas the ways in which likelihood of confusion may be established, and in particular the onus of proof, are a matter of national procedural rules which are not prejudiced by the Directive.’⁴⁰⁵

As such it acknowledged that the decisive factors for determining risk of confusion was not definitive, opting instead to consider three main elements of ‘the recognition of the trade mark on the market; the association which can be made with the used or registered sign; and the degree of similarity between the trade mark and the sign and between the goods or services identified.’⁴⁰⁶

It is in regards to the latter that it further asserted that ‘the likelihood of confusion had to be appreciated globally, with the visual, aural or conceptual similarity of the marks being based on the overall impression given by the marks, bearing in mind in particular their distinctive and dominant components...’⁴⁰⁷ Clarifying the ‘visual, aural or conceptual’ similarity test as predicating the test for degree of similarity.

⁴⁰⁵Tenth Recital of the Trade Mark Directive.

⁴⁰⁶Gert Wurtenberger, ‘A Risk of Confusion in Community Trade Mark Law: First contours in case law of the European Court of Justice and the Harmonisation Office’ (1999) *European Intellectual Property Review* 21(10) 508-518.

⁴⁰⁷C-251195 *Sabel BV v. Puma AG Rudolf Dassler AG* [1998] 1 C.M.L.R. 445.

This verdict is interesting because on closer scrutiny the CJEU could not have gone above the legislative wording of the Directive, even though it already seemed to prefer the confusion test by far. The phrase ‘likelihood of association to be viewed as a definition of the extent of the likelihood of confusion’ appears to be almost an addendum. What is more, a logical analysis of the decision further complicates the uncertainty present. If the extent of confusion should be defined in terms of association, it follows that the Benelux may have been right to skip the confusion test in the first place as the threshold for establishing confusion would be establishing association first. Simply put, confusion cannot be established without an association/link made, however, association does not necessarily incur confusion.

From an inconsistency perspective, Philips has observed that:

‘The European Court of Justice has addressed the issue of likelihood of confusion in piecemeal fashion, creating a patchwork of decisions that raise almost as many questions as they resolve. Among these questions is that of the scope of protection to which better known, and more distinctive marks are entitled.’⁴⁰⁸

On the other hand, this seems to be the legislative price to pay because the draftsmen of the Directive settled for an ill-suited compromise in the form of allowing two conflicting tests to exist side by side.

Although the Benelux States have now amended⁴⁰⁹ their laws to expressly comply with the Directive in light of the CJEU’s verdict, it by no means insinuates that the existing legal uncertainties and inconsistencies have been fully eradicated. All it means is that harmonisation of the uncertainties and inconsistencies in EU trademark law have now fully taken place. The uncertainties and ambiguities that followed the negotiations are still very much present.

4.4.2 Reflections on the legacy of legal ambiguity and uncertainty: What were the key issue(s) that influenced the negotiations of the first Directive?

This section considers the focal research question pertinent to this chapter; what the key issue(s) during the negotiations of the first Directive were, that marked

⁴⁰⁸Jeremy Philips, ‘Strong trade marks and the likelihood of confusion in European law’ (2006) *Journal of Intellectual Property Law & Policy* 1(6), 385-397.

⁴⁰⁹*Benelux Convention on Intellectual Property 2005*.

the beginning of the legal uncertainty and ambiguity in EU trademark law. It is anticipated that by pinpointing and analysing these issues, an attempt can be made to classifying them as initial contributing determinants of the inconsistencies in EU trademark law.

4.4.3 The Benelux influences on the concepts of likelihood of confusion and unfair advantage

A good starting point to the consideration of issues during the negotiation of the first Directive would be an examination of the Benelux trademark laws prior to the first Directive due to the amount of influence the Benelux delegation had during the negotiations. Since the Benelux negotiators advocated principles from the Benelux trademark law, it is worth considering it. Before the adoption of the Directive, the Benelux Trade Mark Act ('BTA') which became effective on January 1, 1971, was already being used in Belgium, Netherlands and Luxemburg. Gielen points out that under the BTA, Article 1 defines a trademark as a sign which serves to distinguish goods and services as opposed to the 'origin' thereof.⁴¹⁰ This definition he suggests, is reflective of the modern approach that the traditional origin function of a trademark is no longer important as trademarks now act as 'messengers' of identification and communication. The priority of consumers having apparently become goal oriented to identify a product or service and thereby, facilitate choice; has thus lent the nature of trademark other functions. Comparing this view to the Directive, he makes reference to the changes made to the recitals. The 1980 and 1985 drafts actually started off with strong emphasis on the origin function of trademarks, however, the final text contained in the Directive states: "...the protection afforded by the registered trade mark, the function of which is in particular to guarantee the trade mark as an indication of origin."⁴¹¹ The phrase 'in particular' suggests that there are other functions of a trademark. The draftsmen were nonetheless careful about explicitly stating these. Gielen contends that the Directive needed to provide the opportunity for the wide protection of reputable marks by leaving open the identification of what these other functions are.

⁴¹⁰Charles Gielen, *Harmonisation of Trade Mark Law in Europe: The First Trade Mark Harmonisation Directive*, (1992) 14(8) *European Intellectual Property Review* 262

⁴¹¹Recital 10 of the Directive.

The most peculiar observation of the history of the first Directive is that at the outset in the Memorandum and the 1980 proposal the attitude adopted was geared towards a 'strict interpretation' of the concept of trademark protection. This was done through the inclusion of the adjective 'serious' to qualify the degree of confusion necessary.

Nevertheless, Gielen asserts that it was not until the significant pressure from the Dutch negotiators that the scope of protection widened.⁴¹² This however is not very exact as on closer examination of the events in the history of the first Directive, it is obvious that the change in attitude appeared earlier than the influence of the Benelux negotiators.

Though the excerpt given below which is found in both the Memorandum and the 1980 proposal indicate a solid intention towards a narrow approach at the start; this stance was subsequently altered by both the Economic and Social Committee and the European Parliament. The statement reads as:

'If the concepts of confusingly similar trademarks and similarity of goods are given a wide interpretation, such conflicts become even more frequent. The national rules which when applied in individual Member States can lead to variations in the scope of the protection afforded there under, should therefore be approximated with the object of not extending protection in the future beyond that extended by the EEC trademark'⁴¹³

Recalling the Committee's amendment, it did not only substitute the phrase 'serious confusion' for 'any confusion' but also suggested that protection be extended to dissimilar goods and not just similar goods. The European Parliament further opened the gates of protection by deleting the 1980 draft's declaration that protection of well-known mark was excluded. It was not until after the 1985 amended proposal (which took into account the Committee and European Parliament's opinions) was debated between 1986 and 1987 that the Benelux

⁴¹²Charles Gielen, *Harmonisation of Trade Mark Law in Europe: The First Trade Mark Harmonisation Directive*, (1992) 14(8) *European Intellectual Property Review* 262.

⁴¹³European Commission, *Memorandum on the creation of an EEC Trade Mark* adopted by the Commission on 6 July 1976 SEC (74) 2462 final, *Bulletin of the European Communities, Supplement 8/76*. [EU Commission - SEC Document]. Can be found electronically at the Archive of European Integration (AEI) website <<http://aei.pitt.edu/5363/1/5363.pdf>><http://aei.pitt.edu/30458/1/P_57_76.pdf> Accessed 17 January 2024; OJ No. C 351, 31.12.1980; *Bulletin of the European Communities, Supplement 5/1980*.

negotiators were noticed to be dominating discussions. What followed from those debates witnessed the addition of ‘likelihood by association’ to the trademark infringement criteria as well as endorsing the Committee’s previous suggestion of extending protection to dissimilar goods/services. This addition of course culminated to the current broad version found in the Directive.

Even though Article 5(1)(b) of the Directive does not exactly mirror the infringement criteria provision of the BTA word for word, the doctrine of likelihood of association promulgated by the Benelux delegation was derived directly from the interpretation of the word ‘**similar**’ under Article 13A as given by the Benelux Court of Justice (BCJ). For clarity purposes, it is useful to set out the wordings of both Article 5(1)(b) TMD and Article 13A BTA.

Article 5(1)(b) states that:

‘any sign where, because of its identity with, or similarity to the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark’⁴¹⁴

Article 13A states that:

‘Without prejudice to the possible application of ordinary civil law in matters of civil liability the proprietor of a mark may, by virtue of his exclusive right, oppose: 1. any use made of the mark or of a like (**similar**) symbol for the goods or services in respect of which the mark is registered, or for similar goods or services; 2. Any other use, **in economic intercourse**, of the mark or of a like (**similar**) symbol made without a **valid reason** under circumstances likely to be prejudicial to the proprietor of the mark.’⁴¹⁵ (Emphasis added)

Even the Council and the Commission were noted to have confirmed in the minutes of the Council meeting adopting the Directive that the ‘likelihood of

⁴¹⁴Article 5(1)(b) TMD.

⁴¹⁵Article 13A BTA.

association' is a concept which in particular has been developed by Benelux caselaw.⁴¹⁶

Prior to the negotiations, the then leading judgement in the Benelux case of ***Union v Union Soleure***⁴¹⁷ provided the interpretation for the meaning of similarity as:

'there is similarity between a mark and a sign when, taking into account the particular circumstances of the case, such as the distinctive power of the mark, the mark and the sign, each looked at as a whole and in correlation, show such a resemblance aurally, visually or conceptually that by this resemblance alone **associations** between the sign and the mark are evoked.'⁴¹⁸ (Emphasis added)

Another case involving similar decision was ***Monopoly v Anti-Monopoly***⁴¹⁹ where it was held that even though the word Anti-Monopoly was unlikely to cause confusion as to the source of the game/product given that it was the reverse version of the famous Monopoly game, what mattered was the **association** that the public was likely to make with Monopoly when seeing or hearing Anti-Monopoly.

Also inspired by Article 13A(2) BTA is Article 5(2) TMD which although regarding its extension of protection to dissimilar goods/services, the Benelux negotiators were certainly not the first to propose this extension as the Committee had already done so in its opinion of the 1980 draft. On saying that however, if it was not for the Benelux negotiators intense insistence that the extension be included, it may probably have never seen the light of the day in the final text of the first Directive.

Although its application under Article 5(2) is optional to Member States, it can be argued that by virtue of its inclusion in the Directive it facilitates the legal

⁴¹⁶Council Working Group July 17-18, 1986, document #8653/86 (publication date August 4, 1986).

⁴¹⁷Decision of 20 May 1983, case A 82/5; [1984] BIE 137.

⁴¹⁸Since the original Benelux texts under Article 13A did not contain the phrases 'likelihood of confusion or association'; they only mention the word 'like'.

⁴¹⁹[1978] BIE 39.

uncertainty and inconsistency existent as mandatory uniform implementation is absent. If different Member States can opt to either forgo or implement this provision, trademark monopoly for reputable marks would be existent in only some areas of the Community given that it advocates the proprietor having the power to stop the use in the course of trade, any sign which is similar/identical to his mark where such use is detrimental to its distinctive character or takes unfair advantage of its reputation. This is defeating of the goal of eradicating barriers within the Union through uniformity.

This can also be viewed as a double-edged sword in which both outcomes are undesirable. Firstly, the Community goals⁴²⁰ do not in any way endorse trademark monopoly (extending protection to dissimilar goods without doubt provides for monopoly as it expands the scope of protection) and secondly, in the unlikely event that it does, uniform implementation would be mandatory (not optional as in the case of this provision) to obliterate uncertainty. Neither of this has been achieved by Article 5(2).

The requirement of 'unfair advantage of or detrimental to the distinctive character or reputation' can also clearly be traced to the phrase 'prejudicial to the proprietor of the mark' found in Article 13A(2) of the BTA 1971. According to the Benelux Court of Justice in the case of *Claeryn v Klaerin*⁴²¹ the developed the criteria for the concept of prejudice to a trademark included an adverse effect on the attractive power and the ability of the mark to create a desire to buy (kooplustopwekkendvermogen-loosely translates from Dutch to English as 'buying power' of the mark).

The other factors that may also be considered are the risk of confusion and any improper benefit derived from the reputation of the mark and affecting the distinctive power of the mark. Adding that whilst it is not a prerequisite that a mark be famous or well-known in establishing prejudice, the famousness of a mark

⁴²⁰ One of such economic goals includes the idea of a Single Market, currently known as the Internal Market. In order for this idea to succeed, all trade barriers must be dissolved. See Article 102 of the Treaty on the Functioning of the European Union (TFEU) on abuse of a dominant position (monopolies and cartels).

⁴²¹ Case NJ. 1975, 472, March 1 1975.

is a factor which undoubtedly influences its evaluation. Thus, the more famous the mark is; the greater the chance of prejudice if used for dissimilar goods.

Accordingly, one can see that in the Directive 'unfair advantage' was obtained from 'improper benefit' while 'detriment to the distinctive character or reputation' was acquired from 'affecting the distinctive power of the mark.' Albeit reworded, it is obvious that they convey the same meaning and consequence.

The other requirement in Article 5(2) of the Directive is that the use of the sign must be 'without due cause' in order to constitute infringement. Again, without due cause has its origin in the 'without valid reason' phrase found in Article 13A2 BTA.

Interpretation of without valid reason by the BCJ in the *Claeryn* case was given in reverse. The court stated that a reason for 'use' of a sign would be valid only if it can be shown that there was an absolute need for such use. Such a strict evaluation means that it will only apply in a minority of cases. In this fashion, the law not only widened protection for famous marks but also narrowed the defence available for alleged infringers.

A final point to be made in relation to Article 5 of the Directive is the absence of the trademark infringement requirement, 'use in commerce' in Article 5(5) which highlights the discrepancy with the other provisions; Articles 5(1) and (2) both containing the use in commerce requirement. Again, as with other provisions, the use in commerce phrase found in Articles 5(1) and (2) was directly inspired by the rather awkward version of 'use in economic intercourse' found in the Article 13A of the BTA.

However, Article 5(5) reads:

'Paragraphs 1 to 4 shall not affect provisions in any Member State relating to the protection against the use of a sign other than for the purposes of distinguishing goods or services, where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trademark.'⁴²²

⁴²² Article 5(5) TMD.

Tsoutsanis has questioned if this omission is a deliberate choice or an unfortunate slip of the pen.⁴²³ Outruling both possibilities on further analysis, he argues that they seem unlikely for two reasons. Firstly, he notes that the reports of the key Benelux negotiators H. R. Furstner and M. C. Geuze who revealed the Benelux negotiation process and strategy in their article 'Beschermingsomvang van het merk in de Benelux en EEG-harmonisatie'⁴²⁴ did not contain any allusions to them insisting on its removal in their negotiations; neither did the Working Group documents preceding the Directive.

Secondly, he asserts that:

'Objections should have been raised either from the Benelux or from other delegations or members of the European Parliament who should have pointed out that without a use in commerce requirement Article 5(5) has a virtually unlimited scope for trade mark infringement.'⁴²⁵

As a matter of comparison, he emphasizes that such a move cannot be justified given that trademark law is commercial in nature and this has been acknowledged by both the World Trade Organisation in the Agreement on Trade Related Aspects of Intellectual Property Rights' (TRIPS) 1994,⁴²⁶ the explanatory memorandum of the BTA and the United States trademark law.⁴²⁷ Advocating on measures to eliminate the impact of Article 5(5) on other non-commercial uses such as those relating to free speech, educational uses etc., he had suggested several options for improvement in 2003⁴²⁸ by calling for new measures by the

⁴²³Tsoutsanis A., *The Biggest Mistake of the European Trade Mark Directive and why the Benelux is Wrong Again – Between the European Constitution and European Conscience* E.I.P.R. 2006, 28(2), 74-82.

⁴²⁴Beschermingsomvang van het merk in de Benelux en EEG-harmonisatie[1988] *Bijblad bij de industriële eigendom* 215-220.

⁴²⁵Tsoutsanis A., *The Biggest Mistake of the European Trade Mark Directive and why the Benelux is Wrong Again – Between the European Constitution and European Conscience* E.I.P.R. 2006, 28(2), 74-82.

⁴²⁶Trademarks are all about trade; Sections 15-20 TRIPS.

⁴²⁷Title 15 of the United State Code; Sections 1114(I), 1125 and 1127 only allow trademark infringement in case of "use in commerce" and exempt non-commercial use from trade mark liability. See also the case of *Taubman Co v Webfeats*, No.01-2648/2725 (6th Circuit, February 7, 2003).

⁴²⁸Alexander Tsoutsanis, "Robe(l)co, artikel 5 lid 5 Merkenrichtlijn en economisch verkeer: een fout in de richtlijn?" [2003] *Bijblad bij de industriële eigendom* 6-10. *de industriële eigendom*.

Benelux legislators and recommending that members of parliament withdraw their endorsement of the 2001 Protocol to revise the Benelux Trade Mark Act. Expressing his disappointment over the continued silence of the Benelux legislators on the issue even in 2005 during the signing of the Benelux IP Treaty where there was an opportunity to confront the issue (both at EU and Benelux level), he concluded by calling on the European institutions of Parliament and Commission to step in and provide a resolution to the controversy. He further cited that Article 5(5) is incompatible with the very constitutional requirement of freedom of speech under EU law.

Perhaps, the most remarkable effect of all that the Benelux trademark law has had in EU trademark law is that its influence did not stop with the production of a Directive mirrored after it. It has continued post the Directive in case laws, especially those decided by the CJEU as it is only logical that the Benelux case laws prior to the Directive would become persuasive authority. This impact on the CJEU will be explored later on in this thesis.

4.4.4 Doctrine of exhaustion under parallel importation

As has been previously traced in the history of the Directive, the first attitude observed in relation to this doctrine enshrined under Article 7 was a liberal one. The initial texts in the 1964 draft and Memorandum alluded to an international exhaustion. However, it was not until the European Parliament's amendment of the 1980 draft that an expression provision for Community-wide exhaustion became concrete.

As far as it is obvious from the negotiations preceding the Directive, it is safe to conclude that this is one piece of provision that the Benelux delegation did not influence. In fact, it seems that the CJEU's decision in 1976 in the case of *EMI v CBS*⁴²⁹ may have been responsible for the Community wide exhaustion doctrine as it was held that a trademark owner could indeed prevent parallel importation of goods from a non-Member State even though the mark in question shared the same origin of being from one proprietor.

However, Shea has strongly argued that by restricting the ambit of Article 7 to Community-wide exhaustion, the Council intended not to harmonise

⁴²⁹Case 51/75EMI Records Limited v CBS United Kingdom Limited [1976] ECR 811.

international exhaustion, leaving the Member States to make or retain their own provisions.⁴³⁰

The bases for his arguments are twofold. Firstly, he refers to the Commission's view expressed in the explanatory memorandum of the 1985 draft which states that the restriction to Community-wide exhaustion, however, ***does not prevent the national courts from extending this principle*** in cases of a special nature. In particular where, even in the absence of a formal agreement, reciprocity is guaranteed. Secondly, he cites the provision made by the TRIPS agreement as leaving open the possibility of any of the signatory countries to unilaterally adopt the principle of international exhaustion.⁴³¹

Although this debate has now been resolved by the CJEU in the landmark ***Silhouette***⁴³² case (which refuted the notion of Community-wide exhaustion being the minimum standard), the heated debates that ensued before this decision are worth considering later in this thesis as they contribute to the long history of inconsistencies and uncertainties in this area.

Furthermore, the last Recital in the Preamble of the Directive explicitly states that:

Whereas all Member States of the Community are bound by the Paris Convention for the Protection of Industrial Property; whereas it is necessary that the provisions of this Directive are entirely consistent with those of the Paris Convention; whereas the obligations of the Member States resulting from this Convention are not affected by this Directive; whereas, where appropriate, the second subparagraph of Article 234 of the Treaty is applicable,

The emphasis on the statement, 'it is necessary that the provisions of this Directive are entirely consistent with those of the Paris Convention' can be described as inconsistent with the provisions concerning protection for well-known marks. In its wording, Article 5(2) contradicts the Paris Convention. It states that:

⁴³⁰ Shea N., *Does the first Trade Marks Directive allow international exhaustion of rights?* E.I.P.R 1995,17(10), 463-465.

⁴³¹Article 6 of TRIPs also states that the doctrine of exhaustion cannot be the subject of dispute settlement under the agreement, unless a country applies the exhaustion principle in violation of the TRIPs non-discrimination rules of most favoured nation and national treatment.

⁴³²Case C-355/96 *Silhouette International Schmied GmbH & Co. KG v Hartlauer Handelsgesellschaft mbH* [1998] ECR I-4799.

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

Compared with the wording of Article 6bis of the Paris Convention, it goes above and beyond the scope in the Convention by extending protection in relation to non-similar goods; something not recognised by the Convention which it purports to follow to the letter. See excerpt of the Convention below:

Article 6bis
Marks: Well-Known Marks

(1) The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.

4.4.5 Conclusion

Based on the examination undertaken in part II of this chapter, it appears consistent to conclude that the legislative inconsistency caused by the “cultural” clash between the stakeholders is a major contributing factor to the CJEU lack of clarity and consistency. The findings from the exploration of the divergent positions and interests of the Benelux States, the EU legislative institutions and the CJEU all contributed to a less than flawless start of the Directive, albeit to varying degrees. However, what would be interesting to explore in the next part of this chapter is if the 2015 EU Trademark Directive has also continued this legacy of inconsistencies.

4.5 Part III- The New 2015 Directive

4.5.1 Introduction

This part will extend the critical discussions of the legacy of by considering the continuing opportunities for inconsistencies fostered by interpretive challenges in the latest 2015 EU Trademark Directive⁴³³ ('2015 Directive').

The two key areas of interest to this study due to the scope and focus are, the grounds for refusal in relation to registration of trademarks and the scope of infringement in relation to the protection afforded to marks.

4.5.2 Registration of trademarks

Compared to the previous iterations, Article 3 of the 2015 Directive explicitly lists that non-traditional marks such as sounds, colours and shapes are capable of registration if their representation in a trademark register is clear and precise. Whilst this reflects CJEU established case laws in non-conventional marks, it also carries with it some of the interpretational ambiguities and inconsistencies observable in the jurisprudence of the Court in this area. These specific inconsistencies are explored in chapter 5, section 5.4.2.

4.5.3 Scope of infringement

The inconsistencies that existed in the previous iterations of the 2015 Directive persist with regard to the proper delineation of trademark protection offered to a proprietor. One such example is in the context of non-distinctive uses for non-typical distinguishing of goods and services.⁴³⁴ Another example of the widening of the protection offered to trademark owners which further muddies the legal landscape is observable in the current Art 10(2)(c) which is now binding on Member States to implement whereas its previous iteration of Art 5(2) had made it optional. This position adopted by the legislators has now formally accepted CJEU approach of expansive interpretation which recognises the 'other functions' of a trademark beyond its functions of origin and quality guarantee. Basma argues

⁴³³Directive (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 (recast) OJ L336/1.

⁴³⁴Valentina Bonomo and Paola Magnani, Non-distinctive uses of a trademark: the CJEU's "function theory" (and its adoption by Italian courts) - future prospects in light of EU trademark law 2022, 53(5) International Review of Intellectual Property and Competition Law 685-700.

that the wording of Art 10(2)(c) is at odds with established CJEU jurisprudence on ‘confusion-based’ protection as seen in cases such as *Arsenal v Reed*, etc⁴³⁵

This position has been further highlighted and argued by Anemaet⁴³⁶ as one where the current system creates a dysfunction through setting low standards with regards to a mark acquiring distinctiveness. She attributes this to the improper setting of thresholds for the requirement of distinctiveness which encourages wider protection for trademark owners.

Greenhalgh has also points out that this current system needs to be reframed and redesigned because the justifications of protection offered are sometimes far off from reality in relation to consumers not being confused.⁴³⁷

4.6 Conclusion

This chapter has demonstrated that the unique and confusing identity that has emerged as a legacy of the development of EU trademark law which owes its origins to the culture clash amongst the early European states involved in the negotiation. This chapter has also shown that the legacy of the First Directive is one of inconsistencies in EU trademark law and these currently persist post iterations of the First Directive as observed in the 2015 Directive.

Chapter 5: The nature of legal reasoning and doctrine of precedent in EU approaches

⁴³⁵Dima Basma, *Dilution Versus Unfair Advantage: Myths and Realities*, (2021) 52 *International Review of Intellectual Property & Competition*, 1217–1257.

⁴³⁶Lotte Anemaet, ‘The public domain is under pressure - why we should not rely on empirical data when assessing trade mark distinctiveness’ 2016, 47(3), *International Review of Intellectual Property and Competition Law*, 303-335.

⁴³⁷Christine Greenhalgh, ‘Have trademarks become deceptive?’ 2015 6(2) *The WIPO Journal* 109-116.

5.1 Introduction

This chapter has the principal purpose of addressing the fourth research issue and question of this study which is, what is the nature of relationship between the CJEU, and the UK courts approaches to interpretation in the context of the inconsistent judgments in EU trademark cases? It also explores whether these approaches complement or contravene each other. It concludes that the CJEU adopts a 'creative' and mixed interpretational methodology which often clashes with the UK court's strict existing common law principles and this is observed as one of the core sources of the inconsistencies in EU trademark law. Through the findings in the discussions in this chapter, it also contributes to the originality of this thesis by identifying that the nature of the interpretational relationship between the CJEU and UK courts is presents itself as divergent cultural attitudes, which also links with the findings in chapter 4.

This chapter also argues that articulating this nature of the interpretational relationship between the CJEU and UK courts provides a practical and theoretical basis for the general recommendations that could apply to all provisions of trademark law, which is proposed in chapter 6.

To achieve the above, this chapter will explore the inconsistencies on the EU regional level using selected CJEU judgements as the tools for observation to contextualise the later exploration of these inconsistencies on a national level. This contextualisation of the issues on a regional level is important to offer insight in the ensuing comparison between the CJEU approach and UK courts' approach.

It will carry out the above by examining the specific legal reasoning and by consequence; rules of statutory interpretation adopted in each case. Since the legal reasoning of courts is generally considered an important part of their wider decision-making processes, it will involve the querying and investigating of these decision-making processes adopted by CJEU in trademark infringement dispute. Specifically, those involving the prioritizing of arguments as reflected in the Court's chosen rationales (*ratio decidendi*) exhibiting a tendency towards a specific preferred theoretical perspective or methodology to the exclusion of

consideration of others;⁴³⁸ which ultimately decides the outcome of such disputes. The next sections discuss these concepts in more detail.

5.1.1 Legal Reasoning and the doctrine of precedent in EU Trademark law; creativity vs constraint in judicial interpretation

The legal meaning of precedent as defined by the Oxford English Dictionary is, “A judicial decision which constitutes an authoritative example or rule for subsequent analogous cases; a form of a document which has been found valid or useful in the past and can be copied or adapted.”⁴³⁹ Thus, the doctrine of precedent has origins relating to the principle of stare decisis, a Latin maxim which originated from English common law. Its full phrase reads as, ‘stare decisis et non quieta movere’ and translates literally to, ‘stand by what has been established and do not unsettle the established’. This doctrine also known as binding judicial precedent is an important aspect of law that guides the principles of legal reasoning amongst judges and is ultimately one of the influences in the outcome of any decision in English courts. It therefore purports that a judge is required to follow a previous judgement on a similarly occurring point of law in a later case and usually operates within the hierarchy of the court system; meaning that a higher court’s decision binds a lower court. This should be contrasted with the term ‘judicial precedent’ which refers to a previous judgement that sets the standard of legal reasoning as

⁴³⁸For example, the most common theoretical perspective being the economic justification of trademarks, see Peter S. Menell ‘Intellectual Property: General Theories’ in B Bouckaert and G de Geest (eds) *Encyclopedia of Law & Economics* (Vol 2, Cheltenham UK Edward Elgar 2000) 156-163; see also D. M. Higgins and T. J. James ‘The Economic Importance of Trade Marks in the UK (1973-1992) A Preliminary Investigation’ (1996) The Intellectual Property Institute 4. Examples of cases include *Levi Strauss v BPC Amersfoot* [2011] E.T.M.R. 32, *L’Oreal SA v Bellure* [2009], ECR 1-5185, *Specsavers v Asda* [2012] EWCA Civ 24.

Furthermore, the dominant interdisciplinary angle of sociology of law and socio-legal methods also influence EU trademark cases, in particular, the so called ‘broadcast model’ which is a one-way process that recognises only the owner of a trademark as the sole creator and beneficiary. As such, it refers to only one aspect of the socio-legal perspective such as brand exploitation rights and intangible (investment) asset. Examples of cases portraying this are the same as those already given in the theoretical economic justification; *Levi Strauss v BPC Amersfoot* [2011] E.T.M.R. 32, *Case C-487/07 L’Oreal SA v Bellure* [2009] ECR 1-5185, *Specsavers v Asda* [2012] EWCA Civ 24. Conversely, the ‘two-sided/dialogic model’ involving consumers as co-creators of a trademark alongside owners, is yet to be recognised by the courts.

⁴³⁹‘Precedent, n.’ paragraph 1c, Oxford English Dictionary Online, Oxford University Press. <<http://www.oed.com/view/Entry/149572?rskey=upVSrN&result=1&isAdvanced=false#eid>> Accessed 14 January 2024.

an example for subsequent similar cases and while not usually binding, is persuasive.

Although originally an English common law concept, the binding judicial precedent still exists mainly in most common law jurisdictions, for e.g. UK, Canada, Australia, United States of America, etc. while the persuasive judicial precedent is a concept that all other civil legal systems recognise in the form of '*jurisprudence constante*'. *Jurisprudence constante* has been compared as having direct equivalence in meaning to the common law doctrine of *stare decisis*, with the exception being that where a single case sets '*precedence*' in the common law jurisdiction of *stare decisis*, it would take series of cases to set '*precedence*' in the civil law jurisdiction of *jurisprudence constante*. This precedence set by the doctrine of *jurisprudence constante* is not binding in nature but of substantial persuasive nature in subsequent decisions and for the purposes of this chapter, will be referred to as '*persuasive precedent*'.

Thus, it can be said that the concept of precedent underpins and permeates all legal analysis and reasoning mainly because of the degree of certainty of outcome it lends to cases. Logically, it ensues from this that there exist legal principles, conventions, norms and practices devoted to how judges should '*reason*' while interpreting the law to ensure the theme of a degree of certainty is consistent throughout the application of the law.

Accordingly, the most important aspect of relevance to the doctrine of precedence is in relation to the reason for the decision, also referred to in latin as the '*ratio decidendi*'. Its literal translation in English is, '*the rationale for the decision*' and as such, is concerned with the particular line of legal reasoning adopted. In both the common law '*stare decisis*' and civil law '*jurisprudence constante*', only the '*ratio*' or reason for the decision is binding and persuasive respectively. Such perspectives of legal reasoning are also influenced by specific factors. Some of these being; the rules of statutory interpretation in a particular jurisdiction and also the degrees of influences from other persuasive precedents. Persuasive precedents are those decided points of law which are not binding on a court but nevertheless may be taken into account by a court in the reaching of a judicial

decision. Some examples of these include dicta by other higher courts and decisions by other courts in other jurisdictions.⁴⁴⁰

Conversely, Pollicino in his analysis of the boundaries of on the one hand; judicial functions of legal interpretation/reasoning and on the other hand; judicial creativity and activism during interpretation, has argued that they are not entirely mutually exclusive concepts that exist in isolation from each other.⁴⁴¹ In his assertion that one cannot draw such distinction because creativity and activism are embedded in the core of the judicial function of interpretation and reasoning, he points out that the creativity of judges evidenced by their allocating priority to other non- legal values has often been viewed in a misunderstood manner in the academic debates surrounding this area. Therefore, another priority of this chapter will be to investigate to what extent this contrasting viewpoint is accurate in the decision-making processes of the CJEU in trademark infringement disputes. For these purposes and in order to carry out the above effectively, this chapter will first categorise the trademark disputes according to the specific question(s) or subject matter considered in such cases. Secondly, in these categories of trademark disputes, it will proceed by examining cases starting from the various national courts' perspectives, then progress to the Court of Justice of the European Union's (CJEU) perspective in such cases where a preliminary ruling was requested and finally consider how the national courts' have implemented the CJEU's preliminary rulings in each case.

Currently⁴⁴² since there are 28 different member states of the European Union (EU), it follows that there is a unique blend of legal systems in addition to the Union's specific legal system. These varying legal systems are classified into three groups, namely; civil law systems, common law systems and mixed systems. This classification of the various legal systems in the EU is crucial to the understanding

⁴⁴⁰Westlaw Glossary <[https://uk.practicallaw.thomsonreuters.com/3-509-2489?contextData=\(sc.Default\)&transitionType=Default&firstPage=true](https://uk.practicallaw.thomsonreuters.com/3-509-2489?contextData=(sc.Default)&transitionType=Default&firstPage=true)> accessed 19 January 2024.

⁴⁴¹ Oreste Pollicino, 'Legal Reasoning of the Court of Justice in the Context of the Principle of Equality Between Judicial Activism and Self-restraint' (2004) 5(3) German Law Journal at pp 284.

⁴⁴²At the time of writing, with 6 countries in the process of becoming members and a further 2 countries as potential candidates <http://europa.eu/about-eu/countries/index_en.htm> Accessed 06 January 2024.

of the legal reasoning that emanates from the decisions in trademark infringement disputes because the legal practices and procedures of interpretation associated with judicial legal reasoning vary from civil law jurisdictions to common law jurisdictions and even more importantly, mixed legal systems and the EU's unique legal system.

With regards to the consideration of the legal procedures of interpretation of EU law in the CJEU's preliminary rulings and opinions, the civil law jurisprudence *constante* will be used as the starting point but will also go further than this in investigating the specific rubrics the CJEU makes reference to when giving a preliminary ruling on EU trademark infringement cases. The specific reasons for allocating this persuasive precedent status to the decisions of the CJEU are due to the fact that European Union law was modelled after civil law jurisdictions of France and Germany and more importantly, there is no express mention in its founding Treaties to suggest the existence of the common law characteristic of binding judicial precedence.⁴⁴³ Furthermore, since the binding nature of the Court's decisions for its future decisions is still debatable among legal academics,⁴⁴⁴ this chapter does not seek to explore such debates; it rather, operates on an analytical premise of the legal reasoning exhibited in the precedence or standard of example of such decisions themselves, whether binding or not.

5.1.2 Legal procedures of interpretation

However, before this analysis is carried out, it is important to explain briefly the basic legal procedures of interpretation normally associated with civil law, common law jurisdictions and the unique jurisdiction of the EU.

Carney has pointed out that a core difference that influences interpretative methodology in both a civil law jurisdiction and its common law counterpart is the expectation that common law judges are required to achieve their interpretative methodology with references to existing common law principles while civil law judges are not at liberty to do so.⁴⁴⁵ This, he attributes to being dependent on the 'role' of the judiciary in each jurisdiction under the doctrine of separation of

⁴⁴³Founding Treaties of the European Union.

⁴⁴⁴Gundega Mikelson, 'The Binding Force of the Case Law of the Court of Justice of the European Union' (2013) 20(2) *Jurisprudence Research Journal* 469-495.

⁴⁴⁵Gerard Carney, 'Comparative Approaches to Statutory Interpretation in Civil and Common law Jurisdictions' (2014) 00(0) *Statute Law Review* 1.

powers. Giving the example of civil law in France, article 5 of the French Civil Code expressly forbids French judges to engage in any form of interpretation that creates a rule of law or binds future decisions while judges in the common law jurisdictions of the UK and Ireland are often bound by specific rules in the interpretation of statutes or Acts of Parliament. Such rules in the UK generally referred to as rules of statutory interpretation are provided for under the Interpretation Act 1889 as repealed by the Interpretation Act 1978, namely; literal rule, golden rule and mischief rule.

5.1.2.a Literal rule

The literal rule instructs that judges are to give the provisions of legislations their ordinary/natural dictionary meaning, for example in the case of *Fisher v Bell*⁴⁴⁶ where the literal interpretation of a product on display in a shop amounted to an invitation to treat as opposed to an offer because the offer was made only when the customer took the product to the tills. The question that is usually asked by the court when utilising the literal rule of interpretation is; what is the literal or natural meaning of the particular language employed in the statute?

5.1.2.b Golden rule

The golden rule as per Lord Wensleydale, is "...the grammatical and ordinary sense of the words is to be adhered to, unless that would lead to some absurdity, or some repugnance or inconsistency with the rest of the instrument, in which case the grammatical and ordinary sense of the words may be modified, so as to avoid the absurdity and inconsistency, but no farther."⁴⁴⁷ For example, the court in its decision in the case of *Adler v George*⁴⁴⁸ decided to forgo giving a literal interpretation to a statute prohibiting the creation of an obstruction in the vicinity of an Air Force facility. Where the outcome of a literal interpretation of 'vicinity' would suggest 'outside' perimeters, it was decided that vicinity in that context would also include 'inside' the facility in order to avoid an outcome that was

⁴⁴⁶[1961] 1 QB 394.

⁴⁴⁷*Grey v Pearson* [1857] 6 HLC 95 at 106

⁴⁴⁸[1964] 2 W.L.R. 542

inconsistent with the purpose of the statute. Lucke has termed this as a 'contextual extension' of the literal rule to avoid absurdity.⁴⁴⁹

5.1.2.c Mischief rule

The mischief rule of interpretation looks to the particular problem a statute was enacted to resolve and offers an interpretation closely aligned with solving such problem. This can be seen from the English case example of *Corkery v Carpenter*⁴⁵⁰ where a statute was enacted to stop drunken driving, but the word used referred to drunken driving in a 'carriage'. The court decided that interpretation of the Act should not be confined only to drunken driving in 'carriages' only and should be extended to any sort of vehicle; including a bicycle because the problem the statute was enacted to solve was 'to stop drunken driving' and protect the public from such occurrences.

However, in the Irish case of *Murphy v An Bord Telecom Eireann*⁴⁵¹ the Irish High court at first instance decided to engage in a strict literal interpretation of a statute that instructed for equal pay between a man and a woman who carried out jobs of equal value. To that effect, it found that since the claimant's (woman) job was not the same as her male counterpart's but of higher value, on a literal interpretation of the law, she had no claim to equal pay. The CJEU found this interpretational methodology to be flawed and in application of the mischief rule; contrary to the purpose of that specific statute (which was to guard against discrimination) and the then Article 119 of the EC Treaty which also prohibits discrimination.⁴⁵²

In addition to all of these, common law courts now have the opportunity to refer to extrinsic aids in their interpretation methodology. These include dictionaries, documents on parliamentary debates such as *hansard*,⁴⁵³ reports of law reform

⁴⁴⁹Horst Lucke 'Statutes and the Intention of the Lawmaker as the Ultimate Guide to their Applicability: History and Prospects' *Queensland Supreme Court History Program Yearbook 2012* 1 at 2, fn 2. Available online at <http://www.academyoflaw.org.au/Resources/publications/Lucke_Satutes_and_the_Intention.pdf> Date accessed 23 January 2024.

⁴⁵⁰[1951] KB 1, 102.

⁴⁵¹Case 156/86.

⁴⁵²Now Article 157 of the Consolidated version of the Treaty on the Functioning of the European Union [2012] OJ C 326

⁴⁵³*Pepper v Hart* [1993] AC 593

bodies such as the law commission,⁴⁵⁴ academic arguments,⁴⁵⁵ white papers⁴⁵⁶ legal principles from any branch of law,⁴⁵⁷ historical context⁴⁵⁸ and judgements from another jurisdiction.⁴⁵⁹

In spite of the core difference noted by Carney, (in the expectations of the functions of common and civil law courts) he emphasizes that there is a perception of shared commonalities between both with regards to the rules of statutory interpretation.⁴⁶⁰ Again using the French courts as an example of a civil law jurisdiction, he encapsulates that the logical interpretation utilised in French courts is very analogous to the common law literal rule while the teleological approach is akin to the purposive/mischief rule in common law. He further identifies that French courts also have access to similar extrinsic aids as do their British counterparts, for e.g. opinions and reports from the legislative processes known as travaux préparatoires.⁴⁶¹

5.2 Legal Reasoning of the CJEU

The CJEU's interpretational methodology has been well documented in its history of interpreting Community law.⁴⁶² Through establishing principles of

⁴⁵⁴*Black-Clawson International Ltd v Papierwerke Waldhof-Aschaffenberg AG* [1975] AC 591.

⁴⁵⁵*R v Shivpuri* [1987] AC 1.

⁴⁵⁶*R (on the application of W) v Metropolitan Police Comr (Secretary of State for the Home Department, interested party)* [2006] EWCA Civ 458.

⁴⁵⁷*R v Bateman* 19 Cr App R 8 where the civil legal principle of negligence was applied in a criminal manslaughter case of gross negligence.

⁴⁵⁸*R v Secretary of State for the Environment Transport and the Regions and another, ex parte Spath Holme Limited*; HL 7-Dec-2000 [2000] UKHL 61.

⁴⁵⁹*Re A (Children)* [2000] EWCA Civ 254, where the court considered a Rabbinic judgement from New York.

⁴⁶⁰Gerard Carney, 'Comparative Approaches to Statutory Interpretation in Civil and Common law Jurisdictions' (2014) 00(0) Statute Law Review at 9.

⁴⁶¹CM Germain 'Approaches to Statutory Interpretation and Legislative History in France' [2003] *Duke Journal of Comparative & International Law* 13,195.

⁴⁶²See cases like *Flaminio Costa v ENEL* [1964] ECR 585 (6/64), *NV Algemene Transport en Expositie Onderneming van Gend & Loos v Netherlands Inland Revenue Administration* [1963] C.M.L.R. 105 2

vertical/horizontal direct effect,⁴⁶³ indirect effect,⁴⁶⁴ state liability,⁴⁶⁵ the CJEU has deliberately sought an approach/methodology consistent with declaring EU law as supreme and fostering the concept of European Integration; an essential ingredient to the goals of the Union. This methodology also termed as ‘teleological approach’ or ‘purposive approach’ seeks to interpret EU law in the light of the purpose, values, legal, social and economic goals of the Union.⁴⁶⁶

However, the CJEU’s interpretational methodology is not strictly confined to a goal-oriented approach. According to the past General Advocate Miguel Poiares Maduro, “Teleological interpretation in EU law does not refer exclusively to a purpose driven interpretation of the relevant legal rules. It refers to a particular systemic understanding of the EU legal order that permeates the interpretation of all its rules.”⁴⁶⁷ Identifying three fundamental methods of the teleological approach in the context of constitutional pluralism found in the jurisprudence of the Court of Justice, namely; text, context and *telos* or purpose, Maduro further argues that this strictest sense of interpretation is only one of the three dimensions in which a theory of judicial adjudication may be presented by the Court in a decision. This limited sense of legal interpretation utilized by the Court as one component of its interpretation methodology of legal rules, i.e. types of legal arguments, techniques of explaining of texts and rules of logic that account for legal reasoning, comprise the hermeneutical dimension of a judicial outcome. The other two dimensions; institutional constraints and normative preferences,

⁴⁶³Van Gend en Loos, Yvonne van Duyn v Home Office [1974] 1 C.M.L.R. 347 and C-149/77 Defrenne v SABENA (No2) [1978] 3 C.M.L.R. 312

⁴⁶⁴C-14/83 Sabine von Colson and Elisabeth Kamann v Land Nordrhein-Westfalen [1984] ECR 1891

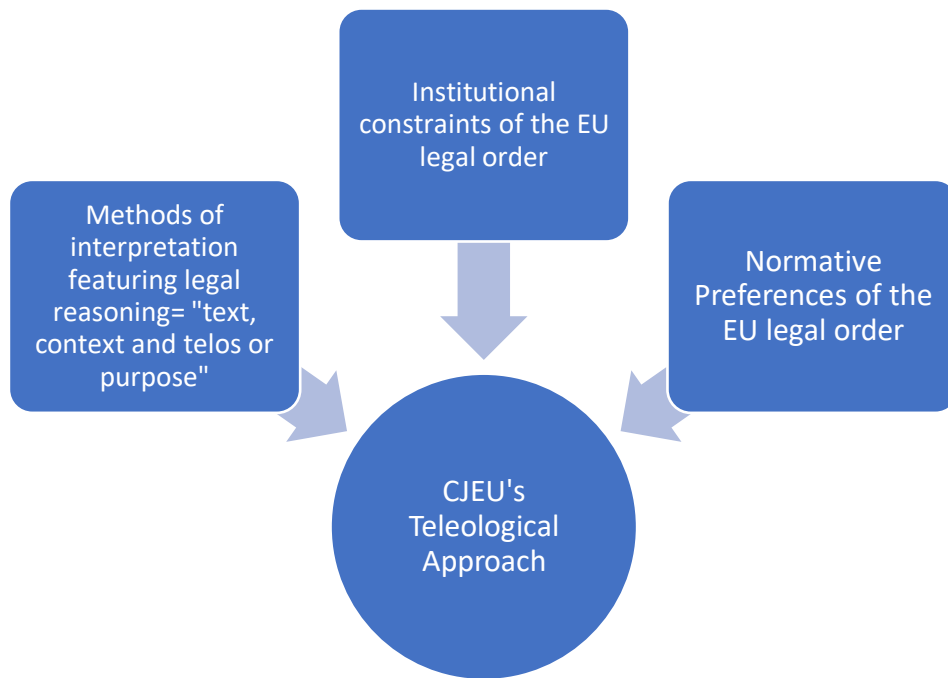
⁴⁶⁵C-6/90 Andrea Francovich and Danila Bonifaci and others v Italian Republic [1991] E.C.R. I-5357

⁴⁶⁶CJEU in the C-283/81 CILFIT Srl v Ministro della Sanita [1982] E.C.R. 3415: “... every provision of Community law must be placed in its context and interpreted in the light of the provisions of Community law as a whole, regard being had to the objectives thereof and to its state of evolution at the date on which the provision in question is to be applied.” para 20.

⁴⁶⁷Miguel Poiares Maduro, ‘Interpreting European Law: Judicial Adjudication in a Context of Constitutional Pluralism’ 2007 1(2) European Journal of Legal Studies 5 <<http://www.ejls.eu/2/25UK.htm>> Accessed 14 January 2024; Klemen Jaklic, Constitutional Pluralism in the EU, Oxford Studies in European Law (Oxford, online edn, Oxford Academic, 16 Apr. 2014).

represent and reflect “...broader questions on the proper role of courts in a democratic society.”⁴⁶⁸

Figure... Maduro’s idealist concept of the Court’s teleological approach



The blending of these three dimensions, he argues, is present in all courts and may often be staged as judicial philosophy. To put simply, a court’s legal methodology encompasses, “the methods of interpretation used by courts as well as their institutional and value choices reflect (or ought to reflect) a certain systemic understanding of the normative preferences and institutional constraints of the legal order in which those courts operate. Only such an approach is both capable of securing the coherence and integrity of that legal order (by fitting individual decisions into a coherent whole) and judicial accountability (by constraining the power of courts in individual decisions and subjecting them to a normative, and

⁴⁶⁸Miguel Poiares Maduro, ‘Interpreting European Law: Judicial Adjudication in a Context of Constitutional Pluralism’ 2007 1(2) European Journal of Legal Studies 3 <<http://www.ejls.eu/2/25UK.htm>> Accessed 14 January 2024; Cormac Mac Amhlaigh, The anatomy of constitutional pluralism in the European Union, in Davies G, Avbelj M (eds), Research Handbook on Legal Pluralism and EU Law (Edward Elgar Research Handbooks in European Law series 2018) p. 59-77.

not political, scrutiny with regard to the normative preferences they attribute to their legal order).”⁴⁶⁹

The Court’s hermeneutic method has also been adapted over the years to cover the incomprehensive legal texts in the Union. Using its European integration technique, it has sought to complement Community law by repeated references to the general principles of law common to Member States⁴⁷⁰ utilising a comparative law approach. Maduro also points out that while the Court’s early method of using a comparative law approach was to identify the most progressive legal solution from various Member States,⁴⁷¹ this particular facet of the comparative method is a superficially instrumental tool that is limiting in capabilities, on the premise that it hinders the Court’s proper creation of a law common to all Member States.⁴⁷² Proffering a comparative method that aligns itself with the teleological approach, he states that an ideal comparative method to be employed by the Court would be to determine what legal solution from the various national legal systems of the Union, is better suited to the *telos*, goals and values of the Community as opposed to merely ascertaining a legal solution shared by the various national legal systems.⁴⁷³ This *telos*, he argues, is the key factor to reinforcing the Court’s transparency and accountability through its normative choices peculiar to the Union and “the constraints of legal reasoning, defined by

⁴⁶⁹Miguel Poiars Maduro, ‘Interpreting European Law: Judicial Adjudication in a Context of Constitutional Pluralism’ 2007 1(2) European Journal of Legal Studies 3. <<http://www.ejls.eu/2/25UK.htm>> Accessed 14 January 2024; Signe Rehling Larsen, ‘Varieties of Constitutionalism in the European Union’ 2021 84(3) Modern Law Review 477.

⁴⁷⁰For e.g. See Case C-50/00, *Unión de Pequeños Agricultores v Council*, [2002] ECR-I-6677 at 39.

⁴⁷¹Advocate General Lagrange Case C-14/61, *Koninklijke Nederlandsche Hoogoovens en Staalfabrieken v. High Authority* (1962) C.J.Comm. E. Rec. 485, 593.

⁴⁷²Miguel Poiars Maduro, ‘Interpreting European Law: Judicial Adjudication in a Context of Constitutional Pluralism’ 2007 1(2) European Journal of Legal Studies 6 <<http://www.ejls.eu/2/25UK.htm>> Accessed 14 January 2024; Bertjan Wolthuis, Ben Crum, Alvaro Oleart & Patrick Overeem, *Democracy and pluralism after European integration: Incorporating the contested character of the EU*, (2023) Critical Review of International Social and Political Philosophy, online at <<https://www.tandfonline.com/doi/full/10.1080/13698230.2023.2216043>> accessed 19 February 2024.

⁴⁷³Miguel Poiars Maduro, ‘Interpreting European Law: Judicial Adjudication in a Context of Constitutional Pluralism’ 2007 1(2) European Journal of Legal Studies 7 <<http://www.ejls.eu/2/25UK.htm>> Accessed 14 January 2024; Richard Bellamy, & Sandra Kröger, A democratic justification of differentiated integration in a heterogeneous EU, (2017) 39(5) Journal of European Integration, 625–639.

the limits imposed by the text, by the logical rules of practical reasoning and by the systemic requirements of coherence and consistency.”⁴⁷⁴

Although Maduro’s arguments above portray an optimistic perception of the Court’s teleological approach, this chapter sets out to test the Court’s conformance to it in EU trademark law through the analysis of the relevant case laws. As pointed out in the introduction, there are a number of inconsistencies present in the trademark law jurisprudence of the Court. These inconsistencies in the decisions of EU trademark law cases run contrary to Maduro’s perfectionist paradigm of the Court’s chosen teleological methodology; in particular, the constraints on the Court through the ‘systemic requirements of coherence and consistency’. Thus, in investigating the decision-making processes of courts, what follows is an analysis of the legal reasoning of the Court in trademark cases to assess if they meet the standards of Maduro’s idealist teleological model which fosters ‘coherence’ and ‘consistency’. It will be shown that the legal reasoning of the Court in trademark decisions falls short of this and has continued to perpetuate the inconsistencies, legal uncertainty and ambiguities originating from the harmonising initiative within this field in 1960.⁴⁷⁵ Thus, a fair contribution to these inconsistencies in EU trademark law can be attributed to the flaws in the legal reasoning of the Court.

5.3 Maduro’s idealist teleological approach

Three main elements comprise the idyllic model described by Maduro, namely; legal reasoning (comprising methods of interpretation), normative preferences and institutional constraints. According to Maduro, the legal reasoning of the Court is influenced by the normative preferences of the legal order which is moderated by the institutional constraints. The pertinent institutional constraints of a teleological approach identifiable from Maduro’s analysis are; the *telos* or purpose itself, a ‘precedent-oriented’ approach, as well as “the Court’s use of legal

⁴⁷⁴Miguel Poiares Maduro, ‘Interpreting European Law: Judicial Adjudication in a Context of Constitutional Pluralism’ 2007 1(2) European Journal of Legal Studies 10 <<http://www.ejls.eu/2/25UK.htm>> Accessed 14 January 2024; Grainne De Burca, & Joanne Scott, (eds.) Constitutional Change in the EU: From Uniformity to Flexibility (Hart Publishing 2000).

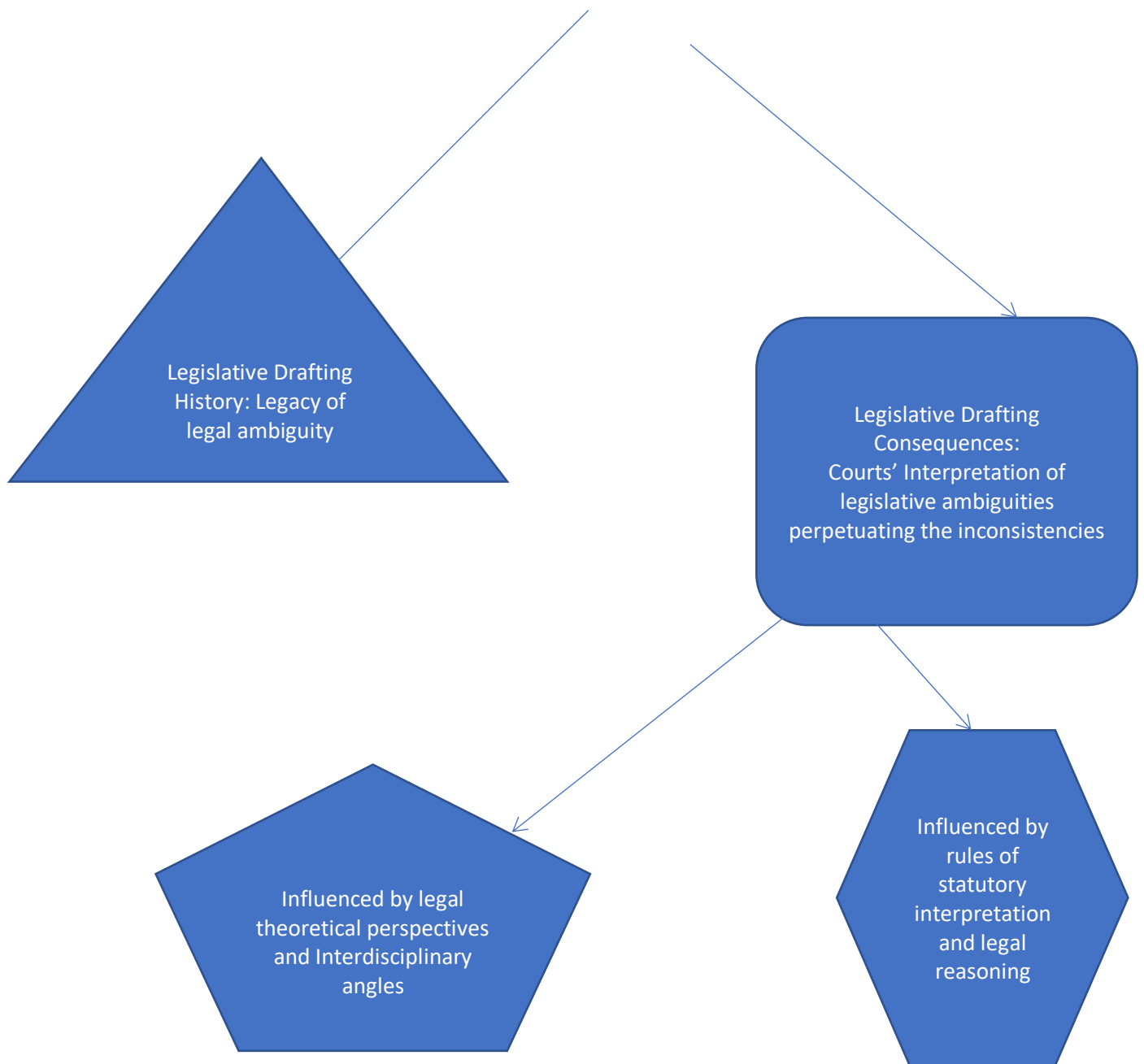
⁴⁷⁵See chapter 4 on history of the Trade Mark Directive.

arguments be them based on wording (the normal departing point), legislative history, comparative law, context or other. Teleological reasoning is, instead, an element of accountability within the space of discretion left by the other legal arguments to the Court.”⁴⁷⁶ References to the contexts of internal and external legal pluralism also indicate that the Court should utilise in its judicial reasoning, methods that take note of both universal principles of law peculiar to the EU legal order (internal pluralism) and foreign legal sources (external pluralism). Also, any national court when acting in the capacity of an EU court is also obliged to, “reason and justify its decisions in the context of a coherent and integrated European legal order”⁴⁷⁷ as part of the internal pluralism approach.

Diagram

⁴⁷⁶ Miguel Poiares Maduro, ‘Interpreting EU Law: Adjudication in a Context of Constitutional Pluralism’ 2007 1(2) *European Journal of Legal Studies* 12 <<http://www.ejls.eu/2/25UK.htm>> Accessed 14 January 2024.

⁴⁷⁷ Miguel Poiares Maduro, ‘Interpreting EU Law: Adjudication in a Context of Constitutional Pluralism’ 2007 1(2) *European Journal of Legal Studies* 18 <<http://www.ejls.eu/2/25UK.htm>> Accessed 14 January 2024.



5.4 Inconsistencies in EU Trademark law cases emanating from varying legal reasoning perspectives.

5.4.1. Introduction

As noted in sections 1.3.1 and 1.3.4 of chapter 1, one of the lines of enquiries undertaken by this thesis involves the evaluation of the CJEU's own interpretational practice in trademark cases to determine if it complies with its own precedents. EU Trademark registration cases will be used as the sampling context because it is different from the other areas explored in this thesis and adds variety to the sampling contexts. The benefit offered by using another area of law not already explored elsewhere in this study is that it offers multiple prisms through which the inconsistencies in EU trademark law can be better understood. This approach is suitable for this study because each of these areas of EU trademark have their own unique characteristics which influence the interpretational interactions of courts.

5.4.2 Trademark Registration cases- CJEU

The registration of a trademark is a fundamental part of EU trademark law as only marks that have been registered are capable of generating rights enforceable under EU trademark law. The Trade Mark Directive (TMD) and Community Trade Mark Regulation (Regulation) being the main legislative provisions governing trademarks in the Union, provide that any sign competent enough to distinguish goods/services of one undertaking from those of other undertakings and can be graphically represented, is ostensibly registrable.⁴⁷⁸ This is however, only a preliminary benchmark as both the TMD and Regulation further elucidate on potential factors that can hinder the registration of a mark or give rise to its invalidity. These are classed into two; absolute and relative grounds for refusal⁴⁷⁹ and are particularly important because of their direct relevance to and bearing on trademark infringement cases. Since the provisions of the TMD and the Regulation are virtually identical, the Advocate General Jacobs in *SA Societe LTJ Diffusion v SA Sadas*⁴⁸⁰ has suggested that regarding, "...a directive and a regulation which use the same criteria and the same language in parallel contexts...as it clearly did in the field of trade

⁴⁷⁸ Article 2 TMD and Article 4 Regulation.

⁴⁷⁹ Article 3 & 4 TMD and Article 7 & 8 Regulation.

⁴⁸⁰ Case C-291/00 *SA Societe LTJ Diffusion v SA Sadas* [2003] ECR I-2799

marks-the presumption is very strong indeed that the two measures are intended to be interpreted in the same way.”⁴⁸¹ As such, the case laws of these provisions have been transposable and will be examined below in this regard. Unless otherwise explicitly stated, all references to an Advocate General’s opinion should be understood to have guided the Court’s final judgement in each case and will be referred to interchangeably. Finally, it should be pointed out that the analyses in subsequent sections are not devoted to discussions about the accuracy or inaccuracy of the decisions themselves but to highlighting the inconsistencies in the Court’s jurisprudence of legal reasoning in this area of law.

5.4.2.a Absolute grounds for refusal

Non-conformance with the definition of a trademark: Articles 3(a) TMD and 7(a) Regulation stipulate that any sign which does not conform to the definition of a trademark (under Articles 2 TMD and 4 Regulation) will be refused for registration. Accordingly, this denotes that the three initial requirements a mark must satisfy are; it must be a sign, capable of being represented graphically and capable of distinguishing the goods/services of one undertaking from others.

If this definition is to be strictly adhered to, then there is evidence to suggest that this was not initially always the case in the registration records. Most particularly in relation to the ‘graphical representation’ requirement, there has been the registration of ‘non-traditional visual’ signs such as gestures,⁴⁸² colours,⁴⁸³ smells,⁴⁸⁴ and sounds.⁴⁸⁵ However, the CJEU has now in the **Sieckmann**⁴⁸⁶ case laid down the

⁴⁸¹ Case C-291/00 [2003] E.T.M.R 83 para 28.

⁴⁸² “The Mark consists of a gesture made by a person which comprises tapping a pocket of an article of clothing worn below the waist of the person” (UK Trade Mark No 2048673, classes 29, 30 and 31, proprietor: ASDA Stores Limited). However, a recent search on the UK trademarks search database has revealed it is no longer in existence. UK Intellectual Property Office trademark search database can be found here <<http://www.ipo.gov.uk/types/tmtext.htm>> Accessed 4th January 2024.

⁴⁸³“PURPLE as a colour applied overall to and subsisting in the goods, the colour purple being definable within chromacity coordinate parameters, according to the CIELAB system, of L between 0 and 90, a between +5 and +100, and b between -5 and -100” (UK Trade Mark No 2009633, class 3, proprietor Chemisphere UK Ltd, registration date: 16 May 1997).

⁴⁸⁴“The strong scent of bitter beer applied to flights for darts” (UK Trade Mark No. 2000234, class 28- flights for darts, proprietor: Unicorn Products Limited, registration date: 03 May 1996).

⁴⁸⁵“THE MARK CONSISTS OF THE SOUND OF A DOG BARKING” (UK Trade Mark No 2007456, class 2, proprietor: Imperial Chemical Industries, registration date: 31 May 1996).

⁴⁸⁶ Sieckmann v Deutsches Patent- und Markenamt, [2003] 3 W.L.R 424.

criteria that must be established before registration of a non-traditional sign may occur.

At first instance, the test of being capable of graphical representation was considered nationally in the German Federal Patent court in where Mr Sieckmann had proposed to register as a trademark, an odour which was denoted with a chemical formula and described as 'balsamically fruity with a slight hint of cinnamon.' The German court decided to refer to the CJEU, the question of whether graphical representation encompassed other means apart from the usual visual requirement, such as a chemical formula, a description in words or actual sample of the smell. The Advocate General (at the time) Colomer advised the Court in his opinion that unambiguousness and objectivity was the key to applying this limb of the test under the Directive. More crucial to the graphic representation test, the Court's judgement clarified that the sign can also be "by means of images, lines or characters"⁴⁸⁷ but must be, "clear, precise, self- contained, easily accessible, intelligible, durable and objective"⁴⁸⁸ "...which is comprehensible to manufacturers and consumers generally."⁴⁸⁹ Colomer further stated that whilst 'graphical representation' was not restricted to only visual images, the odour in this case could not be registered as a trademark for the sole reason that it lacked 'a sign that was graphically represented' due to the fact that the combination of the chemical formula, a sample of the odour and a description could not constitute a clear, precise and intelligible sign that was durable and objective. The very nature of smells lends itself to a high degree of volatility which dictates that over time, the particular scent sought to be registered would inevitably fade (failing at the test of durability) and thus, could not also be seen to pass the test of objectivity. Even further was the problem of the objectiveness of the description, 'balsamic fruity with a slight hint of cinnamon'. The subjectivity in this description raises questions and concerns such as, "What does "balsamically" mean? What should be understood by "fruity"? How intense is the slight hint of cinnamon? It would be impossible with this description to identify the olfactory sign for which the applicant

⁴⁸⁷Sieckmann v Deutsches Patent- und Markenamt, [2003] 3 W.L.R 424 paras 43 & 46 of the Court's own judgement.

⁴⁸⁸Sieckmann v Deutsches Patent- und Markenamt, [2003] 3 W.L.R 424 para 39-44 of the Advocate General Colomer's opinion.

⁴⁸⁹Sieckmann v Deutsches Patent- und Markenamt, [2003] 3 W.L.R 424 para 47 of the Advocate General Colomer's opinion.

is claiming exclusive rights. Even if the description were longer, it would not gain in precision and nobody could ever know beyond doubt of what the odour in question consisted.”⁴⁹⁰

On closer analysis of the Court’s reasoning in its interpretative methodology, it appears that it is derived partly from a ‘literal approach’ to the definition of graphic representation as well as a teleological consideration of such meaning. The decision of the Sieckmann case can be observed in two parts; i.e. 1.) The phrase that a sign can be graphically represented ‘by means of images, lines or characters’ provides some contextual examples which is further qualified by the test 2) ‘but must be clear, precise, self- contained, easily accessible, intelligible, durable and objective’. The legal reasoning or ratio this decision is based on conforms to Maduro’s idealistic teleological approach. The Court substantiated that while the wording of Article 2 TMD was constructed in such a way that the list of examples of signs that could constitute a trademark contained only visually perceivable signs, it by no means expressly excluded non- visual signs. Thus, the question of whether non-visual signs could constitute a trademark for the purposes of registration was best answered with reference to the requirements set out in Article 2. Sequentially, this also necessitated an allusion to the ‘graphical representation’ requirement as well as the ‘primary function of a trademark’ requirement; i.e. capable of distinguishing the goods or services of one undertaking from those of other undertakings. In consideration of the graphical representation element of Article 2, the Court referred to the Commission’s observation that “the purpose of graphic representation is to give a clear, precise and objective image of the mark. That point is particularly important in a legal system where rights in a trade mark are acquired by deposit and entry in a public register. In such a system, complete graphic representation of a mark must thus be guaranteed by the register itself so that the exact scope of the protection resulting from registration is determined and the rights conferred by the mark are in particular demarcated from those arising from other marks.”⁴⁹¹ This ratio of the graphical representation element is in effect, also linked to the primary purpose of a trademark criterion contained in Article 2, which

⁴⁹⁰Sieckmann v Deutsches Patent- und Markenamt, [2003] 3 W.L.R 424 para 41 Advocate General Colomer’s opinion.

⁴⁹¹Sieckmann v Deutsches Patent- und Markenamt, [2003] 3 W.L.R 424 para 33 of the Court’s own judgement.

is to avoid consumer confusion by distinguishing the goods or services of one undertaking from those of other undertakings.

Identifiable here are Maduro's ideal three dimensions that comprise the teleological approach; methods of interpretation (i.e. text, context and telos or purpose), normative preferences and institutional constraints of the EU legal order. They are presented as follows;

1) Methods of interpretation: a) text- being the wording of Articles 2 and 3(a) TMD (what constitutes of a trademark and absolute ground for refusing signs which do not constitute a trademark respectively), b) context-being the nature of a trademark and c) telos/purpose- demonstrated in the Court's consideration of the purpose of the 'text' and 'context' as evidenced in its reflection of the reason for the text 'graphical representation', the purpose of the Directive as declared in the recitals (promote undistorted competition amongst other things)⁴⁹² and the aim of entry of a mark in the designated public record for registration purposes.⁴⁹³

2) Normative preferences chosen in the Court's reasoning in this case are articulated by reference to the Court's standard practice of espousing the essential function of a trademark⁴⁹⁴ in a 'precedent-oriented' approach and by allusion to the 'clarity and precision'⁴⁹⁵ that is customary and required of the trademark registration system, as well as by reference to a comparative method that aligns itself to the *telos* of Articles 2 and 3.⁴⁹⁶

3)The institutional constraints are demonstrated through indication of the inherent requirement of an interpretation that is confined to an unambiguous outcome for the purposes of ensuring, "the sound operation of the trade mark registration system (*legal certainty, emphasis added*)."⁴⁹⁷ This interpretation which requires

⁴⁹²Sieckmann v Deutsches Patent- und Markenamt, [2003] 3 W.L.R 424 paras 34-38 of the Court's own judgement.

⁴⁹³Sieckmann v Deutsches Patent- und Markenamt, [2003] 3 W.L.R 424 para 49 of the Court's own judgement.

⁴⁹⁴Sieckmann v Deutsches Patent- und Markenamt, [2003] 3 W.L.R 424 para 35 of the Court's own judgement.

⁴⁹⁵Sieckmann v Deutsches Patent- und Markenamt, [2003] 3 W.L.R 424 paras 50-51 of the Court's own judgement.

⁴⁹⁶The Court took into account written observations made by the Commission, UK and Austria. Sieckmann v Deutsches Patent- und Markenamt, [2003] 3 W.L.R 424 paras 28-33 of the Court's own judgement.

⁴⁹⁷Sieckmann v Deutsches Patent- und Markenamt, [2003] 3 W.L.R 424 para 47 of the Court's own judgement.

that the Court is limited to only the type of precedent-oriented legal reasoning that takes into account “methods that take note of both universal principles of law peculiar to the EU legal order”⁴⁹⁸ is also exhibited in the Court’s teleological reasoning that is cognizant of the need for both legal certainty⁴⁹⁹ and “the systematic adherence of trademark rights to the wider set of norms regulating the competitive process”⁵⁰⁰ expressed in its reference to the requirement of a trademark fulfilling its essential function in the broader system “...of undistorted competition⁵⁰¹ which the EC Treaty seeks to establish...”⁵⁰² through the approximation of “...the trade mark laws at present applicable in the member states and to make the conditions for obtaining and continuing to hold a registered trade mark identical in all member states, in order to abolish disparities between those laws which may impede the free movement of goods and freedom to provide services and may distort competition within the common market.”⁵⁰³

Based on the above analysis, it can be said that the Court adhered to Maduro’s idealist teleological approach in its interpretational methodology in the Sieckmann case. This case is especially important because it lays the foundational requirements for the registration of the ‘non-traditional’ signs or marks. Intrinsically, it will be used as a major comparator for subsequent case laws in this area.

5.4.2.b Sounds:

Contrastingly, in the case of *Shield Mark BV v Kist (t/a Memex)*⁵⁰⁴ the Court’s interpretational methodology did not adhere to the elements of the ideal teleological approach described above. Application had been made to register two

⁴⁹⁸Maduro’s model in section 5.3.

⁴⁹⁹A universal principle of law peculiar to the Community-General principle of legal certainty established in *Töpfer & Co. GmbH v. Commission of the European Communities* [1978] E.C.R. 1019.

⁵⁰⁰Abstract of Apostolos Chronopoulos, ‘Determining the scope of trademark rights by recourse to value judgements related to the effectiveness of competition - the demise of the trademark use requirement and the functional analysis of trademark law’ 2011 42(5) *International Review of Intellectual Property and Competition Law* 535-570.

⁵⁰¹Being another universal principle of law peculiar to the EU legal order (*emphasis added*) Article 101 & 102 of the Consolidate version of the Treaty on the Functioning of the European Union (2012) OJ C326/01.

⁵⁰²*Sieckmann v Deutsches Patent-und Markenamt*, [2003] 3 W.L.R 424 para 35 of the Court’s own judgement.

⁵⁰³*Sieckmann v Deutsches Patent-und Markenamt*, [2003] 3 W.L.R 424 para 36 of the Court’s own judgement.

⁵⁰⁴C-283/01 [2004] 2 W.L.R 1117.

signs, namely; the notes of Beethoven's music 'Für Elise' and the written description of the sound of a cock crowing. It was decided that in accordance with the Sieckmann principles, a sound sign was capable of registration as a trademark only if it distinguished the goods or services of one undertaking from another and it was capable of being represented graphically particularly by means of images, lines or characters, and its representation was clear, precise, self-contained, easily accessible, intelligible, durable and objective. In the present case, the CJEU further clarified (based on the opinion of Advocate General Colomer) that since the musical notes had been "represented by a stave divided into measures and showing, in particular, a clef, musical notes and rests which form indicated the relative values and where necessary, accidentals,"⁵⁰⁵ this representation comprised a sign that could be registered, however, regarding the second sound, its mere descriptive words indicating the cry of an animal (cockcrow) would not constitute graphical demonstration capable of registration. In its ratio, the Court admitted that while the musical notes represented by a division using a stave was clear, precise, self-contained, easily accessible, durable and objective, it was not 'immediately intelligible'. However this, it argued, did not inhibit the musical notes' fulfilment of the graphic representation criteria as "the fact remains that it may be easily intelligible, thus allowing the competent authorities and the public, in particular traders, to know precisely the sign whose registration as a trade mark is sought."⁵⁰⁶

⁵⁰⁵[2004] 2 W.L.R 1117 paragraph 64 of the Court's own judgement.

⁵⁰⁶C-283/01 [2004] 2 W.L.R 1117 paragraph 63 of the Court's own judgement. See also Advocate General Colomer's opinion paras 39-41, "it is essential to reflect the sounds by means of their musical notation, so that they are perfectly recognisable and leave no room for doubt. And there is only one way of doing that: by setting them out on a musical stave. With that universal language, the diffused drawing consisting of the sequence of notes, called by name, seems to be clear, with its precise contours to identify it, differentiating it from others. The notes written on the stave, together with the key, which determines the tonality, the time signature, which determines the rhythm, and the relative value of each note, and also an indication of the instruments which are to interpret them, are a faithful photograph of the sequence of sounds which are represented; if I may say so, they are their "fingerprint". That form of representation of sounds fulfils the requirements indicated by the Court of Justice in Sieckmann [2003] Ch 487. It is clear, precise, self-contained, durable, objective and easily accessible. It is true that it is not intelligible to everyone, but there is no reason to require that perception be immediate. Account being taken of the *raison d'être* of the requirement, it is sufficient that, by means of objective and reliable instruments of interpretation, of execution or reproduction, anyone seeing the entry on the register may acquire precise knowledge of the distinctive sign which the owner monopolises. Most persons seeing the sign are not familiar with musical notation, which is the technique intended to enable musical texts to be sung correctly, but when the score is read by an expert the uninformed are able to understand the sound sign

The potential for intelligibility being the operative factor in its legal reasoning, it concluded that the relevant competent authorities and the public would know the precise sign for registration.

Evaluation of the Court's legal reasoning shows that it falls short of the ideal teleological requirements, i.e. methods of interpretation (text, context and *telos* or purpose), normative preferences and institutional constraints. Where the text, context and purpose are satisfied by references to the wording of the TMD, (in particular its recitals and Articles 2 & 3) and purposes,⁵⁰⁷ the normative preferences of the "Court's standard practice of espousing the essential function of a trademark"⁵⁰⁸ in a 'precedent-oriented' approach and by allusion to the elements of graphical representation; 'clarity and precision' durability, intelligibility, easily accessible⁵⁰⁹ that is customary and required of the trademark registration system are not fulfilled. Neither is there conformity of a comparative method that aligns itself to the *telos* of Articles 2 and 3. The adherence to the institutional constraints peculiar to the legal order of the EU is also absent in this reasoning. This will be demonstrated below through a comparative reasoning of the legal principles in *Sieckmann* and those of the present case.

As already stated in the analysis of the *Sieckmann* case, the normative preferences identifiable in *Sieckmann* included a reference to the obligation of clarity and precision, which the Court elaborated, had significant bearing on the purpose of the public trademark register shared by all Member States. The purpose being that the conditions for obtaining and continuing to hold a trademark are to be the same across all Member States of the Union⁵¹⁰ and "If the users of that register are to be able to determine the precise nature of a mark on the basis of its registration, its graphic representation in the register must be self-contained, easily accessible and

without risk of confusion as to its identity. (The claimant states that the fact that a score cannot be interpreted by someone with no knowledge of music does not prevent that form of graphical representation of sounds from being accepted. It states that word trade marks can be relied on as against the illiterate and that trade marks composed of colours are valid as against the colour blind.)"

⁵⁰⁷C-283/01 [2004] 2 W.L.R 1117 paragraphs 3-6 of the CJEU's judgement.

⁵⁰⁸*Sieckmann v Deutsches Patent- und Markenamt*, [2003] 3 W.L.R 424 paragraph 35 of the Court's own judgement.

⁵⁰⁹*Sieckmann v Deutsches Patent- und Markenamt*, [2003] 3 W.L.R 424 paras 50-51 of the Court's own judgement.

⁵¹⁰Seventh Recital of the Preamble to the TMD.

intelligible.”⁵¹¹ In particular, Advocate General Colomer’s opinion had taken into consideration the UK’s written observations in *Sieckmann* declaring that since the smell sought to be registered was represented by a chemical formula, this would cast an undue burden on those consulting the register as very few people would be able to interpret it.⁵¹² Comparing this to the reasoning of the Court in this *Shield Mark* case, it is clear that it has not adhered to the normative preference of following its previous reasoning in *Sieckmann* accurately. The requirement that a proposed mark be intelligible carries the connotation of being comprehensible to at least majority of the public. As such, the claimant’s argument tendered to the Court that, “...the fact that a score cannot be interpreted by someone with no knowledge of music does not prevent that form of graphical representation of sounds from being accepted. Trademarks can be relied on as against the illiterate and that trademarks composed of colours are valid as against the colour blind”⁵¹³ is not in proportion to the requirements for clarity and precision and consequently, intelligibility. This is because the examples cited using ‘illiterates’ and ‘colour blind’ people consulting the trademark register are in the minority.⁵¹⁴ It is this argument by the claimant which can be seen to have influenced the Advocate General’s opinion and subsequently the Court’s reasoning on the graphical representation requirement of intelligibility.

⁵¹¹*Sieckmann v Deutsches Patent- und Markenamt*, [2003] 3 W.L.R 424 para 52 of the Court’s own judgement.

⁵¹²*Sieckmann v Deutsches Patent- und Markenamt*, [2003] 3 W.L.R 424 para 40 of the Advocate General’s opinion.

⁵¹³C-283/01 [2004] 2 W.L.R 1117 paragraph 41 of the Advocate General Colomer’s opinion.

⁵¹⁴An estimated 20% of European adults lack the literacy skills they need to function fully in a modern society according to the Final Report of EU High Level Group of Experts on Literacy, September 2012 based on the Organisation for Economic Co-operation and Development (OECD) statistics education in Europe. Available at <http://ec.europa.eu/education/policy/school/doc/literacy-report_en.pdf> Accessed 10 January 2024. This suggests that a whopping 80% are literate by society’s standards in Europe. Furthermore, the United Nations Educational Scientific and Cultural Organization (UNESCO) Institute for Statistics published in their factsheet on Global Literacy Rates and Population Numbers for Adults and Youth, 2012 that 84% of the world’s adult population are literate. Available at <<http://www.uis.unesco.org/literacy/Documents/fs-29-2014-literacy-en.pdf>> Accessed 10 January 2024. Therefore, regardless of the perspective, it is accurate to assume that majority of the world’s population are literate and illiterates are in the minority. In the same vein, the UK National Health Service (NHS) suggests that 1 in 12 men (8%) and 1 in 200 women in the world are colour blind <<http://www.nhs.uk/Conditions/Colour-vision-deficiency/Pages/Introduction.aspx>> Accessed 10 January 2024.

The Court in its history of normative choices reflected in its relevant case laws has previously referred to the criterion of interpreting the relevant provisions on the registrability of trademarks in light of ‘public interest’⁵¹⁵ which denotes ‘significant part of the relevant public’⁵¹⁶ within the relevant trademark contexts. This conforms to the test of clarity and precision that ought to have been applied to the majority or significant part of the public and as such, invalidates the minority cases in point of illiterates and colour-blind people. However, this normative preference was ignored and the Court chose to reason that the division of musical notes by a stave and clef amounted to graphical representation even though it conceded that the average member of the public⁵¹⁷ would not find it immediately intelligible and would have to enlist the services of a musical expert to determine the precise music or song the trademark denoted.⁵¹⁸ Again, the Court this time did not take into account the observations in the previous *Sieckmann* case which had informed and influenced its decision, on the ‘undue burden it would place on those consulting the register.’

The teleological institutional constraints that ought to have been demonstrated through a compliance of the inherent requirement of an interpretation that produces legal certainty and an unambiguous outcome for the purposes of ensuring, “the sound operation of the trade mark registration system”⁵¹⁹ and the essential function of a trademark in the wider system of undistorted competition that the EC Treaty seeks to establish are absent from the *Shield Mark* legal

⁵¹⁵See *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* (Case C-299/99) [2003] Ch 159 para 77.

⁵¹⁶For examples, see that the concept of significant part of the public has been viewed through the lenses of ‘the average’ consumer in EU trademark law; *Libertel Groep BV v Benelux-Merkenbureau* [2004] 2 W.L.R 1081 para 63 & 64 of the Court’s judgement, See *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* (Case C-299/99) [2003] 2 W.L.R. 294 para 61 of the Court’s judgement; *Arsenal v Reed* [2002] E.T.M.R. 82 para 47; *T-570/10 Environmental Manufacturing LLP v OHIM* [2012] E.T.M.R. 54 paras H19 & 32; *C-252/07 Intel Corp Inc v CPM United Kingdom Ltd* [2009] E.T.M.R. 13 para 32; *Adidas-Salomon AG, Adidas Benelux BV v Fitnessworld Trading Ltd* [2003] E.T.M.R. 91 para AG16; *C-375/97 General Motors v Yplon* [1999] E.T.M.R. 950 para 26.

⁵¹⁷Which translates to a significant part of the relevant public, particularly users of the trademark registry.

⁵¹⁸See also AG Leger’s opinion in *C-104/01 Libertel Groep BV v Benelux-Merkenbureau* [2003] E.T.M.R. 41 at A71 - “It should also be intelligible to those wishing to consult the register, namely other producers and consumers, *i.e.* it should not take too much effort to determine the sign actually used by the applicant”.

⁵¹⁹*Legal certainty (emphasis added).*

reasoning of the Court. These institutional constraints that require the Court to utilise methods of legal reasoning that will respect these general principles of law⁵²⁰ peculiar to the EU legal order were disregarded as evidenced through the analyses above of the inconsistencies found in the legal reasoning of the Court in **Sieckmann** and **Shield Mark** respectively. These inconsistencies are perceptible in light of the Court's disregard of its normative preferences in upholding its institutional constraints of the principle of legal certainty⁵²¹ and undistorted competition by taking on a divergent form of legal reasoning in the Shield case, not consistent with its earlier reasoning in the **Sieckmann** case and by also disregarding, 'considerations of public interest that militate in favour of limiting the registrability of certain signs to enable them to be freely used by all traders.'⁵²² In spite of the reasoning put forward by Advocate General Colomer to the Court, he had also cautioned that 'particular care must also be exercised when a person is granted the exclusive use on the market of a sign, whatever sense it is perceived by.'⁵²³ Stating that an indefinite appropriation of a universal cultural heritage such as the Beethoven 'Für Elise' in question, by the claimant in order to be used as his business trademark will provide him with an exclusivity which not even Beethoven's estate has the benefit of. This reasoning is in line with the 'public interest consideration' which the Court chose to ignore in its ratio and judgement in the Shield case.

5.4.2.c Trade marks which are devoid of any distinctive character (Art 3(b) TMD and Art 7(b) Regulation:

Colours (like sounds) have also had a much better reception for registration in comparison to the smell marks. In the case of **Libertel Groep**,⁵²⁴ the Court reiterated that a sample of colour had to meet the three requirements entailed in the TMD and Regulation; a sign, capable of graphical representation and distinguishing goods and services. It was of the view that whilst a sample of a colour without spatial delineation was incapable of satisfying the requirements of graphical representation, if it is combined with an internationally approved colour

⁵²⁰Legal certainty and undistorted competition.

⁵²¹Even the Advocate General Colomer recognised the necessity of this principle in his opinion C-273/00 *Sieckmann v Deutsches Patent- und Markenamt*, [2003] 3 W.L.R 424 para 27 of the Advocate General's opinion.

⁵²²Principle of *undistorted completion* (*emphasis added*) C-273/00 *Sieckmann v Deutsches Patent- und Markenamt*, [2003] 3 W.L.R 424 para 51 of the Advocate General's opinion.

⁵²³C-273/00 *Sieckmann v Deutsches Patent- und Markenamt*, [2003] 3 W.L.R 424 para 50 of the Advocate General's opinion.

⁵²⁴*Libertel Groep BV v Benelux-Merkenbureau* [2004] 2 W.L.R 1081.

classification code or a written description that is in accordance with the *Sieckmann* criteria, 'clear, precise, self-contained, easily accessible, intelligible, durable and objective,' it was possible for it to satisfy the tests of graphic representation and amounting to a sign. On first reasoning, it held that an abstract sample of colour on its own could not satisfy the durability and precision tests because colours fade with time and a particular colour could have a variety of shades. However, these were easily remedied by reference to an internationally recognised colour scheme as such codes are precise and stable. In addition, it observed that in certain situations it is not unachievable for a colour to act as trademark distinguishing the goods or services of one undertaking from another.

In one possible aspect of the analysis of this reasoning, it could be distinguished from that in *Shield Mark* on the basis that the Court in this instance, *seemingly* adhered to its normative preferences of considering 'public interest' in its interpretation of the *telos* of Articles 2 & 3 TMD. Intrinsically, this ostensibly piloted its compliance with its institutional constraints of observing the general principle of legal certainty, through adoption of a previous normative preference in regulation of the registrability of certain marks. Moreover, the intelligibility requirement is arguably easily satisfied in this case without an undue burden on users of the trademark register because members of the public consulting the trademark register would not need to enlist the services of a 'colour expert' to be able to know precisely what colour is being registered as opposed to the *Shield* case where the Court suggested that the intelligibility of a sound mark could be sought through an expert.

Thus, the colour mark may be presumably deemed to have fulfilled the requirements under Article 2 of the Directive although there was still the hurdle of proving 'distinctiveness' as required by Article 3 (1)(b) of the Directive. The Court emphasized that, "in assessing the potential distinctiveness of a given colour as a trade mark, regard must be had to the general interest in not unduly restricting the availability of colours for the other traders who offer for sale goods or services of the same type as those in respect of which registration is sought."⁵²⁵ In this regard, the test of distinctiveness was that the colour mark is one that may be found to possess distinctive character within the meaning of article 3(1)(b) and article 3(3) of

⁵²⁵See *Libertel Groep BV v Benelux-Merkenbureau* [2004] 2 W.L.R 1081 para 60.

the Directive, provided that it categorizes the goods or services for which it is registered as stemming from a particular business and differentiating it from others. On another feasible aspect of analysis, it is perhaps interesting to note that Advocate General Leger's opinion differed from the Court's reasoning in *Libertel* and did not influence its final judgement. He was of the view that, '...a colour with no shape or outline cannot be considered to be a sign capable of being represented graphically within the meaning of Art.2 of the Directive.'⁵²⁶ According to him, colour is a mere property of things that is a subjective experience which is prone to uncertainty even if designated by an international colour code. The risk of determining with precision, the varying shades of just one colour was in itself contrary to the *Sieckmann* criteria of certainty, precision, etc. as the human eye is constrained in its capabilities. This limitation in turn, challenges the concept of legal certainty which he pointed out that the Court in its Canon case law judgement expressed its particular importance in the field of trademarks.⁵²⁷ Thus, from this point of view it is arguable that the institutional constraint of legal certainty was not observed by the Court. The crucial question in these contrasting ratios is potentially, what is the standard of certainty required? This becomes apparent in Leger's opinion because he did not think an international colour code eliminated the possibility of uncertainty while the Court clearly differed. Raising the issue of '...the conditions under which the competent authority can truly assess the risk of confusion of the sign thus claimed with a prior trade mark in the composition in which the colour claimed or a shade thereof would be included...'⁵²⁸ Leger's opinion emerges substantiated in totality because it also takes into account the normative preference of the 'essential function' of a mark which is a core part of the prescribed interpretational methodology the Court is required to follow under the wordings the TMD and Regulation.⁵²⁹ How can the colour successfully designate origin if the public cannot tell similar colours of different shades apart without the aid of an international colour code? As already pointed out above, since the human sight is limited in this capability, the risk of

⁵²⁶[2003] E.T.M.R. 41 para 85 Attorney General Leger's opinion.

⁵²⁷C-39/97 Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc [1999] 1 C.M.L.R. 77 para 21.

⁵²⁸[2003] E.T.M.R. 41 para 79 Attorney General Leger's opinion.

⁵²⁹Preamble of the TMD and Regulation.

confusion will develop in such instances. This defeats the essential function of a trademark as consumer confusion is one of the precise dynamics the registration process aims to obliterate. Furthermore, this normative preference in Leger's viewpoint adheres to the institutional constraints of legal certainty and fair competition, i.e. legal certainty through using a precise, consistent mark and fair competition through having consideration of public interest that the use of colours and tastes should not be unduly restricted. This is another example of inconsistency in the Court's judgement, also evidenced in Leger's opinion.

On examination of the Court's judgement, it is apparent that the emphasis in the reasoning given in the interpretation was in relation to the 'durability' aspect of the *Sieckmann* criteria while Leger's opinion had focused on 'precision'. Obviously, the weighting given to these different criteria influenced the outcome of the reasoning adopted in both interpretations and consequently the inconsistency.

What is significant about these inconsistencies in the registration cases identified above is that they emanate from the historical uncertainty and ambiguity preceding the adoption of the Directive and Regulation.

Advocate General Colomer cited in the Shield case that,

The French and Netherlands Governments, and also the claimant, stated in their written observations that the Council and the Commission, in the joint statements made on the occasion of the adoption of the Directive on trade marks (Declaration 9142/88) and the Regulation on the Community trade mark (Council Regulation (EC) No 40/94 of 20 December 1993 (OJ 1994 L11, p 1) (Declaration 5865/88), acknowledged that sounds are signs capable of constituting that form of intangible property. The claimant also states that, in the debates of the European Parliament at the sitting of 24 October 1988, it was confirmed that that Regulation would not prevent acoustic messages from constituting trade marks.⁵³⁰

⁵³⁰C-283/01 *Shield Mark v Kist* [2004] 2 W.L.R. 1117 para 18 of the Advocate General's opinion.

This bit of legislative history clearly influenced his opinion which he delivered to the Court and subsequently, the Court's own judgement. However, Advocate General Leger's opinion in the *Libertel* case reasoned contrary to that of Advocate General Colomer's in the *Shield* case. Leger was of the view that the joint statement of both the Council of the European Union and the Commission in their minutes was not to be used as an interpretive tool since there contained nothing in the Directive and Regulation to that effect. Furthermore, he stated that the Council and Commission recognised this limitation when they declared that since their joint statement was not part of the legal text, they should be read without having influence on the interpretation of the Directive and Regulation by the Court.⁵³¹ Again, it is clear from this that both Advocate Generals differed in terms of the normative preferences they sought as part of their reasoning strategies in their interpretational methodologies.

The *Heidelberg*⁵³² case further illustrated that colours without the delineation of a shape or contour or any predetermined arrangement will not pass the test of graphical representation. This is consistent with the *Sieckmann* principles that characterised graphical representation to include images, lines and characters as these are clearly identifiable, precise, durable, etc. However, it is not consistent with the *Libertel* decision where the Court held that a colour not spatially defined could amount to a sign capable of graphic representation and distinguishing goods or services if it was linked with a written description or a recognised colour identification code to satisfy the tests of precision, durability, objectiveness, etc. as required by *Sieckmann*. Again, a fact worth noting is that Leger was the Advocate General responsible for drafting the opinions in both cases; *Libertel* and *Heidelberg*. Intriguingly the Court did not follow his opinion to the letter in the *Libertel* case but did in the *Hiedelberger* case. Part of this may be largely to do with the composition of the panel of judges in each case (which will be explored in a section below). In *Hiedelberger*, Leger was noted to have invited the Court to

⁵³¹*Libertel Groep BV v Benelux-Merkenbureau* [2004] 2 W.L.R 1081 para 25 of the Advocate General's opinion.

⁵³²C-49/02 *Heidelberger Bauchemie GmbH's Trade Mark Application* [2004] E.C.R. I-6129.

reconsider its stance on the issue of graphical representation of non-delineated colours.⁵³³

A quick probe of the *Heidelberger* case in comparison to its counterpart *Libertel*, shows that the Court's choice on normative preferences is not consistent in either case and therefore does not acknowledge the Court's institutional constraints of legal certainty and fair competition. In both cases where the pertinent referred question was if a non-delineated colour mark could be registered as a trademark under Article 2 TMD, the weighting giving to the normative preference was dissimilar. As already noted about the *Libertel* decision, it is seen to have focused more on the 'durability' criterion of the *Sieckmann* principles whereas the *Heidelberger* decision emphasized 'clarity and precision.'⁵³⁴

5.4.2.d Recent developments since the *Sieckmann* and *Libertel* decisions:

Bicknell has also identified that the recent UK case of *Societe des Produits Nestle SA v Cadbury UK Ltd*⁵³⁵ demonstrates a conflict at national level as a result of the CJEU's decisions in the *Sieckmann*, *Libertel* and *Heidelberger* cases.⁵³⁶ The Cadbury case was seen to have followed the reasoning of the Court in the *Heidelberger* case as opposed to the *Libertel* reasoning. Cadbury had sought to register "the colour purple (Pantone 2685C), as shown on the form of application, applied to the whole visible surface, or being the predominant colour applied to the whole visible surface, of the packaging of the goods". This had similar connotation with the *Heidelberger* case where the mark sought to be registered had been two colours without contours "in every conceivable form". The UK court applied the *Heidelberger* reasoning and deduced that the word 'predominant' would give rise to different permutations of the mark and defeat the purpose of clarity, precision and consistency in the trademark registration system and also be divergent from the *Sieckmann* principles.

An attention-grabbing detail about this case is the fact that it highlights the impacts of both the *Libertel* and *Heidelberger* decisions in a national trade mark

⁵³³(C-49/02)*Heidelberger Bauchemie GmbH's Trade Mark Application* [2004] E.C.R. I-6129 at AG40, AG41 and AG53.

⁵³⁴(C-49/02)*Heidelberger Bauchemie GmbH's Trade Mark Application* [2004] E.C.R. I-6129 at para 27 of the Court's own judgement.

⁵³⁵*Societe des Produits Nestle SA v Cadbury UK Ltd* [2014] Bus. L.R. 134.

⁵³⁶Paul Bicknell, 'Societe des Produits Nestle SA v Cadbury UK Ltd: single colour marks predominantly applied to the whole visible surface of the goods' (2014) 36(3) *European Intellectual Property Review* 200-202.

system. The UK Principal hearing officer (on behalf of the Registrar of Trade Marks) had applied the *Libertel* judgement in deciding that the Cadbury sample colour accompanied by the Pantone international designated colour code clearly satisfied the graphical representation requirements while the Court of Appeal had distinguished the *Libertel* decision from the current facts in the Cadbury case and *opted* for the *Heidelberger* judgement. Such disparity that has percolated into national level is the direct consequence of the inconsistency in both cases at the CJEU level. It remains to be seen if Cadbury will appeal to the Supreme Court, if a preliminary reference would be directed to the CJEU and the possible response to the reference.

5.4.2.e Shapes of goods:

Perhaps the most fairly consistent aspect of the Court's interpretation on registrability of signs has been in relation to shapes as trademarks, arguably largely to do with the level of clarity in the wording of Article 3 (1) (e) TMD.⁵³⁷ In *Philips v Remington*⁵³⁸ the Court held that Article 3(3)⁵³⁹ of the Directive augments a meaningful stipulation to the rule laid down by Article 3 (1) (b), (c) and (d) in the sense that it requires that a sign through use, can attain a distinctive character which it originally lacked through either provisions (b), (c), (d) and thus be registered as a trade mark. Therefore, it is by means of the use made of it that the sign secures the distinctive character which is a fundamental part of the prerequisites for its registration. However, since Article 3 (1) (e) was not included in Article 3(3) list of exceptions by the TMD draftsmen, it must be interpreted as meaning that "if a shape is refused registration pursuant to article 3(1)(e) of Directive 89/104, it can in no circumstances be registered by virtue of article 3(3)"⁵⁴⁰ The Court identified that the underlying purpose of the grounds for refusal

⁵³⁷(TMD) Signs which cannot constitute a trademark are those which the shape results from the nature of the goods themselves or the shape of goods which is necessary to obtain a technical result or the shape which gives substantial value to the goods.

⁵³⁸Case C-299/99 Koninklijke Philips Electronics NV v Remington Consumer Products Ltd [2003] 2 W.L.R. 294.

⁵³⁹A trademark shall not be refused registration or be declared invalid in accordance with paragraph 1(b), (c) or (d) if, before the date of application for registration and following the use which has been made of it, it has acquired a distinctive character. Any Member State may in addition provide that this provision shall also apply where the distinctive character was acquired after the date of application for registration or after the date of registration.

⁵⁴⁰Koninklijke Philips Electronics NV v Remington Consumer Products Ltd (Case C-299/99) [2003] 2 W.L.R. 294 paras 57 & 61 of the Court's own judgement.

of registration contained in article 3(1)(e) of the Directive had as its goal, to prevent trade mark law from allowing a proprietor to monopolise the functional characteristics of a product which a consumer is inclined to search for in other competitors' goods/services. The legislature thus, intended Article 3(1)(e) to "prevent the protection conferred by the trade mark right from being extended beyond signs which serve to distinguish a product or service from those offered by competitors, so as to form an obstacle preventing competitors from freely offering for sale products incorporating such technical solutions or functional characteristics in competition with the proprietor of the trade mark."⁵⁴¹ Again, on analysis of this legal reasoning, it is clear that the Court took into account 'public interest' and the general legal principle of 'undistorted competition'.

The UK however, prior to the Philips case had exhibited a different attitude from the above judgement. The Chancery Division case of *Dualit*⁵⁴² decided that registration for the shape of a toaster could not succeed as a trademark because it lacked inherent distinctiveness and the evidence that had been adduced in respect of proving distinctiveness through use failed to prove otherwise due to a faulty methodology. The key point to note here is that the UK court was erroneous in its interpretation of Article 3 (1)(e) because it was of the view that if shapes could be shown to have acquired distinctive character, they would be valid for registration; which was contrary to Article 3(3).

Nonetheless the CJEU reaffirmed its earlier reasoning from the *Philips* case in *Lego v OHIM*⁵⁴³ clarifying that even though a shape sign had acquired distinctiveness through use, if the shape was one that was contrary to the three sub-requirements of Article 7(1)(e) Regulation,⁵⁴⁴ it would be contrary to Article 7(3) Regulation⁵⁴⁵ and would not be registered accordingly.

In recent years, the case of *Louboutin v Van Haren Schoenen BV*⁵⁴⁶ demonstrates that the Court's previously consistent record in this area of shapes has wavered. Inconsistencies in the CJEU's reasoning as well as a clash with the Advocate

⁵⁴¹Koninklijke Philips Electronics NV v Remington Consumer Products Ltd (Case C-299/99) [2003] 2 W.L.R. 294 para 78 of the Court's own judgement.

⁵⁴²Dualit Trade Mark Application [1999] R.P.C 304.

⁵⁴³Lego Juris A/S v Office for Harmonisation in the Internal Market, [2010] E.T.M.R. 63.

⁵⁴⁴ Identical provision of the TMD found in Article 3(1)(e) TMD.

⁵⁴⁵ Identical provision of the TMD found in Article 3(3) TMD.

⁵⁴⁶ (C-163/16) [2018] 2 WLUK 133.

General's opinion⁵⁴⁷ in the areas of shapes as unconventional marks have been detected. The key question which was referred to the CJEU in this case was whether the famous Louboutin's red sole shoe constituted 'a shape' within the meaning of Art 3(1)(e)(iii) of the Trademark Directive to warrant prohibition from registration. The Court held that where a trademark consisted of a colour which was applied to the sole of a shoe, it meant that such a colour was not exclusively a 'shape' as dictated under the grounds for refusal for registration of a trademark. This meant that it did not fall within the ambit of that criterion for refusing registration of the mark as a valid trademark and should be given full protection within EU trademark law. AG Szpunar, however, disagreed with the position and reasoning of the Court because he considered that whilst the colour acquired by Louboutins in respect of their famous heeled shoe had acquired distinctiveness, without the context of the sole of a shoe, would be meaningless.⁵⁴⁸ Therefore, in his view, the Louboutins red soled was not solely a colour mark as had been classified by the CJEU but a combination of colour and shape even though Louboutin had not sought to register a shape for its mark.

Examining the CJEU's reasoning in this case, it can be observed that the court's position both identifies and gives special value to the aesthetic function of a mark in a way it had not done before in previous cases involving unconventional marks.⁵⁴⁹ By declaring that the Louboutin's red soled shoe was not 'exclusively a shape' to be refused registration, the Court was arguably extending the protection given to marks by going above and beyond the origin and quality functions, to including the aesthetic function of a mark. McKenna argues that applying a utilitarian functionality would allow courts who designate these aesthetic features as functional aspects of a trademark, to declare that these aesthetic features will not receive trademark protection, and this is the position in the USA.⁵⁵⁰ However, as this is not the current reality within EU trademark law, the CJEU's reasoning in

⁵⁴⁷ AG Szpunar's Opinion (C-163/16) [2018] EU:C:2018:64 [2018] E.T.M.R. 15.

⁵⁴⁸ AG Szpunar's Opinion (C-163/16) [2018] EU:C:2018:64 [2018] E.T.M.R. 15.

⁵⁴⁹ Tomruk Üstünkaya, *Fashion law: an exploration of trade marks and passing off* (2021) 43(3) *European Intellectual Property Review* 181-193; Martin Senftleben, "Vigeland and the status of cultural concerns in trademark law—the EFTA Court develops more effective tools for the preservation of the public domain" (2017) 48 *International Review of Intellectual Property and Competition Law* 683.

⁵⁵⁰ Mark McKenna, "(Dys)Functionality" (2011) 48 *Houston Law Review* 823.

Louboutin raises many questions as to the consistency⁵⁵¹ of the Court in adhering to its decisions in previous cases as well as the requirements of the Trademark Directive. Firstly, the Directive clearly stipulates that any mark which consists solely of a shape should not be registered. Secondly, the Louboutin's red soled shoe trademark registration designated the contours of any shoe's sole only as an indication for positioning the colour. If both positions are analysed, it is observable that the Louboutin's red colour mark involves a 'chameleon' shape which would change depending on the type of shoe involved. It is important to emphasize that although the shape of mark would change depending on the context, it would still assume the 'shape' of any shoe to which it is attached. For these reasons, it is unclear why the Court chose a literal interpretation of the word 'shape' and required a fixed and plain shape in order for it to declare that the Louboutin red soled shoe constituted solely of 'the shape of a product'.

5.4.2.f Distinctiveness- Registration of retail store layout:

Aside from the non-traditional marks explored above, the CJEU has long established that the distinctiveness of a mark must be assessed in relation to two factors: 1) the goods or services for which registration is sought and 2) the perception of relevant part of the public; average consumer of the goods or services concerned.⁵⁵²

Other traditional signs devoid of distinctive character:

The landmark case of *Procter & Gamble Co v OHIM*⁵⁵³ concerning the descriptiveness of a mark as prohibited by Article 7(1)(b) of the Regulation set the precedent for the legal position on the registration of marks which are descriptive by nature. Initially in 1996, Procter & Gamble had filed an application with OHIM to register the mark 'BABY DRY' as an EU Trade Mark. OHIM rejected the application on the grounds that the proposed mark was devoid of distinctive character and capable of specifying the intended purpose of the goods and as such being self-explanatory, were an absolute ground for refusal as indicated under Article 7. The applicants appealed the decision in various stages; the first appeal

⁵⁵¹Lavinia Brancusi, 'Trade marks' functionality in EU law: expected new trends after the Louboutin case' 2019, 41(2), European Intellectual Property Review, 98-106.

⁵⁵²Linde AG v Deutsches Patent- und Markenamt (C-53/01) [2003] E.T.M.R. 78.

⁵⁵³C-383/99 P Procter & Gamble Co v OHIM [2001] ECR I-6251.

outcome upheld the examiner's decision and was dismissed by the First Board of Appeal of the OHIM; the second appeal was made to the then Court of First Instance (CFI now General Court) where in the previous decisions were upheld on the same grounds. Finally, an appeal was made to the CJEU where the Court adopted a different interpretation. It reasoned that while the phrase 'BABY DRY' consisted of descriptive words, the unusual syntax combination involved displayed an adequate level of distinctiveness that ensured that as a whole, it was not purely descriptive. In the Court's words, "word combinations like 'BABY-DRY' cannot be regarded as exhibiting, as a whole, descriptive character; they are lexical inventions bestowing distinctiveness power on the mark so formed and may not be refused registration under Article 7(1)(c) of Regulation No 40/94"⁵⁵⁴

While this stance may be seen as favouring descriptive marks by setting a low threshold for the registration of such marks, the latter case of **OHIM v. Wm Wrigley Jr. Co**⁵⁵⁵ contradicts this by refusing an application to register the phrase 'DOUBLEMINT' on the grounds that it made reference to the characteristics of the goods. It is difficult to contemplate the difference in reference to the characteristic of the product in question in both 'BABY-DRY' and 'DOUBBLEMINT' respectively. The registrability of more traditional signs such as words, letters, etc. has also been fraught with inconsistencies.

5.5 Conclusion

Overall, it can be observed that inconsistencies and ambiguities exist on a regional level within the EU. The CJEU's mixed interpretational methodology is not without its unique challenges. Maduro's idealistic approach is observable in some cases and in other cases the CJEU does not adhere to it. This suggests that the CJEU is not always consistent in its approach to legal reasoning. Specifically, this chapter has been important in understanding that the Court's interpretational difficulties are rooted in its desire to adopt a variety of methods through its pluralistic techniques. This chapter has demonstrated that this 'mixed medley' approach is not always the best at achieving consistency especially where the utilised methods have divergent goals which are often at odds with each other. The findings and conclusions in this chapter also underpin the empirical study undertaken in the

⁵⁵⁴C-383/99 P Procter & Gamble Co v OHIM [2001] ECR I-6251 paragraph 44.

⁵⁵⁵C-191/01 P OHIM v. Wm Wrigley Jr. Co [2003] ECR I-12447.

next chapter because they provide the contextual examination of the categories of reasoning the CJEU undertakes, and this is crucial to the examination in chapter 6 of whether UK courts have emulated such interpretational practices or diverged from them.

Chapter 6: Empirical findings

6.1 Introduction

This chapter discusses findings from analysis of UK cases dataset for the sole purpose of addressing the fourth research question of this thesis; what is the nature and relationship between the CJEU and the UK courts approaches to interpretation? Do they extend, corroborate, complicate or correct one another? In order to obtain the results below, the data was analysed using IBM's SPSS software. The specific feature used was the descriptive analysis, which consisted of feeding the raw data recordings into the software to generate the results below. The empirical study in this chapter is confined to only exhaustion of rights but the appendices contain additional data analysis for likelihood of confusion and unfair advantage.

6.2 Exhaustion of rights: the overall picture

Although the sample size is limited to only 28 cases, it is clear from the data that the UK courts did not address some of the factors which have been handed by the CJEU. This is in line with two out of four of this study's focal areas demonstrating: 1) Ongoing interpretive challenges between national legal systems and the legal order of the EU and 2) continuing uncertainty in national approaches. See diagram below:

Diagram 1

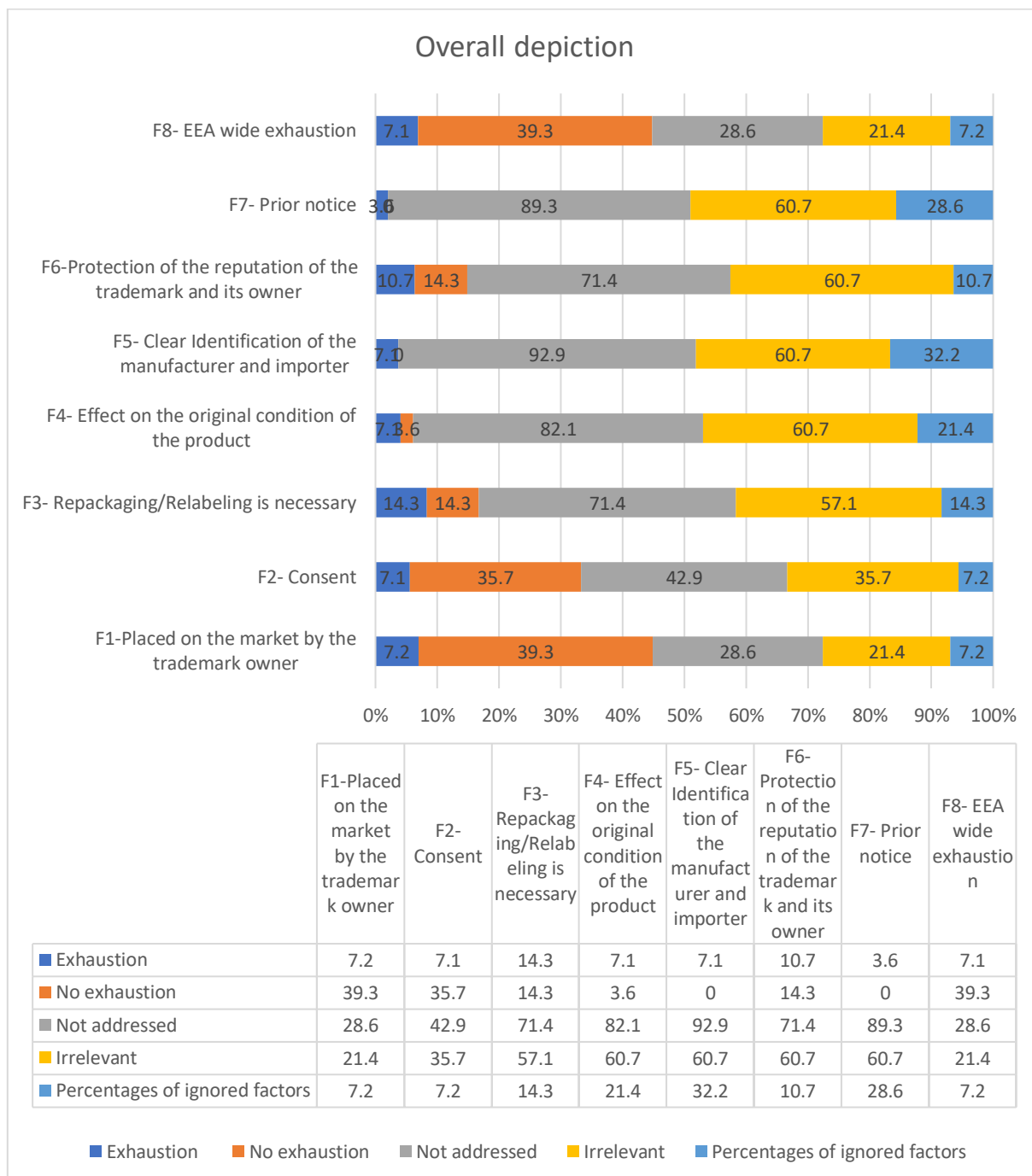


As the results have shown, these interpretive challenges and uncertainty in national approaches are documented in the form discrepancies between jurisprudence handed down by the CJEU and UK courts complying with such directions. This is particularly visible (in light blue in the chart below) in relation to the percentage value of cases where a factor was not deemed irrelevant, but the UK courts failed to consider it. While there are slight differences among the percentage of these factors overall, the factors; clear Identification of the manufacturer and importer and prior notice are seen to have the highest figures at 32.2% and 28.6% respectively in comparison to other factors. This is followed closely by the factor; effect on the original condition of the product at 21.4%. These figures suggest that these 3 factors are specifically ignored more often by the UK courts when compared to the other factors. For recording purposes, in the original data set, there was a distinction recorded between actual and implied consent. However, in relation to the aims of the depictions and analyses carried out in this area, it was decided that they would be truncated to just 'consent' because the absence or presence of consideration of consent is what really matters for statistical purposes. Therefore, the original dataset has nine factors in total which were truncated to eight in the SPSS statistical software.

The overall percentages of win-rate amongst parties also shows trademark owners eclipsing third-party defendants in infringement claims at 53.6% when compared to the win-rates of defendants at a measly 28.6%. There are also a small number of cases where the courts decided in favour of both the mark owner and defendant for various reasons

such as infringement on some goods not all, infringement by some defendants not all, etc. The percentage of these case were only 17.9%.

Chart 1



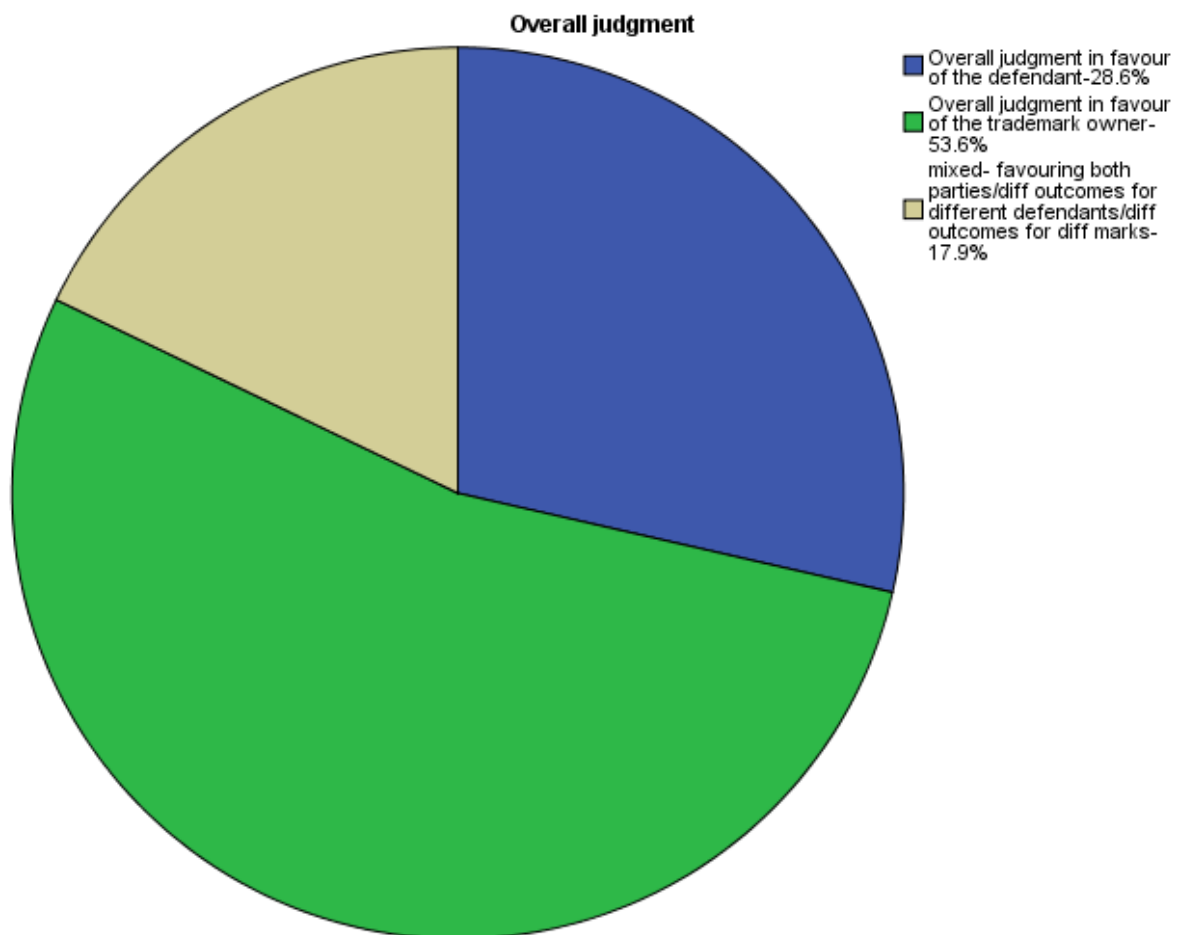
The resulting 'actual' percentage value of each factor 'not addressed' by the court (labelled percentages of ignored factors) was arrived at by deducting the percentage of 'irrelevant' from that of 'not addressed' in each factor. This was done because where a factor was deemed irrelevant by the courts, the implications were that it had no factual bearing on the case and subsequent decision. Thus, by discounting the percentage of 'irrelevant' factors within the number of cases that did not 'address' these factors, the exact percentage of cases

where these factors were not addressed (without any justification) can be determined. See chart above.

Table 1

Overall judgments-Exhaustion of rights		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Overall judgment in favour of the defendant	8	28.6	28.6	28.6
	Overall judgment in favour of the trademark owner	15	53.6	53.6	82.1
	mixed- favouring both parties/diff outcomes for different defendants/diff outcomes for diff marks	5	17.9	17.9	100.0
	Total	28	100.0	100.0	

Chart 2 Exhaustion of rights



6.3 Exhaustion of rights set theoretic cases under the Repackaging group: discussion using the ‘Building block’ analytical approach

George and Bennett suggest that utilisation of this approach must be guided by clearly defined questions or puzzles.⁵⁵⁶ They identified general questions which should be asked during the research investigation and some of these have been adopted for the purposes of this section. Thus, the overarching purpose of using this analytical approach is to explain the variations in the degrees of inconsistencies in cases. As such, it would be insufficient and inefficient to define infringement outcomes in cases simply as ‘successes’ or ‘failures’ based on their different levels in the set of consistent judgments.⁵⁵⁷ Instead, the explanations of individual cases of failure will enable the identification of different types of failures. This would lead to a typology of failures, with each type of failure having a different explanation.⁵⁵⁸ These typologies will allow deeper comprehension of the specific circumstances in which consistent judgment failures exemplify the phenomenon of equifinality.⁵⁵⁹ On a broader level, they will demonstrate that these inconsistencies are also an abject manifestation of the failures of the current institutional choices in the trademark legal system.

The specific questions adopted from George and Bennett were modified to suit the context of this research. They include:

⁵⁵⁶ Alexander L. George & Andrew Bennett, *Case studies and theory development in the social sciences* (Belfer Center Studies in International Security) (MIT Press Kindle Edition 2005) 78; Alexander L. George & Richard Smoke, *Deterrence in American Foreign Policy: Theory and Practice* (Columbia University Press, 1974).

⁵⁵⁷ Alexander L. George & Andrew Bennett, *Case studies and theory development in the social sciences* (Belfer Center Studies in International Security) (MIT Press Kindle Edition 2005) 85; Alexander L. George & Richard Smoke, *Deterrence in American Foreign Policy: Theory and Practice* (Columbia University Press, 1974).

⁵⁵⁸ Alexander L. George & Andrew Bennett, *Case studies and theory development in the social sciences* (Belfer Center Studies in International Security) (MIT Press Kindle Edition 2005) 85; Alexander L. George & Richard Smoke, *Deterrence in American Foreign Policy: Theory and Practice* (Columbia University Press, 1974).

⁵⁵⁹ Alexander L. George & Andrew Bennett, *Case studies and theory development in the social sciences* (Belfer Center Studies in International Security) (MIT Press Kindle Edition 2005) 85; Alexander L. George & Richard Smoke, *Deterrence in American Foreign Policy: Theory and Practice* (Columbia University Press, 1974).

1. Why is it that some cases have an outcome of infringement while others do not? Or why is it that both cases had an outcome of infringement or non-infringement but followed slightly different paths to reach the same conclusion?
2. Which trademark theory provides better predictions of what happened in cases or more compelling explanations of why it happened?
3. Did the theory lead to the discovery of more novel facts and new insights in the cases?
4. Why is it that some cases are consistent with CJEU requirements, while others inconsistent?
5. Under what conditions (and through what paths) trademark infringement occurs, and under what conditions (and through what paths) non-trademark infringement occurs.

6.3.1 Cases with membership scores of 0.12 (Mostly but not fully out of the target set of consistency in Repackaging criteria = Displays only 1 factor out of 8)

1. *Speciality European Pharma Ltd v Doncaster Pharmaceuticals Group Ltd*
2013 High Court
2. *Speciality European Pharma Ltd v Doncaster Pharmaceuticals Group Ltd*
2015 Court of Appeal

Research questions

Why is it that both cases considered the same factor but reached different outcomes of infringement and non-infringement?

In considering the factor of whether rebranding was necessary, both cases did consider the questions of whether the parallel importer had effective access to the market and whether there was strong resistance from a significant number of consumers to rebranded products as directed by the CJEU in the case of *Boehringer v Swingward*.⁵⁶⁰ However, the Court of Appeal case in consideration of these questions focused on the persistent practice of generic prescriptions being filled by the trade marked products instead of the percentages of the market. According to the Court of Appeal, the percentages provided in the facts of the case

⁵⁶⁰Case C-143/00 *Boehringer Ingelheim KG and others v Swingward Ltd and others* [2002] FSR 61.

did not represent a true reflection of the persistent practice of pharmacists in the field.⁵⁶¹

The High Court case on the other hand, specifically considered whether the parallel importer had effective access to the market by examining the percentages of prescriptions written for the trade marked products.⁵⁶²

This discrepancy highlights the differences in approach to determining whether a parallel importer has effective access to a market. There needs to be further clarity on whether the emphasis should be on percentages of 'written prescriptions' or the actual practice of 'filling the prescriptions'.

Furthermore, since both cases were 'rebranding' cases and are governed by the provisions of the TFEU,⁵⁶³ the other *BMS* conditions which should have been considered were not. Overall, both cases display only 1 factor out of the 8 factors to be considered in this area. Such discrepancy stems from the confusing literature on the interpretation of Article 7 TMD and Article 36 TFEU. Given that both provisions must be interpreted uniformly,⁵⁶⁴ they are very divergent in their wordings. The Directive requires that goods first be placed on the market by the trade mark owner in order for the parallel importer to rely on the exhaustion principle. It also further grants the trademark owner the right to stop the parallel importer from relying on the exhaustion principle where there are further legitimate reasons; for example, where the original condition of the goods has been impaired.

The TFEU on the other hand, allows the trademark owner to safeguard his rights in relation to his mark in so far as it does not constitute a disguised restriction on trade. If both provisions must be interpreted in the same way to reconcile free movement principles and trademark owner rights, it follows that the logical interpretation would mean that the *BMS* conditions cannot be invoked unless the

⁵⁶¹Speciality European Pharma Ltd v Doncaster Pharmaceuticals Group Ltd [2015] EWCA Civ 54 paragraph 59.

⁵⁶²Speciality European Pharma Ltd v Doncaster Pharmaceuticals Group Ltd [2013] EWHC 3624 (Ch) paragraphs 69-71.

⁵⁶³Joined Cases C-427, C-429 and C-436/93 *Bristol Myers Squibb and Others v Paranova* [1996] ECR I-3457 paragraph 40; see also (Case C-379/97) *Pharmacia & Upjohn SA (Formerly Upjohn SA) v Paranova A/S* [1999] E.T.M.R. 937 paragraph 30.

⁵⁶⁴Joined Cases C-427, C-429 and C-436/93 *Bristol Myers Squibb and Others v Paranova* [1996] ECR I-3457 paragraph 40; see also (Case C-379/97) *Pharmacia & Upjohn SA (Formerly Upjohn SA) v Paranova A/S* [1999] E.T.M.R. 937 paragraph 30.

exhaustion principle under the TMD is first satisfied. This causes further confusion because there is no express clarification on this. If this is deemed to be the correct interpretation, then it is argued that all 8 factors should have been considered by both courts. Considering only 1 factor out of 8 does not further legal certainty.

Which trademark theory provides better predictions of what happened in the above cases or more compelling explanations of why it happened?

Justice Asplin in the High Court case relied on the trademark theoretical justification of unfair commercial advantage as support for the reasoning that it was not necessary to carry out rebranding of the product using the trademark.⁵⁶⁵ She also expressed that this commercial advantage gained by the parallel importer was one which piggy-backed on the marketing and investment efforts of the trademark owner. In light of this, she compared the lack of effort of the parallel importer to the successful efforts of a recent brand which had competed in the market for the generic product alongside the parallel importer, trademark owner and other sellers of generic version of the product. As a result of such comparison, she found that the parallel importer had no legitimate reason to rebrand the product because of necessity because the market could be effectively accessed through an alternative means other than rebranding. In this instance, such alternative means amounted to the parallel importer adopting his own brand.

In the Court of Appeal case, Justice Floyd overturned Justice Asplin's decision on the 'commercial advantage' point. He stated that although the parallel importer did gain a commercial advantage because of the rebranding, this advantage was not the sole reason for rebranding.⁵⁶⁶ Therefore, the advantage gained did not supersede the real purpose for rebranding, which was to gain effective access to the market.⁵⁶⁷ It appears that this commercial advantage was not deemed unfair in this circumstance.

In both cases, the utilitarian theory variant of 'unfair advantage' can be observed as justification for the legal reasoning offered.

⁵⁶⁵Speciality European Pharma Ltd v Doncaster Pharmaceuticals Group Ltd [2013] EWHC 3624 (Ch) paragraph 74.

⁵⁶⁶Speciality European Pharma Ltd v Doncaster Pharmaceuticals Group Ltd [2015] EWCA Civ 54 paragraph 66.

⁵⁶⁷Speciality European Pharma Ltd v Doncaster Pharmaceuticals Group Ltd [2015] EWCA Civ 54 paragraph 67.

Did the theory lead to the discovery of more novel facts or new insights in the cases?

The theory used above by Justice Floyd in his reasoning presents a new interpretation of unfair advantage. When examined closely, it is observed that his reasoning changed the narrative from 'gaining commercial advantage' to 'effective access to market'. This crucial interpretation led to the position that it was unrealistic to expect a parallel importer to pursue his own branded name given the uncertainty associated with parallel importation.⁵⁶⁸ Hence, the emphasis was on the free movement rules which guarantee effective market access to the parallel importer.⁵⁶⁹ His reasoning further stressed that the commercial advantage gained was not the sole reason for using the trademark.⁵⁷⁰ This is peculiar because it deviates from the traditional interpretation of unfair advantage especially as adopted by the CJEU in the *L'Oreal v Bellure*.⁵⁷¹ The CJEU was of the opinion that where a person did not expend their own marketing efforts or pay financial compensation to the trademark owner, then any advantage gained from using the mark must be viewed as unfair.⁵⁷² Justice Floyd's reasoning insinuates that such commercial gain is not one obtained unfairly if the main reason was to gain effective market access using the mark. This commercial gain was secondary and as such, not of primary importance as the main reason. This offers new interpretation implications on the outcome of a case through the focus of either primary or auxiliary reasons for parallel importation as seen in both cases.

Why is it that both cases are inconsistent with CJEU requirements?

⁵⁶⁸Speciality European Pharma Ltd v Doncaster Pharmaceuticals Group Ltd [2015] EWCA Civ 54 paragraph 64-65.

⁵⁶⁹Speciality European Pharma Ltd v Doncaster Pharmaceuticals Group Ltd [2015] EWCA Civ 54 paragraph 66.

⁵⁷⁰Speciality European Pharma Ltd v Doncaster Pharmaceuticals Group Ltd [2015] EWCA Civ 54 paragraph 66.

⁵⁷¹C-487/07 *L'Oreal SA v Bellure* [2009], ECR I-5185.

⁵⁷²C-487/07 *L'Oreal SA v Bellure* [2009], ECR I-5185, paragraph 49-50.

Both cases in this set exhibit only 1 factor out of the 8. The High court case appeared not to consider the other 3 *BMS* factors because it had reached the conclusion that rebranding was not necessary in order to gain effective market access. There appears to be no explanation for why the court did not consider the other 3 factors; goods first placed, by the trademark owner, in the EEA market. The Court of Appeal case also does not appear to have any other reason for not considering the other factors, beyond the submissions made during the appeal.

Under what conditions (and through what paths) trademark infringement occurs, and under what conditions (and through what paths) non-trademark infringement occurs.

Given that only one factor (whether rebranding was necessary) was considered in both cases, the condition in which infringement occurs in the High Court case was predicated on the emphasis which was placed on the percentages of ‘written’ prescriptions. The Court of Appeal case on the other hand, gave weighting to percentages of ‘filled’ prescriptions in practice leading to a finding of non-infringement.

Cases with membership scores of 0.25 (Mostly but not fully out of the target set of consistency in Repackaging criteria = Displays 2 factors out of 8)

No case

6.3.2 Cases with membership scores of 0.38 (More out than in the target set of consistency in Repackaging criteria = Displays 3 factors out of 8)

1. *Surtec International v A-Tech Chemicals* 2013 High Court
2. *Glaxo Group Ltd v Dowelhurst Ltd and Another* 2003 High Court
3. *Doncaster Pharmaceuticals v Bolton Pharmaceutical* [2005] EWHC 1600 (Ch)
4. *Doncaster Pharmaceuticals v Bolton Pharmaceutical* [2006] EWCA Civ 661

Research questions

Why is it that some cases considered similar factors and reached similar mixed outcomes of infringement and non-infringement while others considered similar factors but reached opposite outcomes?

The *Surtec* and *Glaxo* cases having considered the same factors,⁵⁷³ had the same outcomes of mixed findings for the possibilities of both trademark infringement and non-infringement. The focus for both cases appeared to be on establishing whether there was a strong case that the goods had not been first placed on the EEA market by the trademark owner. Although in deciding both outcomes, it is noticeable that the *Surtec* case hinged on an evidential issue⁵⁷⁴ while an interpretational perspective was pivotal to the *Glaxo* case.⁵⁷⁵

Conversely, the *Doncaster* cases both considered the same factors as the cases above, but they reached opposing outcomes. In both cases, the turning points are based on interpretational differences of what constitutes proof of control. On the one hand, the High Court deemed that the restriction contained in the assignment to adhere to the product specification was not sufficient proof of the type of control required in relation to the quality of the goods. On the other hand, the Court of Appeal considered that such restriction indicated a measure of control over the quality of the products. In these circumstances, there is a strong argument to suggest that the concept of control of quality of goods should be widened to include other indirect means of control such as restrictions on product specifications. The basis for this argument is that the risk of the assignor bringing a claim for breach of the assignment contract can in fact act as a measure of

⁵⁷³Factor 1: Placed on the market by the trademark owner, Factor 2: Consent, Factor 9: EEA wide exhaustion.

⁵⁷⁴*Surtec International v A-Tech Chemicals* [2013] EWHC 2942 (Ch) paragraph 18. The court decided that there was plausibility to a witness statement which indicated that the parallel importer had specified that the goods had been purchased outside the EEA market.

⁵⁷⁵The court had to decide where and when ownership of property in the goods had passed depending on the type of INCOTERMS contract undertaken for each consignment, in order to work out if and when the goods were first put in circulation in the EEA market. *Glaxo Group Ltd v Dowelhurst Ltd and Another* [2004] E.T.M.R. 39 paragraphs 92-107.

guaranteeing the continuous control of the assignor albeit indirectly. The potential granting of a contractual remedy by a court in the form of a prohibitory injunction would still be a means for the assignor to control the quality of the products.

Which trademark theory provides better predictions of what happened in cases or more compelling explanations of why it happened?

The *Glaxo* case was seen to focus on the libertarian theory of justification which emphasizes that a person is entitled to ownership of property which has been mixed with his labour.⁵⁷⁶ The libertarian theory used in the *Glaxo* case is linked to the mixed outcome noticed in the case because the focus on the trademark proprietor's labour and investment in the product which entitles him to recoup the investment is specifically connected to the decisive moment in the case; ownership of property in the products. This is also seen to link to the broader exhaustion criteria of allowing the trademark proprietor to first place the goods on the EEA market for the sole purpose of allowing him to regain his investment before anyone else benefits from further marketing of the products. By focusing on when ownership of property in the goods had passed from the trademark proprietor to the buyer, it allowed the court to decipher whether the proprietor had an initial chance to recover his investments. Thus, fulfilling the sole purpose of the principle of exhaustion of rights as justified by the libertarian theory.

In contrast, the *Surtec* case utilised the utilitarian theory of the origin function of a trademark.⁵⁷⁷ In the court's view, the use of the trademark was clearly to indicate that the products were indeed genuine and to designate their origin. Consequently, there was no infringement on this basis.

Observing the *Doncaster* cases, both the High court and Court of Appeal focused on the utilitarian origin function.⁵⁷⁸ However, the Court of Appeal expressed its doubts about whether this origin function of the essential purpose of the mark

⁵⁷⁶*Glaxo Group Ltd v Dowelhurst Ltd and Another* [2004] E.T.M.R. 39 paragraph 28.

⁵⁷⁷*Surtec International v A-Tech Chemicals* [2013] EWHC 2942 (Ch) paragraph 15.

⁵⁷⁸*Doncaster Pharmaceuticals v Bolton Pharmaceutical* [2005] EWHC 1600 (Ch) paragraph 16.

was affected based on the evidence of the possibility of a non-conventional economical link or control of the assignor.⁵⁷⁹

Did the theory lead to the discovery of more novel facts or new insights in the cases?

The two contrasting theories above in the *Glaxo* and *Surtec* cases demonstrate a difference in the outcome of cases. When the libertarian approach is followed, the outcome of the case is dependent on the transferring of ownership of property in the goods. Such approach can produce a mixed outcome where the scope of protection is also a combination of both wide and narrow scope of infringement protection as seen in the *Glaxo* case. Conversely, when the utilitarian origin function is followed, the scope of protection is observed to be narrowed as reflected in the *Surtec* case. It is plausible that these contrasting interpretational theoretical justifications which produce equally contrasting outcomes may also be attributed as one of the multi-faceted sources of inconsistencies in the scope of protection in EU trademark law.

The *Bolton* cases on the other hand offer a slightly different insight. The focal points of proving either economic link between an assignor of the mark and the assignee or the single control of quality of the goods presents theoretical conflicts. The theoretical justification used in both cases which is centered on the essential function of a trademark is at odds with the theoretical justification traditionally associated with exhaustion of rights; allowing the trademark owner to first place the goods on the EEA market. The former (essential function) is mainly related to control of quality whilst the latter (first placed on the market) relates to economic link. Arguably, both points are preoccupied with only the trademark proprietor's benefit because as the *Bolton* cases have demonstrated,⁵⁸⁰ it is incredibly complex, time-consuming and difficult for a parallel importer to establish that the trademark owner is the single point of control of quality or that there is an economic link with the trademark assignee and the trademark assignor. These

⁵⁷⁹Doncaster Pharmaceuticals v Bolton Pharmaceutical [2006] EWCA Civ 661 paragraph 80.

⁵⁸⁰Doncaster Pharmaceuticals v Bolton Pharmaceutical [2006] EWCA Civ 661 paragraph 13.

complexities and difficulties arise because of the unique position of the parallel importer on the infringement spectrum, as an outsider.

Furthermore, the requirements of economic link or quality control create discrepancies and ambiguities because their objectives are different and cannot co-exist without tensions. The fact that there is an economic link between an assignor and assignee does not necessarily mean that the quality control is determined by a single entity responsible for the decision-making processes of the product. It is possible to have two different organisations in an inter-dependent economic relationship or with an economic link but whom each still have their own separate decision-making processes in relation to different components of the quality of the final product.⁵⁸¹ In these circumstances, an economic link between the trademark assignor and assignee will not guarantee that the final quality of the product is determined through unitary control. This ambiguity is highlighted even more considering a recent ruling by the CJEU in *Schweppes SA v Red Paralela SL*⁵⁸² where it was decided that there would be exhaustion of the trademark owner's rights if it is found that the economic links between an assignor and assignee allows for joint control between them in relation to using the mark on goods which the quality is controlled by them.

The previous practice as handed down by the CJEU before the *Schweppes* case was to consider both aspects as an 'either or' situation whereby proof of either economic link or unitary control would satisfy the requirement for exhaustion. The current requirement as handed down in the *Schweppes* case questionably furthers uncertainty because based on the wording of the CJEU's judgment, it now appears that in order to prove control of the quality of the goods, the existence of an economic link needs to be first proven.⁵⁸³ Parallel importers may have even more

⁵⁸¹See for example Coca Cola's business venture with Virent, a biotechnology company. Virent is responsible for producing a plant-based packaging to be incorporated into Coca Cola's existing beverage packaging as part of Coca Cola's bid to transition into renewable and sustainable business packaging. In such a situation, although both companies are economically linked in this business venture, they are responsible for the quality control of different aspects of the finished bottle of coke <<http://www.virent.com/news/virent-welcomes-the-coca-cola-company-as-a-partner/>> Accessed 14 January 2024.

⁵⁸²C-291/16 *Schweppes SA v Red Paralela SL* [2018] E.T.M.R. 13.

⁵⁸³"There exist economic links between the proprietor and that third party, inasmuch as they coordinate their commercial policies or reach an agreement in order to exercise joint control over the use of the trade mark, so that it is possible for them to determine, directly

difficulty if they have to prove both requirements for a successful exhaustion claim. Moreover, there is the additional ambiguity that having joint control does not have the same connotations as unitary control. The literal definition of unitary denotes that power is given to a single organization as opposed to several⁵⁸⁴ while joint means belonging or shared by two or more people.⁵⁸⁵ Thus, the autonomy that characterises unitary control is not the same in joint control where the parties share autonomy and there is no single reference point for control. It remains unexplained why the CJEU would class both concepts as the same, particularly when the primary justification is to guarantee that the goods originate from one single source.⁵⁸⁶ In many ways, the above standards for proving exhaustion are misleading and on opposite ends of the infringement spectrum. They elicit questions such as; is the focus on unitary or joint control of the quality of goods? If the focus is on the latter, how does one pinpoint with clarity where the single autonomy for quality control arises in a situation involving joint economic ties? Although the CJEU has continued to emphasise that the control required for the quality of goods is not one which is based on actual exercise but one which is based on the possibility of exercise,⁵⁸⁷ this is still ambiguous because it contradicts the essential function of a trademark utilitarian justification. The essential function of a trademark is to guarantee consumers of the origin and quality of the goods. If the required control of quality of goods is one of possibility and not actuality, how does this guarantee consumers about the origin and quality? The implications would be that consumers would have to take a chance on speculating about the exact origins of goods as well as who exactly is responsible for their quality. This does not fulfil the essential function justification.

As a final point of consideration of the uncertainties in this area, although the Court has also clarified that the economic link criterion referred to is substantive rather than formal,⁵⁸⁸ it is maintained that this elucidation causes further ambiguities due to its vagueness. There needs to be a more formalised process of

or indirectly, the goods to which the trade mark is affixed and to control the quality of those goods.” C-291/16 *Schweppes SA v Red Paralela SL* [2018] E.T.M.R. 13 paragraph 46.

⁵⁸⁴<https://dictionary.cambridge.org/dictionary/english/unitary> Accessed 15 January 2024.

⁵⁸⁵<https://dictionary.cambridge.org/dictionary/english/joint> Accessed 15 January 2024.

⁵⁸⁶*Schweppes SA v Red Paralela SL* [2018] E.T.M.R. 13 paragraph 39.

⁵⁸⁷*Schweppes SA v Red Paralela SL* [2018] E.T.M.R. 13 paragraph 45.

⁵⁸⁸*Schweppes SA v Red Paralela SL* [2018] E.T.M.R. 13 paragraph 46.

demonstrating economic links for which trademark proprietors should be held accountable.

Why is it that these cases are inconsistent with CJEU requirements?

All cases only display 3 factors out of the 8 required for repackaging cases. They each display the same set of factors; placed on the market, consent and EEA wide exhaustion. The *Surtec* case did not consider the *BMS* conditions which make up the other 5 factors because the claimants had not provided authorities and detailed evidence to support their arguments and claims. The *Glaxo* case on the other hand, did not consider the *BMS* conditions because it was not one of the claims argued by the trademark owners in the proceedings.⁵⁸⁹ The proprietors were more focused on arguing that the goods in question were not put on the EEA market by them or with their consent. It is observable that the UK courts can only adjudicate on the claims before them even though relevant arguments are not put forward. It remains the responsibility of the parties to ensure that all pertinent arguments are brought before a court.

Similarly, the *Doncaster* cases did not consider the *BMS* conditions because it was not argued in the proceedings even though the subject matter of the dispute involved repackaged and relabelled goods.⁵⁹⁰ It appears that all the parties in all four cases above decided to limit their focus on the root of the legal issues such as; proving exhaustion of rights on the one hand and proving non-consent on the other hand because of the lengthiness and complexities involved⁵⁹¹ instead of also focusing on also proving or disproving the additional criteria for repackaging infringement as stated by the CJEU. In such circumstances, it is possible to infer that perhaps parties find it incredibly overwhelming to go through all aspects for trademark infringement in relation to exhaustion rules due to the convoluted requirements which EU trademark law imposes. As such, it is logical that they would only want to focus on the essentials required to achieve their aim.

⁵⁸⁹Even though it was mentioned by the Court of Appeal on the appeal and cross-appeal of the case. *Glaxo Group Ltd v Dowelhurst Ltd and Another* [2004] E.T.M.R. 39 paragraph 59.

⁵⁹⁰*Doncaster Pharmaceuticals v Bolton Pharmaceutical* [2006] EWCA Civ 661 paragraphs 1, 22, 30.

⁵⁹¹*Doncaster Pharmaceuticals v Bolton Pharmaceutical* [2006] EWCA Civ 661 paragraphs 13-18.

Under what conditions (and through what paths) trademark infringement occurs, and under what conditions (and through what paths) non-trademark infringement occurs.

The finding of the possibility of trademark infringement in the *Surtec* case occurred because of an evidential statement given by the claimant where the defendant had apparently indicated to the trademark owner's distributor that the goods were obtained outside the EEA. Although the defendants issued a formal statement denying this, Justice Sales had misgivings about the veracity of their denial. The likelihood that the trademark owner did not first place the goods on the EEA market was enough reason for the court to consider that there was a strong case to be tried for infringement.

Regarding the claim of infringement through rebranding, Justice Sales deemed that he could not make a firm decision due to lack of evidential details about the relabeling and the fact that the counsel for the claimant had not provided sufficient authority regarding the claim for infringement in this regard.

The *Glaxo* case was also observed to focus on whether the goods were placed on the market by the trademark owner or with his consent. According to the deputy judge Mr Peter Prescott QC, there were mixed findings regarding the possibilities for both infringement and non-infringement. He held that in relation to some consignments, the trademark owners had clearly not given their unequivocal consent for the goods to be first marketed within the EEA because they had contracted for their own carrier agent to transport the goods to the buyer outside the EEA using a specific type of international trade contract called CIP.⁵⁹² In relation to other batches of consignments, a different type of international trade contract FCA had been agreed on. This contract had a different arrangement which entailed that the trademark owners were responsible for clearing the goods for export⁵⁹³ and delivering them to the buyers' carrier agents nominated by the buyers. Consequently, the buyers were responsible for arranging carriage of the goods with the carrier and clearing it for import. Thus, the court decided that the property in the goods had passed to the buyers when the trademark owners delivered the goods to the buyers' carrier agents because at that point, the buyers

⁵⁹²See Incoterms 2000 from ICC website <<https://iccwbo.org/resources-for-business/incoterms-rules/incoterms-rules-2010/>> Accessed 4 January 2024.

⁵⁹³For e.g. paying all export charges.

were free to direct the goods to any destination they wanted.⁵⁹⁴ The fact that the carrier agents were located within the EEA meant that the goods were first placed on the EEA market with the trademark owner's consent.

Considering the Doncaster cases, the deputy judge in the High Court held that the doctrine of exhaustion was not applicable because there was neither economical link nor was there the possibility of control between the assignor and assignee.⁵⁹⁵ The Court of Appeal on the other hand, decided that there was evidence in the assignment to suggest otherwise.⁵⁹⁶ These stark differences demonstrate the ambiguities related to proving economic links in such circumstances.

6.3.3 Cases with membership scores of 0.50 (Neither in nor out in the target set consistency in Repackaging criteria = Displays 4 factors out of 8 crossover point 50%)

1. *Flynn Pharma Ltd v Drugsrus* 2015 High Court
2. *Flynn Pharma Ltd v Drugsrus* 2017 Court of Appeal
3. *L'Oreal SA v eBay International AG*

Research questions

Why is it that both cases considered similar factors but reached different outcomes of infringement and non-infringement?

Based on the 3 common factors present in both Flynn cases and used as empirical indicators of the level of consistency with CJEU repackaging criteria, both cases considered whether the goods were placed on the market by the trademark owner, with his actual consent, within the EEA. However, the High court case additionally considered whether repackaging was necessary while the Court of Appeal focused on the reputation of the trademark owner. This difference in the extra factor considered accounts for the different approaches to the *BMS*

⁵⁹⁴See Incoterms 2000 from ICC website. Paragraphs 66-101.

⁵⁹⁵*Doncaster Pharmaceuticals v Bolton Pharmaceutical* [2005] EWHC 1600 (Ch) paragraphs 19-23.

⁵⁹⁶*Doncaster Pharmaceuticals v Bolton Pharmaceutical* [2006] EWCA Civ 661 paragraph 86.

conditions in both cases. In the first instance in the High Court, the Court examined if the first *BMS* condition had been fulfilled. Conversely, the Court of Appeal did not consider these conditions triggered when the case was appealed. Its reason was simply that the harm claimed by the trademark owner was not one which could be recognised under the *BMS* conditions.⁵⁹⁷

Furthermore, while Justice Floyd's reasoning sheds more light on the Court of Appeal's approach, it also contradicted Justice Rose's reasoning in the High court judgment. He opined that to engage the *BMS* criteria, the pre-condition of 'the goods being placed on the market by the trademark owner or with his consent' did not need to be present.⁵⁹⁸ This runs contrary to Justice Rose's reasoning that the trademark owner could prevent relabeling/repackaging because his rights were not exhausted as he had not placed the goods on the market himself or with his consent. She specifically expressed in her conclusion that "In order for the *BMS* criteria to be engaged, the imported goods must have been placed on the market in the exporting state by or with the consent of the same entity as is seeking to prevent their import."⁵⁹⁹ A further probe into the CJEU's interpretation of Art 7 of the TMD in the *BMS* case suggests that the interpretation given by Justice Floyd is not aligned with it. In fact, the exact wording of the CJEU's decision refers explicitly to repackaging or reaffixing a mark on goods put on the market by the owner or with his consent. The phrase which refers to 'without the owner's authorisation' is in relation repackaging or reaffixing a trademark, not in relation to the goods being first put on the market. In the words of the CJEU:

The answer to the first question in *Cases C-427/93 and C-429/93* must therefore be that, save in the circumstances defined in article 7(2), article 7(1) of the Directive precludes the owner of a trade mark from relying on his rights as owner to prevent an importer from marketing a product *which was put on the*

⁵⁹⁷Flynn Pharma v Drugsrus [2017] EWCA Civ 226 paragraph 84.

⁵⁹⁸"Thus, I would be unable to accept without qualification the general proposition advanced by the respondents that the trade mark will be enforceable wherever the trade mark owner has not yet enjoyed the specific subject matter of the mark by placing the goods on the market under that mark for the first time. One can test that by reference to the rebranding cases, which expressly authorise the importer to apply a trade mark not previously applied to those goods, subject to complying with the *BMS* conditions." Flynn Pharma v Drugsrus [2017] EWCA Civ 226 paragraph 64.

⁵⁹⁹Flynn Pharma v Drugsrus [2015] EWHC 2759 (Ch) paragraph 96(ii).

market in another member state by the owner or with his consent, even if that importer repackaged the product and reaffixed the trade mark to it without the owner's authorisation.⁶⁰⁰ (emphasis added)

On the other hand, the substance of Justice Floyd's reasoning does have merits as it raises important questions in relation to the intersection of IP rights and free movement of goods principles. He reasoned that the consideration of whether goods have not been placed on the market under the trademark which is claimed in the importing state is irrelevant in light of Art 36 TFEU.⁶⁰¹ This assertion was based on the fact that the TFEU prohibits artificial barriers to trade and if marks are strategically positioned in different member states but are still unitarily controlled by a single undertaking, then such arrangements will still be considered artificial and prohibited under the TFEU regardless of the 'pre-condition of being placed on the market' as stated by Art 7(1) TMD and the CJEU in the BMS cases. The impression of this assertion conveys the underlying uncertainty in this area. Furthermore, the exact wording of Article 7 (1) and (2) is evocative of the idea that the trademark owner's consent is a pre-condition of the trademark owner being able *prohibit further marketing of the goods* when the original condition of the goods have been altered. Justice Floyd's reasoning can be understood in terms of the hierarchy of EU law; Treaties are regarded as having priority over Directives and CJEU case laws because they are regarded as a primary source of EU law. As such, he chose to interpret the Treaty language itself instead of substituting it for the language of the Directive or subsequent CJEU jurisprudence.

Another noteworthy fact about the *Flynn* cases is that even though Justice Rose went further to consider and reach the conclusion that the first of the BMS conditions had been fulfilled; i.e. repackaging was necessary, there was no consideration of the other *BMS* conditions because the parties did not put forward any contention with regards to them.⁶⁰² This is peculiar because the parties did

⁶⁰⁰Joined Cases C-427, C-429 and C-436/93 Bristol Myers Squibb Co v Paranova A/S [1997] 1 CMLR 1151 paragraph 37.

⁶⁰¹*Flynn Pharma v Druggsrus* [2017] EWCA Civ 226 paragraph 64.

⁶⁰²*Flynn Pharma v Druggsrus* [2015] EWHC 2759 (Ch) para 46.

not put forward any contention regarding the first *BMS* criteria either but it was still considered.

This variance between the two courts reflects the differences in approach even though the *Flynn* case involved re-labelling and should have triggered an examination of *all* the *BMS* conditions. It also provides a contextual understanding of why two of the *BMS* factors; identification of the importer and trademark owner and prior notice had the highest percentages amongst other factors in relation to not being considered.

Like the *Flynn* cases above, *L'Oreal SA v eBay International AG*⁶⁰³ also considered the same initial three factors on proving exhaustion.⁶⁰⁴ Though, it differed on the fourth factor where it considered one of the *BMS* conditions; protection of the reputation of the trademark. In this case, an action for trademark infringement was brought by L'Oreal against eBay and several sellers on its website. The proprietor alleged that some goods which were offered for sale on the website had not been put on the EEA market by the proprietor or with its consent and that even if it was found that it had given consent, it had legitimate reasons to oppose further marketing because the goods had been stripped of their external packaging and were in contravention of the Cosmetics Products (Safety) Directive 2004. The High Court found that in respect of the first claim, the goods had been first put on the market outside the EEA.⁶⁰⁵ Therefore, it was not put on the EEA market by the proprietor or with his consent. However, the court (in this first instance) decided that in respect of national rules on joint tortfeasorship, eBay was not jointly liable with the individual sellers. In relation to the second claim, it decided to refer this as a question to the CJEU, in addition to other questions on different issues. One of such additional issue was on whether eBay was a primary infringer under the requirements of Article 5(1)(a) of the TMD through the purchase of keywords which contained the marks from a search engine operator. The CJEU held that goods which had been stripped of external packaging (de-branding) were at risk of damaging the image of the goods and affecting the origin

⁶⁰³[2009] EWHC 1094 (Ch).

⁶⁰⁴Whether goods were placed on the market by the trademark owner, with his actual consent, within the EEA.

⁶⁰⁵*L'Oreal SA v eBay International AG* [2009] EWHC 1094 (Ch) paras 250, 316.

function of the marks.⁶⁰⁶ In relation to the additional issue, it decided that eBay's use of the keywords constituted an infringement which the proprietor was allowed to oppose such use.

Which trademark theory provides better predictions of what happened in the above cases or more compelling explanations of why it happened?

The utilitarian theory in trademark law which encompasses the interpretation that the utility of trademarks is to avoid consumer confusion⁶⁰⁷ was underscored by Justice Rose in her reasoning in the first *Flynn* case. Such consideration was evidenced in her decisive statement where she identified that:

What is more important is whether responsibility for the quality of both products lies with the same entity so that it is not misleading for the parallel importer to attach the Flynn name to the Epanutin. *When considering responsibility here, I am referring to responsibility to the ultimate consumer for the quality of the product.*⁶⁰⁸ (emphasis added)

On the other hand, Justice Floyd's conclusive statement was seen to embody two aspects of the utilitarian theory. Firstly, he focuses on the 'guarantee of origin' as a key point. Secondly, he emphasizes on 'harm' and 'unfair advantage'. In his words:

Standing back, as one should, from the detail of the argument it is clear that Flynn have a legitimate interest in the enforcement of their mark against goods which have never been placed on the market by them under that mark and over which they have no control. Equally, Pfizer is not able to control the use which Flynn makes of its trade mark rights. Sales of the imported product *affect the guarantee of origin* with Flynn which the Flynn mark

⁶⁰⁶C-324/09 L'Oreal SA v eBay International AG [2012] All E.R. (EC) 501.

⁶⁰⁷Peter S. Menell 'Intellectual Property: General Theories' in B Bouckaert and G de Geest (eds) *Encyclopedia of Law & Economics* (Vol 2, Edward Elgar Cheltenham UK 2000) 156-163.

⁶⁰⁸*Flynn Pharma v Drugsrus* [2015] EWHC 2759 (Ch) para 77; see also paragraph 69.

entails. *The harm* caused by a defective batch of Epanutin sold by the appellants would rebound on Flynn. The appellants would, further, *be taking advantage of the reputation* of the Flynn mark in selling their products.⁶⁰⁹ (emphasis added)

The 'origin of goods' and 'unfair advantage' arguments are entrenched as two of the various interpretations of the utilitarian theory⁶¹⁰ while the 'harm' reasoning is also rooted as a variant of the utilitarian theory. In this case, the 'origin' argument is seen to be used by Justice Floyd as the principal argument while the 'harm' line of reasoning is used in an ancillary fashion to buttress the 'origin of goods' argument.

Lemley and McKenna's suggested model⁶¹¹ of the trademark injury/harm can be observed here in Justice Floyd's 'harm' argument although he articulates it in a pre-emptive form. The unfair advantage argument is used by Justice Floyd as an addendum rather than as the main justification.

The *L'Oreal* case was also based on the utilitarian theory of allowing the proprietor to realise the economic value of his goods first before his exclusive rights can be exhausted.⁶¹²

Did the theory lead to the discovery of more novel facts or new insights in the cases?

Unsurprisingly, the variants of the utilitarian theory relating to the guarantee of origin and quality used by both Justices Rose and Floyd remain the prevalent general theoretical justifications for most trademark issues. However, the use of unfair advantage as justification in the issues of parallel trading presents new insight as this is not contained in the TMD in this area. In fact, the concept of unfair advantage as contained in the Trade Mark Directive is juxtaposed to the likelihood of confusion concept. However, this justification can be traced back to some CJEU

⁶⁰⁹Flynn Pharma v Druggsrus [2017] EWCA Civ 226 paragraph 83

⁶¹⁰See section on theoretical justifications of trademarks

⁶¹¹Mark A. Lemley and Mark P. McKenna 'Owning Mark(et)s' Michigan Law Review, Vol. 109, at 143, November 2010, Available at <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1604845> Accessed 6 January 2024.

⁶¹²L'Oreal SA v eBay International AG [2009] EWHC 1094 (Ch) para 319.

earlier cases in this area such as *Centrafarm v Winthrop*, *F Hoffman la Roche v Centrafarm*, *CNL v Hag*.

Another insight which can be deduced is that there is a strong correlation between the dominant theories in trademark law and the *BMS* factors which were considered by the UK courts in both cases. Factors such as reputation of a trademark, effect on the original condition of the goods and whether repackaging is necessary are explicitly linked to either a theoretical justification or broader free movement of goods principles. Of the other two *BMS* factors which were largely ignored; clear identification of the importer and trademark owner, and prior notice, only the former appears grounded in the ‘guarantee of origin’ justification of the utilitarian theory. This may explain why the UK courts persistently ignore the prior notice condition. It however, does not account for the lack of consideration of the requirement of clear identification of the importer and trademark owner.

Considering the *L’Oreal* case, the utilitarian theory as applied by the court led to a finding of infringement in relation to whether the proprietor’s rights had been exhausted by the several sellers involved. Nevertheless, the court reached an initial finding for non-infringement in relation to whether eBay was jointly liable with the sellers. In this sense, it appears that due to the lack of formal harmonisation procedures for joint infringement liability, there was a substantial disparity in the outcome because the same theoretical justification was not applied to eBay as an accessory to the infringement. Instead, the court was forced to rely on the principle of joint tortfeasorship on a national level. It is also intriguing to note that ultimately, the CJEU found a different basis⁶¹³ (not linked to exhaustion) for eBay’s infringement as a primary infringer as opposed to an accessory.

Why is it that the cases are inconsistent with CJEU requirements?

Both *Flynn* cases do not display full inclusion in the set of cases which are consistent with CJEU requirements for repackaging. They both consider only half of the criteria (4 out of 8 conditions). It appears that Justice Floyd did not consider

⁶¹³Articles 5(1)(a) of the TMD.

the other 4 *BMS* conditions because his reasoning focused on whether a disguised restriction on trade exists in the case as required by Articles 34 and 36 Treaty on the Functioning of the European Union (TFEU).⁶¹⁴ He also rejected the arguments put forward in relation to the first of the *BMS* conditions because in his opinion, the trademark ‘harm argument’ which existed in the case was not one which was covered by the *BMS* conditions.⁶¹⁵ This could also explain why he did not consider it necessary to apply the *BMS* criteria. The judgments in *BMS* and *Pharmacia* also support this view as the CJEU stated that where a parallel importer fixes a mark which is different to the original mark on the goods, Articles 34 and 36 TFEU (ex Articles 28 and 30 European Community Treaty) should take effect instead of Article 7 TMD.⁶¹⁶ However, the Court further stated that Article 7 TMD and Article 36 TFEU must be interpreted in the same way because both provisions share the same objective of reconciling IP rights with free movement of goods principles.⁶¹⁷ If both provisions should be taken as having a single meaning, what is the purpose of creating the distinction in the first instance?

Intrinsically, the interpretation which the Court gave in this area is now colloquially known as the ‘*BMS* conditions’. The first of these explicitly links and identifies with the broader Competition law rules and free movement of goods principles articulated under the TFEU. The first test is whether the owner’s use and enforcement of the trademark contribute to an artificial partitioning of the market. In the CJEU’s words, the parallel importer’s repackaging must be deemed necessary to successfully have access to the market to pass the first test.⁶¹⁸ However, although Justice Floyd adhered to the CJEU’s guidance that where a parallel importer uses a mark different to the original mark Articles 34 and 36 TFEU apply instead of Article 7 TMD, he did not follow the further interpretational guidance which provided that the national court must consider the *BMS*

⁶¹⁴Flynn Pharma v Drugsrus [2017] EWCA Civ 226 paragraph 62-69.

⁶¹⁵Flynn Pharma v Drugsrus [2017] EWCA Civ 226 paragraph 84.

⁶¹⁶Case C-379/97 *Pharmacia & Upjohn SA (Formerly Upjohn SA) v Paranova A/S* [1999] E.T.M.R. 937 paragraphs 28 & 29.

⁶¹⁷Joined Cases C-427, C-429 and C-436/93 *Bristol Myers Squibb and Others v Paranova* [1996] ECR I-3457 paragraph 40; see also Case C-379/97 *Pharmacia & Upjohn SA (Formerly Upjohn SA) v Paranova A/S* [1999] E.T.M.R. 937 paragraph 30.

⁶¹⁸Joined Cases C-427, C-429 and C-436/93 *Bristol Myers Squibb and Others v Paranova* [1996] ECR I-3457 paragraphs 56 and 79(a).

conditions.⁶¹⁹ At the very least, the first of the *BMS* conditions which is grounded in free movement principles relating to the prohibition of partitioning of markets should have been considered in the court's interpretation of Article 36 TFEU given the fact that Article 36 embodies this concept.⁶²⁰ The Treaty rules are observed here as surpassing the CJEU's *BMS* conditions. Unsurprisingly, Justice Floyd's reasoning may be appreciated on its simplicity and ability to avoid the complexities in the sense that he stated that there is:

... a danger in attempting to create bright-line rules or sub-rules which will be used in this and other cases as a substitute for the treaty language itself. In each case the task for the court is to distinguish between a justified enforcement of a trade mark right on the one hand, and a disguised restriction on interstate trade on the other.⁶²¹

Justice Rose's judgment on the other hand, considered only the first of the *BMS* conditions after her initial consideration of the exhaustion principles under the TMD.⁶²² The question of whether relabeling was necessary was framed within the context of whether the free movement of goods rules under Articles 34 and 36 TFEU applied to the case.⁶²³ She concluded that the defendants were entitled to relabel the goods using the trademark because it was necessary, in the interest of them gaining effective access to the market. Thus, if they were hindered from trading within a substantial part of the market, this would be contrary to the free movement of goods rules under the TFEU.⁶²⁴ Considering that such reasoning was couched in terms of free movement principles relating to Article 36, this may be a possible explanation for why she did not consider it necessary to explore the rest of the *BMS* conditions. In this sense, free movement principles could be viewed as taking precedence over the other *BMS* conditions to the point of redundancy.

⁶¹⁹(Case 3/78) *Centrafarm BV v American Home Products Corporation* [1979] 1 C.M.L.R. 326 paragraph 19; see also (Case 102/77) *Hoffmann-la Roche & Co. AG and Hoffmann-la Roche AG v Centrafarm Vertriebsgesellschaft Pharmazeutischer Erzeugnisse mbH* [1978] 3 C.M.L.R. 217 paragraph 14; see also Joined Cases C-427, C-429 and C-436/93 *Bristol Myers Squibb and Others v Paranova* [1996] ECR I-3457 paragraph 49.

⁶²⁰(Case C-379/97) *Pharmacia & Upjohn SA (Formerly Upjohn SA) v Paranova A/S* [1999] E.T.M.R. 937 paragraphs 37-40.

⁶²¹*Flynn Pharma v Drugsrus* [2017] EWCA Civ 226 paragraph 62.

⁶²²*Flynn Pharma v Drugsrus* [2015] EWHC 2759 (Ch) paragraph 56.

⁶²³*Flynn Pharma v Drugsrus* [2015] EWHC 2759 (Ch) paragraph 41-46.

⁶²⁴*Flynn Pharma v Drugsrus* [2015] EWHC 2759 (Ch) paragraph 87-95.

There is also greater need for clearer answers to crucial questions such as; do the free movement rules under the TFEU trump the pre-condition of Art 7(1) TMD under the BMS conditions in relation repackaged (not rebranded) goods? And under what specific circumstances should these Treaty rules be brought to play? Particularly considering the CJEU's guidance that while Art 7 TMD and Article 36 TFEU are applicable to repackaging and rebranding cases respectively, they must be interpreted in view of the *BMS* conditions. The focus should be on removing the delineation created between repackaging and rebranding goods as this is redundant considering that they must be interpreted in the same way. In fact, this distinction only serves to further the inconsistency in this area as can be viewed from the judgment of Justice Floyd in this *Flynn* case. He favoured a more direct approach to interpreting Art 36 TFEU in view of the CJEU distinction of which rules are applicable to repackaging and rebranding cases.

Finally, as per CJEU directions that both Article 7 TMD and Article 36 TFEU must be interpreted in the same way, it follows that Article 7 may in fact be viewed as the pre-condition before the *BMS* conditions. In such circumstances, since both cases display only 4 out of the total of 8 factors, there needs to be further clarity regarding the specific interpretation of both principles with regards to rebranding cases as well as repackaging cases.

Regarding the *L'Oreal* case in relation to the *BMS* criteria on the de-branding of its products, it is not acutely clear why the court chose to consider only one. However, it may be identified from its observations that although the proprietor did not initially (it later did) put forward claims in relation to these,⁶²⁵ it still chose to consider the defendant's defence in relation them later. The proprietor at first had chosen to rely on the breach of the Cosmetics Directive as a legitimate reason to oppose the marketing of the goods instead of the *BMS* condition but subsequently relied on only one of the *BMS* conditions; harm to reputation of the mark⁶²⁶ while the defendant advanced a defence in rebuttal to this 'damage to reputation'

⁶²⁵The proprietor initially chose to rely on the breach of the Cosmetics Directive as a legitimate reason to oppose the marketing of the goods instead of the BMS condition. However, in its closing statement, its counsel relied on it in closing statement, see *L'Oreal SA v eBay International AG* [2009] EWHC 1094 (Ch) paragraphs 310(iv), 332.

⁶²⁶*L'Oreal SA v eBay International AG* [2009] EWHC 1094 (Ch) paragraphs 310(iv), 332, 339.

claim.⁶²⁷ The court felt it could not decide without clearer guidance from the CJEU on the matter. On the face of it, a possible reason for the parties ignoring the rest of the *BMS* conditions is because of the length of the case and the volume of contention by both parties. A strong indication of this is the number of paragraphs of the total judgment; there were 482 quite lengthy paragraphs in total. It is ostensible that out of all the *BMS* conditions, the parties decided to focus on the one which was the easiest to prove and which relates to the functions of a trademark. By truncating the rest of the conditions and focusing on just the claim of harm to the reputation of the mark, it created a situation where they did not have to further spend enormous amounts of time and resources proving and rebutting each condition, on an already protracted case.

Under what conditions (and through what paths) trademark infringement occurs, and under what conditions (and through what paths) non-trademark infringement occurs.

The trademark infringement in both *Flynn* cases were predominantly decided based on non-existence of the three factors present in both cases. The three factors are: trademark placed, on the EEA market, by the owner or with his consent. One additional factor; if repackaging is necessary, was considered by Justice Rose but did not have an outcome of infringement. In fact, she appeared to consider this factor if the outcome for infringement which she had reached was wrong.⁶²⁸ A different additional factor; protection of the reputation of the trademark owner, was considered by Justice Floyd but not in relation to the *BMS* criteria. Overall, both decisions were decided based on the three criteria under Article 7(1).

The *L'Oreal* case was initially decided by the UK court as non-infringement on the part of eBay in respect of joint liability because there was no formal harmonisation of the requirements of joint liability in trademark infringement on a regional level, even though the court found that the individual sellers were liable for infringement based on Community exhaustion rules. Surprisingly, the CJEU guidance found a loophole to this by deciding that eBay could be held as a primary

⁶²⁷L'Oreal SA v eBay International AG [2009] EWHC 1094 (Ch) paragraphs 333-335.

⁶²⁸Flynn Pharma v Drugsrus [2015] EWHC 2759 (Ch) paragraphs 87-96.

infringer directly under rules different to exhaustion using Article 5 of the TMD. In fact, the CJEU's press release following its decision indicates its strong attitude towards companies like eBay who it says play an active role in the enabling of infringements. It keenly cautioned that "National courts must be able to order those companies to take measures intended not only to bring to an end infringements of intellectual property rights but also to prevent further infringements of that kind."⁶²⁹

6.3.4 Cases with membership scores of 0.62 (More in than out of the target set of consistency in Repackaging criteria = Displays 5 factors out of 8)

1. *Glaxo Group Ltd v Dowelhurst Ltd, Richard Taylor 2004 Court of Appeal*
2. *Zino Davidoff SA v A & G Imports Ltd 1999 High Court*
3. *Microsoft Corporation v Computer Future Distribution Ltd 1998 High Court*

Research questions

Why is it that some cases considered similar factors and reached similar outcomes of infringement while others considered similar factors but reached opposite outcomes?

The Zino Davidoff case considered the three initial factors of proving exhaustion⁶³⁰ and two additional factors for repackaging⁶³¹ in reaching its decision of non-infringement. In relation to the exhaustion issue, it held that consent would be invoked on the proprietor's part where the goods were sold outside the EEA and there were no contractual restrictions in place for the third party to resell them in the EEA.⁶³² However, the CJEU subsequently clarified during a preliminary reference ruling that such consent cannot be invoked or deemed but that it may only be implied when the proprietor has demonstrated it unequivocally. This stark difference in approach demonstrates the disparities between the UK courts and

⁶²⁹Court of Justice of the European Union, 'The Court provides clarification on the liability of companies operating internet marketplaces for trade mark infringements committed by users' 12 July 2011, Press Release No 69/11 Luxembourg <<https://curia.europa.eu/jcms/upload/docs/application/pdf/2011-07/cp110069en.pdf>> Accessed 4 January 2024.

⁶³⁰Whether goods were placed, by the trademark owner or with his consent, on the EEA market.

⁶³¹Effect on the original condition of the product and protection of the reputation of the trademark.

⁶³²*Zino Davidoff SA v A & G Imports Ltd* [1999] 3 W.L.R. 849 paragraph 38(6).

the CJEU. By requiring consent to be demonstrated unequivocally before it could be implied, the CJEU has adopted a broader protectionist stance which would undoubtedly make it harder for parallel importers to gain market access because proving unequivocal implied consent is a hard threshold. The juxtaposition of the words implied and unequivocal creates room for ambiguities. Taken at their literal definitions, they have completely opposite meanings. The meaning of 'implied' denotes that something is 'suggested' but not directly expressed while unequivocal means that something is expressed in a clear and firm way leaving no room for ambiguity or doubt. If something is suggested but not directly expressed, it generates a situation where the intention of the person suggesting has to be deduced. Deducing a person's intention is never straight forward and leaves room for ambiguities. When this is set against the requirement that the implied consent must be unequivocal, it becomes nearly impossible to fulfill because an intention which is suggested but not expressed in a clear and firm manner leaves room for ambiguities in any inference made. Thus, as the data in the UK cases has demonstrated so far, proving implied consent is a very difficult threshold.

In relation to the claim of infringement brought on by repackaging of the goods, the *Zino Davidoff* decision dismissed this claim because the proprietor could not demonstrate that there had been substantial changes to the physical and mental conditions of the goods in question. The High court emphasized that the physical condition referred to the quality of the tangible product while the mental condition referred to the reputation of the mark as affected by changes in the packaging.⁶³³

The Court of Appeal in the *Glaxo* case considered an appeal against the earlier decision in the High court case.⁶³⁴ Compared to the High court case, it considered two factors more⁶³⁵ during the appeal in addition to the initial three factors⁶³⁶ considered by the High court. The decision of arguable non-infringement was based on the consideration that since there was no contractual requirement on the buyer to take the goods to the ultimate destination intended by the proprietor,

⁶³³*Zino Davidoff SA v A & G Imports Ltd* [1999] 3 W.L.R. 849 paragraphs 45-56.

⁶³⁴Discussed under Cases with membership scores of 0.38.

⁶³⁵Whether repackaging is necessary and prior notice to the trademark owner.

⁶³⁶Whether goods were placed, by the trademark owner or with his consent, on the EEA market.

they were free to sell the goods within the EEA. Thus, the property in the goods had passed from the trademark owner to the third-party buyer when the goods were sold within the EEA even though the proprietor's intention was for the goods to be put on the African market as the destination.⁶³⁷

On the other hand, the Microsoft case reached a decision that infringement was arguable as opposed to the other two cases discussed above. The court decided that because the goods were first sold outside the EEA, the doctrine of exhaustion could not be invoked. Furthermore, the claim of infringement was upheld because the de-packaging and repackaging of the products affected the reputation of the marks.⁶³⁸

Which trademark theory provides better predictions of what happened in cases or more compelling explanations of why it happened?

The *Microsoft* and *Zino* cases were focused on the utilitarian theory of protecting the origin and quality of the goods using the trademark. Conversely, the libertarian approach reflects the theory underpinning the decision in the *Glaxo* case because the decision was focused on the ownership of property and at what point it transferred from the proprietor to a third-party. However, it cannot be stated definitively that it is a verbatim expression of the libertarian theory since it does not directly refer to one's labour being mixed with something found in nature resulting to a value-added product. The purchasing of products with the trademark in this instance, can be viewed as expending one's labour. Thus, accordingly to Lockean theory of property ownership, the buyer is entitled to own something in which he has invested labour or in this expanded interpretation; money.

Did the theory lead to the discovery of more novel facts or new insights in the cases?

Although not explicitly expressed in the *Glaxo* case, it appears that the Lockean theory can also be extended to circumstances where one's labour has not been

⁶³⁷Glaxo Group Ltd v Dowelhurst Ltd, Richard Taylor [2004] EWCA Civ 290 paragraphs 24-27.

⁶³⁸Microsoft Corporation v Computer Future Distribution Ltd [1998] E.T.M.R. 597 paragraph heading titled 'trademark infringement'.

mixed with something in nature but rather something man-made. In addition, the Lockean definition of labour may also be extended to infer the connotation of something artificial like money.

Why is it that these cases are inconsistent with CJEU requirements?

Similar to the other cases discussed under the various sets above, it is not immediately apparent why these three cases did not consider the rest of the BMS conditions. However, it can be inferred that they were not considered because the parties did not put forward any submissions regarding them to the courts.

Under what conditions (and through what paths) trademark infringement occurs, and under what conditions (and through what paths) non-trademark infringement occurs.

Admittedly while all three cases exhibit 5 out of 8 factors in the level of consistency, they each consider some common and different factors. For example, both the *Glaxo* and *Zino* cases reached a decision that non-infringement was possible but arrived at that conclusion through slightly different conditions for the most part. They both considered the three core factors for proving exhaustion⁶³⁹ but were divergent on the factors considered for repackaging.⁶⁴⁰ An interesting commonality to note between the *Zino Davidoff* case and the *Glaxo* case is that the three factors considered are linked to the decisions which were partly made based on the circumstances surrounding the trademark owner not placing restrictions necessary to stop the placing of the goods on the EEA market.

The *Microsoft* case considered the three core factors for exhaustion but also considered the other two additional factors⁶⁴¹ considered by the *Zino* case. However, it reached an opposite conclusion because there had been clear violations of the restrictions placed by the trademark proprietor on the outer

⁶³⁹Whether goods were placed, by the trademark owner or with his consent, on the EEA market.

⁶⁴⁰The *Glaxo* case considered whether repackaging is necessary and prior notice to the trademark owner while the *Zino* case considered the effect on the original condition of the product and protection of the reputation of the trademark.

⁶⁴¹The effect on the original condition of the product and protection of the reputation of the trademark.

packaging of the products in the form of a bar code and warning to be sold in specific jurisdictions.⁶⁴²

6.3.5 Cases with membership scores of 0.75 (More in than out of the target set of consistency in Repackaging criteria = Displays 6 factors out of 8)

1. Boehringer Ingelheim KG v Swingward Ltd 2008 Court of Appeal

Research questions

Why is it that this case considered some factors and reached an outcome of non-infringement?

The decision in this case was the final one made in the appellate history of the cases below in subsets 0.88 and 1.0. The Court of Appeal resumed its hearing after further references to the CJEU on points of law which were still not clear. Based on the guidance given by the CJEU, it upheld its previous judgment and declared that no infringement had occurred because there was no harm done to the reputation, image or prestige of the marks through the contentions of co-branding and partial de-branding. The two factors which were not considered in this case were effect on the original condition of the goods and prior notice. All other six factors considered are reflected in the outcome of the court's judgment.⁶⁴³ The primary contention in this case was on the interpretation of the necessity guidance given by the CJEU. The proprietors asserted that in addition to the *BMS* conditions, the CJEU decision in *Loendersloot v Ballantine*⁶⁴⁴ demonstrated that the parallel importer is required to not only show that it is necessary to repackage or relabel to enter the market, but also that the type and form of repackaging and relabelling used are necessary to market the product. They based this argument on the fact that the CJEU had stated that, "The person carrying out the relabelling must,

⁶⁴²Microsoft Corporation v Computer Future Distribution Ltd [1998] E.T.M.R. 597 paragraph headings titled 'North American Microsoft products' and 'trademark infringement'.

⁶⁴³Whether goods were placed, by the trademark owner or with his consent, on the EEA market, whether repackaging is necessary, protection of the reputation of the trademark and clear identification of the importer and manufacturer.

⁶⁴⁴Case C-349/95 Frits Loendersloot, Trading as F. Loendersloot Internationale Expeditie v George Ballantine & Son Ltd and Others [1997] E.C.R. I-6227.

however, use means which make parallel trade feasible while *causing as little prejudice as possible to the specific subject-matter of the trade mark right*”⁶⁴⁵ (emphasis added).

However, the Court of Appeal rejected this argument because it was of the view that any ‘prejudice’ (no matter how small) caused to the specific subject matter of a trademark meant that the BMS condition relating to the repackaging not causing harm to the trademark reputation, was violated.⁶⁴⁶ A violation of one BMS condition was grounds for infringement. Therefore, the question of damage was one to be answered based on fact and not law. It further stated that a requirement to prove that the type and form of repackaging is necessary would be imposing a nearly impossible burden on the parallel importer and would prove unworkable in practice because courts would be required to spend time determining minute details about packaging.⁶⁴⁷ Given that the court had already considered all the *BMS* conditions in the previous trial of this case, it appears that it restricted the crucial questions concerned with the resumed hearing to only those contentions which affected it. For example, the issues of co-branding were related to the *BMS* condition of identification of the importer and manufacturer while the issues of de-branding related to BMS condition of reputational harm of the mark. The *BMS* requirement of necessity related to re-branding issues. There were no contentions by the proprietors about advance notice and the original conditions of the goods being affected. Hence, they were not considered by the court.

Which trademark theory provides better predictions of what happened in cases or more compelling explanations of why it happened?

The utilitarian theory is evident in this case. Although, the specific variant focused on is the trademark harm model. The focus of the court was on establishing whether trademark harm had occurred to determine the basis for infringement.

⁶⁴⁵Case C-349/95 Frits Loendersloot, Trading as F. Loendersloot Internationale Expeditie v George Ballantine & Son Ltd and Others [1997] E.C.R. I-6227 paragraph 46.

⁶⁴⁶Boehringer Ingelheim Pharma GmbH & Co KG v Swingward Limited [2008] EWCA Civ 83 paragraph 64.

⁶⁴⁷Boehringer Ingelheim Pharma GmbH & Co KG v Swingward Limited [2008] EWCA Civ 83 paragraph 65.

Did the theory lead to the discovery of more novel facts and new insights in the cases?

This case shows that the Court of Appeal decided to treat the specific subject matter of a mark as including protection from reputational harm. This arguably extended the traditional utilitarian theory view of the primary utility of marks as origin and quality indicators in this case.

Why is it that this case is not fully consistent with CJEU requirements?

A probable explanation is that since this case was a resumption of the previous hearing in the appeal process, the court may have deemed it a waste of time to rehash all the factors that were considered in the previous hearing. Furthermore, the continuation of the hearing was only focused on making a finding based on the CJEU's answers to its additional questions. As with most of the other cases in the repackaging subsets, there does not appear to be any other obvious reason why the Court of Appeal did not consider all the factors.

Under what conditions (and through what paths) non-trademark infringement occurs?

Non-infringement occurred in this case through the Court regarding the specific subject matter of a mark as including protection from reputational harm. The answering of this factual question (whether harm had been done to the reputation of the mark) in negative enabled the outcome in this case. Contrasting this position with that put forward by the proprietors, if the courts had gone down the path of requiring necessity, it would have been tasked with determining if the repackaging and relabeling choices of the parallel importer were necessary to market the goods. Consequently, this may have resulted in the same decision of infringement as that made by the High Court in the Glaxo 2003 even though there was no evidence of harm.

6.3.6 Cases with membership scores of 0.88 (More in than out of the target set of consistency in Repackaging criteria = Displays 7 factors out of 8)

1. *Glaxo Group Limited and The Wellcome Foundation Ltd v Dowelhurst Limited Ltd 2000 High Court*

2. *Glaxo Group Ltd and The Wellcome Foundation Ltd v Dowelhurst Ltd and Other Actions* 2003 High Court
3. *Sony Computer Entertainments Inc. v Tesco Stores Ltd* 2000 High Court

Research questions

Why is it that some cases considered similar factors and reached similar outcomes of infringement while others considered similar factors but reached opposite outcomes?

All three cases considered six similar factors but differed slightly in the seventh factor considered. Both *Glaxo* cases considered the same seven factors while the Sony case considered a different seventh factor. This difference in factor may account for the differences in the judgment outcomes of these cases because the Sony decision was based primarily on consideration of whether there had been clear identification of the importer and manufacturer on the repackaged products. This is a factor which the *Glaxo* cases did not consider.⁶⁴⁸

Both *Glaxo* cases above are linked by being the same case heard twice by the same court on different dates. In the first *Glaxo* case above (*'Glaxo 2000'*), the High court did give a preliminary judgment but decided to stay the proceedings pending a reference to the CJEU on points of law which it required clarification. The second *Glaxo* case (*'Glaxo 2003'*) having received a response to its questions from the CJEU, continued the case and delivered its final judgment on the legal issues.

The *Glaxo 2000* case gave preliminary judgment that there was no case of infringement because the proprietors had failed to demonstrate that the parallel importers' actions had caused or was likely to cause substantial damage to the origin and quality functions of the mark.⁶⁴⁹ However, on receipt of the CJEU's response to the reference questions, the *Glaxo 2003* found that the CJEU's guidance meant that proof of real damage to a mark was unnecessary because there was an irrefutable presupposition that the act of repackaging was inherently

⁶⁴⁸Both cases considered the following factors: F1-Placed by the trademark owner, F2-with his consent, F3-on the EEA market, F4-whether repackaging is necessary, F5- Effect on the original condition of the product, F6- Protection of the reputation of the trademark and its owner, F7- Prior notice.

⁶⁴⁹*Glaxo Group Limited and The Wellcome Foundation Ltd v Dowelhurst Limited Ltd* 2000 WL 191144 paragraphs 193(M) and (N).

detrimental to the essential function of a mark and could only be allowed if the importer could demonstrate compliance with the *BMS* conditions.⁶⁵⁰ By implication, the court interpreted this to mean that relabeling is a more tolerable form of infringement since it is less intrusive compared to repackaging.⁶⁵¹ Therefore, in relation to factual findings on some of the goods, it was decided that there was infringement only for the repackaged goods and not the relabeled goods because the CJEU had directed that there would be infringement where the repackaging or relabeling unfavorably affected the original conditions of the goods or harmed the trademark reputation or no notice had been given. Since the relabeling had not caused any harm, there was no infringement for those specific goods.⁶⁵² However, in respect of some of the goods, it was decided that there was infringement because no advance notice had been given.⁶⁵³ In addition, it also held that in relation to some of the goods, co-branding (which involved the parallel importer fixing his own mark next to the relabeling of the proprietor's mark) and de-branding (which involved removal of the proprietor's mark partially or completely) constituted infringement of the mark because they carried a risk of diminution to the reputation of the mark. In the case of co-branding, this risk existed because of the parallel importer promoting and building his own brand along-side the proprietor's.⁶⁵⁴ In the case of de-branding, the act of partially removing the trademark gave rise to the risk of a reduction in the extent that a proprietor could build the reputation of his mark.⁶⁵⁵

The Sony case also had a mixed outcome of infringement and non-infringement because in respect of some products, the parallel importer had clearly stated on the packaging that the extra article they had added were to be used with the proprietor's goods. However, in other products there were no clear indications

⁶⁵⁰Glaxo Group Limited and The Wellcome Foundation Ltd v Dowelhurst Limited Ltd [2003] EWHC 110 (Ch) paragraph 15.

⁶⁵¹Glaxo Group Limited and The Wellcome Foundation Ltd v Dowelhurst Limited Ltd [2003] EWHC 110 (Ch) paragraph 25.

⁶⁵²Glaxo Group Limited and The Wellcome Foundation Ltd v Dowelhurst Limited Ltd [2003] EWHC 110 (Ch) paragraphs 24-35.

⁶⁵³Glaxo Group Limited and The Wellcome Foundation Ltd v Dowelhurst Limited Ltd [2003] EWHC 110 (Ch) paragraph 41.

⁶⁵⁴Glaxo Group Limited and The Wellcome Foundation Ltd v Dowelhurst Limited Ltd [2003] EWHC 110 (Ch) paragraph 23 and 35.

⁶⁵⁵Glaxo Group Limited and The Wellcome Foundation Ltd v Dowelhurst Limited Ltd [2003] EWHC 110 (Ch) paragraph 22.

that the extra articles were for use with the proprietor's own products. This gave rise to a situation where the appearance of such articles could not dispel the impression that it originated from the proprietor even though it did not. Thus, the goods which were clearly indicated did not constitute infringement while those which were not, constituted infringement.⁶⁵⁶

Which trademark theory provides better predictions of what happened in cases or more compelling explanations of why it happened?

The utilitarian theory is a common trend in all three cases as the focus was on ensuring that the origin and quality function of the marks were not compromised. However, the three cases reflect the different variants that exist. In *Glaxo 2000*, the court was seen to adopt the trademark injury/harm model which requires proof of substantial harm or the likelihood. Nevertheless, it retracted from this approach in the *Glaxo 2003* because as per the directions from the CJEU, the requirement of proof of harm or injury was not a requirement to justify the proprietor opposing the repackaging.⁶⁵⁷

The Sony case followed a similar approach to the *Glaxo 2003* as it was concerned with the origin and quality functions of the mark by requiring that repackaging which did not clearly state that the extra article added by the parallel importer was not from the proprietor, would be deemed as infringement. This approach which was obviously following the CJEU's direction in repackaging cases was clearly not based on the harm/injury model.

Did the theory lead to the discovery of more novel facts or new insights in the cases?

The ex-ante justification provided by the CJEU in relation to the *Glaxo 2003* case which the High court deemed as creating an irrebuttable presumption that repackaging was inherently harmful to a trademark, offers an insight to the real explanation for the discrepancies present. The UK courts favour the ex-post justification which requires infringement claims based on repackaged products to be founded on actual results of substantial harm rather than the CJEU ex ante

⁶⁵⁶Sony Computer Entertainments Inc. v Tesco Stores Ltd [2000] E.T.M.R. 102.

⁶⁵⁷Glaxo Group Limited and The Wellcome Foundation Ltd v Dowelhurst Limited Ltd [2003] EWHC 110 (Ch) paragraphs 10 & 15.

justification which treats repackaged products as inherently harmful because of the risk to the essential functions of the mark. What is also not clear in relation to this ex post justification is what kind of risk is permissible. This entails clarification of threshold questions such as; would a small amount of risk be deemed enough to show infringement, or would the requirement be for a substantial amount as demanded by the UK courts?

Whatever the answers to these questions, it is unmistakable that a clear articulation of the specific theoretical justification which courts should be guided by is unequivocally necessary to avoid ambiguities and inconsistencies relating to the interpretation of trademark rules.

Why is it that some cases are consistent with CJEU requirements, while others inconsistent?

All three cases demonstrate nearly full inclusion in the subset of consistent decisions within the repackaging subset data. Both *Glaxo* cases considered all factors except the clear identification of the manufacturer and importer while the Sony case considered all factors barring whether repackaging was necessary. The Glaxo cases appear to have been limited this way because the crucial contentions of the parties were limited to claims about necessity of repackaging and notice.⁶⁵⁸ There does not appear to be any other obvious reasons why these cases omitted to consider these two factors even though they considered and gave judgment on the rest of the BMS criteria.

Under what conditions (and through what paths) trademark infringement occurs, and under what conditions (and through what paths) non-trademark infringement occurs

There is a substantial difference between the different paths to the outcomes in the *Glaxo* cases. This difference is attributable to the shift in theoretical perspectives. The *Glaxo 2000* case moved from a higher threshold of proving trademark harm to a lower standard of not requiring such proof in the *Glaxo 2003*.

⁶⁵⁸Glaxo Group Limited and The Wellcome Foundation Ltd v Dowelhurst Limited Ltd 2000 WL 191144 paragraph 7.

As a result, this clearly impacted on the outcome. The Sony case also adopted this lower threshold as directed by the CJEU.

6.3.7 Cases with membership scores of 1.0 (In the target set of consistency in Repackaging criteria = Displays 8 factors out of 8)

1. Boehringer Ingelheim KG v Swingward Ltd 2004 Court of Appeal

Research questions

Why is it that this case considered all factors and reached an outcome of non-infringement?

This case is the next appeal case in the appellate history of the Glaxo cases considered above in the 0.88 subset. As a matter of fact, the initial Glaxo cases were joined cases with other claimants and defendants which the courts combined hearing for as they involved the same points of law. However, Boehringer Ingelheim and Swingward (the subjects of this case in this subset) were one of the claimants and defendants respectively in the previous cases who decided to appeal and cross-appeal the judgments. In relation to the Court of Appeal's judgment in the present case, after considering all eight factors it took a different interpretational route to the Glaxo 2003 case by reinstating the previous view the judge had taken in Glaxo 2000.⁶⁵⁹ As such, it decided to reverse the High court's finding in Glaxo 2003 that the CJEU's guidance had created an irrefutable presumption that repackaging was inherently harmful to the essential functions of a trademark. It considered that a more appropriate view of the CJEU's guidance was that EU trademark law would not tolerate any infringing act if it would cause damage to the trademark's reputation. Consequently, it reverted to the initial finding of non-infringement in relation to the repackaging, co-branding and de-branding of goods because no harm had been caused by these issues.

It appears that the reason all factors were considered in this case links to the Court of Appeal's analysis of the meaning behind the CJEU's guidance in the *Glaxo 2003* case. Lord Justice Jacob was observed to have stated that:

⁶⁵⁹Boehringer Ingelheim Pharma GmbH & Co KG v Swingward Limited [2004] EWCA Civ 129 paragraph 84.

If one looks at the *Bms* conditions one can see that they are all about protecting the reputation of the mark. A fair summary of the position *may be* that (1) re-affixing creates a risk of jeopardising the reputation (2) but if the conditions are satisfied that risk is removed.⁶⁶⁰ (emphasis added)

Based on the above, the Court felt that there was no irrebuttable presumption that relabeling was harmful to the essential functions of the mark because the fulfilment of the *BMS* conditions could be used as a rebuttal. It should be observed that even the Court of Appeal itself appeared to be unsure of this interpretation as it used the words ‘may be’. Following on from the above remarks, it went on to examine each of the *BMS* conditions as grounded to the idea of protecting the reputation of the mark.⁶⁶¹ This led to the conclusion that no harm had been done to the reputation of the mark.

Which trademark theory provides better predictions of what happened in this case or more compelling explanations of why it happened?

Similar to other cases in the different subsets above, the utilitarian theory is observable as the theoretical anchor for the decision in this case. Again, the precise variant reflected here is the trademark harm model which necessitates proof of actual harm.

Did the theory lead to the discovery of more novel facts or new insights in the cases?

What is interesting about this case is that it is the only case (compared to other cases in the repackaging set) in which the theoretical justification was seen to course through consideration of all the *BMS* conditions as compelled by the parties’ claims. In fact, the court decided to not only agree with the previous court’s first finding that there was no harm to the specific subject matter of the marks, but also it felt it necessary to add that there was no harm done to the

⁶⁶⁰Boehringer Ingelheim Pharma GmbH & Co KG v Swingward Limited [2004] EWCA Civ 129 paragraph 74.

⁶⁶¹Boehringer Ingelheim Pharma GmbH & Co KG v Swingward Limited [2004] EWCA Civ 129 paragraphs 80-84.

reputation of the proprietors or their marks.⁶⁶² In this way, it appears that because of the persistent appeals and CJEU references in this area,⁶⁶³ the English court could be viewed as yielding to the pressure of considering broader rights for proprietors through consideration of the origin and quality functions to encompass reputation function as well. Although the answer to that question was made on a finding of fact that there was no reputational harm, it could easily have also swung the other way. The finding of fact is not the focus here, rather the determination of threshold for protection in law warrants attention.

Why is it that this case is fully consistent with CJEU requirements?

This is the only case in the set of repackaging that demonstrates full inclusion in the subset of consistency. It appears that this was possible because the claims put forward by the parties referred to all the *BMS* criteria in each of their arguments.⁶⁶⁴ As such, when the court proffered its views and addressed each claim, it was able to simultaneously cover each of the *BMS* factors. With the other non-*BMS* factors already established as facts, it meant that this case considered all factors.

Under what conditions (and through what paths) non-trademark infringement occurs?

Given that all factors were considered, the Court considered damage to the reputation of the mark as its guiding principle in the exploration of the *BMS* condition.⁶⁶⁵ This path, (in addition to approval of the consideration of origin and quality functions in the initial court) established the basis of the outcome of non-infringement.

⁶⁶²Boehringer Ingelheim Pharma GmbH & Co KG v Swingward Limited [2004] EWCA Civ 129 paragraph 78.

⁶⁶³Boehringer Ingelheim Pharma GmbH & Co KG v Swingward Limited [2004] EWCA Civ 129 paragraphs 1 & 85.

⁶⁶⁴Boehringer Ingelheim Pharma GmbH & Co KG v Swingward Limited [2004] EWCA Civ 129 paragraphs 68-71.

⁶⁶⁵Boehringer Ingelheim Pharma GmbH & Co KG v Swingward Limited [2004] EWCA Civ 129 paragraphs 80-84.

6.4 Exhaustion of rights set theoretic cases under the non-repackaging group: analysis using the ‘Building block’ analytical approach

6.4.1 Cases with membership scores of 1.0 (In the target set of consistency in Non-Repackaging criteria = Displays 3 factors out of 3)

1. *Sun Microsystems Inc v M-Tech Data Ltd 2009*
2. *Sun Microsystems Inc v M-Tech Data Ltd 2010*
3. *Oracle America Inc (formerly Sun Microsystems Inc) v M-Tech Data Ltd 2012*
4. *Honda Motor Company Limited & Others v Neesam & Others 2006*
5. *Honda Motor Company Limited & Others v Neesam & Others 2008*
6. *Mastercigars Direct Limited v Hunters & Frankau Limited 2006*
7. *Mastercigars Direct Limited v Hunters & Frankau Limited 2007*
8. *Roche Products Ltd v Kent Pharmaceuticals Ltd Feb 2006*
9. *Roche Products Ltd v Kent Pharmaceuticals Ltd Dec 2006*
10. *Marussia Communications Ireland Ltd v Manor Grand Prix Racing Ltd 2016*
11. *Levi Strauss & Co. and Levi Strauss (UK) Ltd v Tesco Stores Ltd, Tesco Stores Plc and Costco Wholesale UK Ltd*

6.4.2 Research questions

Why is it that these cases considered all three factors and reached an outcome of infringement or non-infringement?

The first three cases in this set are the cases in the *Sun* case appellate history. The first case (‘*Sun 2009*’) was heard in the High court, the second case (‘*Sun 2010*’) was heard in the Court of Appeal and the third and final case (‘*Sun 2012*’) was heard in the Supreme Court.

The *Sun 2009* case considered the question of whether the proprietor's rights had been exhausted under the TMD. Based on its findings, it established that it had not been exhausted because the goods had not first been placed on the EEA market by the proprietor or with his consent. The court stated that the evidence indicated that the goods were first placed outside the EEA market. As per EU trademark law, the proprietor still retained the unqualified right to first market the goods within the EEA and there was no evidence that he had consented to the goods imported into the EEA.⁶⁶⁶ It further dismissed the defences of free movement of goods and abuse of a dominant position as contained in Articles 28, 30 and 81 EC Treaty (now Articles 34, 36 and 101 TFEU) put forward by the importer. In the court's view, the CJEU guidance provided in the *Davidoff* case was explicitly clear that the trademark rights and exhaustion rules as found in Articles 5 and 7 of the TMD constituted a complete harmonization of the current trademark rights rules. Therefore, the defence proposed would require the court to add an additional interpretation of the rules currently contained in the TMD.⁶⁶⁷ Specifically, it would involve creating an additional exception of the rights granted under Articles 5, 7(1) and (2). As far as the court was concerned, a list of exclusive rights is granted to a trademark owner as recorded under Article 5 while Article 7 then functions as the exceptions to those exclusive rights. Particularly, Article 7(1) grants the proprietor the right to first market the goods within the EEA, after which, his claim to stopping others from marketing the goods would be exhausted. Article 7(2) contained a further exception to Article 7(1) because it granted the proprietor the extra right to oppose further marketing of the goods (which he first put on the EEA market) by other parties if there are legitimate reasons to do so, especially if the original condition of the goods has been impaired or changed after his initial marketing. Accordingly, any claim requiring the court to consider that the proprietor should not be allowed to exercise his exclusive rights of being the first to market the goods on the basis that it may impede the free movement of goods, would necessitate an express violation of Community legislation. Since CJEU directions have been clear that the relevant provisions of the TMD were a

⁶⁶⁶*Sun Microsystems Inc v M-Tech Data Limited*, Stephen Lawrence Lichtenstein [2009] EWHC 2992 (Pat) paragraphs 17-22.

⁶⁶⁷*Sun Microsystems Inc v M-Tech Data Limited*, Stephen Lawrence Lichtenstein [2009] EWHC 2992 (Pat) paragraph 36.

complete harmonization of the rules in this area, such an entreat which was not expressly contained in the Directive could not be deliberately read into it. This conclusion was reached notwithstanding the defendant's contention that cases like the *Centrafarm* and the *BMS* case showed that the CJEU had stated that the exercise of the rights of the trademark owner had to be restricted if it would lead to partitioning of the market. The court further explained that both contentions were unrelated to the question before the court because the exercise of the trademark right in the *Centrafarm* case concerned a right granted by national law. The exercise of the right in the present case was an unqualified right granted by Community law (not national trademark law) which entitled the proprietor to be the first to market his goods and was not dependent on free movement principles.⁶⁶⁸ The *BMS* case was also distinguished on the basis that it involved goods which had already been put on the EEA market by the trademark owner or with his consent while the present case involved goods which had not been put on the EEA market by the proprietor or with his consent.⁶⁶⁹

Unsurprisingly, the defendants appealed this decision. The Court of Appeal in the *Sun 2010* case did not agree with the previous court's findings. It summarised that because the proprietor had a private method (which the parallel importer was not privy to) of identifying goods which it had placed within the EEA and those which it had placed outside the EEA, it meant that the parallel importer was hard-pressed to defend an infringement action on this basis because the proprietor had the unique advantage of proving (through his private method) that the goods were not first marketed in the EEA by him or with his consent.⁶⁷⁰ Therefore, this compelled him to rely on broader defences based on the free movement of goods and abuse of a dominant position as contained in Articles 28, 30 and 81 EC Treaty (now Articles 34, 36 and 101 TFEU). With reference to all the points of authority in the CJEU jurisprudence, the Court of Appeal agreed that they did not explicitly state that if there was arguably a quantitative restriction or abuse of rights, this would impair the proprietor from relying on the rights of his mark under the TMD;

⁶⁶⁸*Sun Microsystems Inc v M-Tech Data Limited*, Stephen Lawrence Lichtenstein [2009] EWHC 2992 (Pat) paragraph 43.

⁶⁶⁹*Sun Microsystems Inc v M-Tech Data Limited*, Stephen Lawrence Lichtenstein [2009] EWHC 2992 (Pat) paragraphs 44-47.

⁶⁷⁰*Oracle America, Inc (Formerly Sun Microsystems, Inc) v M-Tech Data Limited*, Stephen Lawrence Lichtenstein [2010] EWCA Civ 997 paragraph 1.

neither did the CJEU jurisprudence on repackaging cases explicitly state that free movement principles applied only to repackaging cases.⁶⁷¹ It also agreed with the previous court's findings that this may well be a matter of competition law. However, it stated that all the defences raised by the parallel importer were arguable because trademark law and competition law did not exist in isolation from each other.⁶⁷² Thus, it allowed the appeal and remitted the case back to the High court for trial.

The trademark proprietors appealed this decision to the Supreme Court. The Supreme Court allowed the appeal and reversed the Court of Appeal's findings. It decided that the exclusive right to control the first marketing of the goods as provided by the TMD was one which did not involve free movement of goods principles under Articles 34 and 36 TFEU because the right was concerned with only the entry of goods into the EEA market and not the movement of goods within it.⁶⁷³ Furthermore, it asserted that the TMD which represented an exhaustive statement of the law in relation to trademark rules also adequately reflected the free movement principles in its provisions.⁶⁷⁴ Similarly, in relation to the abuse of rights argument, it held that that:

The rule of EU law which Sun is invoking in the present case is to be found in articles 5 and 7.1 of the Trade Mark Directive. It is beyond argument that the purpose of those provisions was (among other things) to enable the trade mark proprietor to control the first marketing of his trade-marked goods in the EEA. The exercise of that right by Sun did not only satisfy the formal requisites of those articles. It was entirely consonant with their purpose. Even if (contrary to my view) M-Tech were right to say that by achieving that purpose Sun was enabled to do other things which tended to eliminate

⁶⁷¹Oracle America, Inc (Formerly Sun Microsystems, Inc) v M-Tech Data Limited, Stephen Lawrence Lichtenstein [2010] EWCA Civ 997 paragraphs 29-20.

⁶⁷²Oracle America, Inc (Formerly Sun Microsystems, Inc) v M-Tech Data Limited, Stephen Lawrence Lichtenstein [2010] EWCA Civ 997 paragraphs 33-35.

⁶⁷³Oracle America, Inc (Formerly Sun Microsystems, Inc) v M-Tech Data Limited, Stephen Lawrence Lichtenstein [2012] UKSC 27 paragraph 25.

⁶⁷⁴Oracle America, Inc (Formerly Sun Microsystems, Inc) v M-Tech Data Limited, Stephen Lawrence Lichtenstein [2012] UKSC 27 paragraph 26.s

independent resellers from the secondary market, that would not make it an abuse of rights.⁶⁷⁵

The next set of related cases involved Honda and a group of parallel importers in relation to imported motorbikes manufactured by Honda. Both cases were heard by the High court but involved different formats in the proceedings. The first case (*Honda 2006*) involved an application for summary judgment while the second case (*Honda 2008*) involved full trial before the court. In *Honda 2006*, the court held that there was trademark infringement in relation to all the parallel imports barring several batches of consignments from Australia. It reasoned that in relation to the infringing consignments, the defendants had not provided evidence to show that these goods had been first marketed within the EEA by the proprietor or with his consent. However, in relation to the consignment from Australia, the court held that because the preliminary evidence indicated that there was correspondence between the parallel importer and Honda's subsidiary in Australia (Honda Australia), it warranted further investigation to prove if there was implied consent on the part of Honda.⁶⁷⁶ Thus, this specific aspect of the case moved to trial and was the subject of the proceedings in *Honda 2008*.

In *Honda 2008*, the court found that in respect of some transactions there had been implied consent on the part of Honda Australia to Lime Exports who then resold it to the defendant parallel importers because the evidence showed that Honda Australia was very much aware (having sold many products over the years to Lime Exports) that Lime Exports was a dealer within the trade and was reselling the products to non-Australian buyers who were not private consumers and who would also then resell within their own businesses. Therefore, since it did not voice any restrictions, the expectation that the customer would resell was inherent in the nature of the transaction.⁶⁷⁷

⁶⁷⁵Oracle America, Inc (Formerly Sun Microsystems, Inc) v M-Tech Data Limited, Stephen Lawrence Lichtenstein [2012] UKSC 27 paragraph 36.

⁶⁷⁶Honda Motor Company Limited & Others v Neesam & Others [2006] EWHC 1051 (Ch) paragraph 35.

⁶⁷⁷Honda Motor Company Limited & Others v Neesam & Others [2008] EWHC 338 (Ch) paragraphs 51-56.

The next set of related cases concerned a trademark owner alleging trademark infringement of the parallel importer of Cuban cigars in *Mastercigars Direct Limited v Hunters & Frankau Limited*. The case was first heard in the High court (*Mastercigars 2006*) before its appeal to the Court of Appeal (*Mastercigars 2007*). In the High court, one of the alleged trademark infringements was in relation to parallel importation. The importer sought to rely on the defence of exhaustion of rights by claiming that the proprietor had given its consent impliedly through the local outlet in Cuba where it had purchased the products. It relied on this argument on the grounds that the outlet was an organ of the proprietor and there were economic links between the proprietor and the outlet because the proprietor had instituted a scheme where the outlet was allowed to sell the products to foreigners with a cap of \$25,000 on the amount per customer. The court rejected this argument and upheld the infringement claim on the basis that the importer had been unable to prove that the imports was done by the proprietor or with his consent. Particularly, in respect of the organ of the proprietor and economic link arguments, it held that the evidence did not demonstrate the existence of such.⁶⁷⁸ Thus, there was no consent; actual or implied, on the part of the proprietor.

The parallel importers appealed this decision. In *Mastercigars 2007*, the Court of Appeal took a different approach and allowed the appeal. The Court having heard both arguments from the proprietor and importer, cautioned against ‘too theoretical’ arguments which had no focus on actual knowledge or control as required by CJEU jurisprudence.⁶⁷⁹ It determined that based on the evidence, the proprietor had a substantial amount of control of the outlet which meant that it had impliedly consented to the sale and foreign export with the parallel importer knowing. In reaching this conclusion, it relied on four significant items of fact which it concluded pointed to implicit consent. Firstly, the evidence showed that the proprietor had allowed the outlet to sell a restricted amount of the product to foreigners which was definitely for commercial purposes because at \$25,000, they were well above what could be regarded as quantities for personal

⁶⁷⁸*Mastercigars Direct Ltd v Hunters & Frankau Ltd* [2006] EWHC 410 (Ch) paragraphs 111-124.

⁶⁷⁹*Mastercigars Direct Ltd v Hunters & Frankau Ltd* [2007] EWCA Civ 176 paragraphs 29-30.

consumption.⁶⁸⁰ Secondly, the proprietor had oversight of the sale process through its supply and approval of invoices without which, the exports would not be possible.⁶⁸¹ Thirdly, it received a 2% royalty from the outlet for the use of its trademark.⁶⁸² Fourthly, the proprietor had a realistic degree of control over the outlet, for example through actual control of its staff.⁶⁸³

The next set of related cases involved infringement proceedings against a parallel importer who had imported products for the self-checking of glucose levels. Like the *Mastercigars* case, this case was first heard in the High Court (*Roche Feb 2006*) before its appellate hearing in the Court of Appeal (*Roche Dec 2006*). In *Roche Feb 2006*, the court was once more concerned with whether the importer could rely on the defence of exhaustion of rights as a legitimate reason to further market the goods. It held that the importer had infringed on the proprietor's rights because the proprietor had not consented to the goods being placed on the EEA market when it sold them to the third party in Dominican Republic on the basis that they would be used solely in a clinical trial. Furthermore, it had taken steps to add a prohibition (during the sale) of the reselling or transferring of the products. The importer argued that because the goods displayed the CE mark,⁶⁸⁴ it meant that the public would view such goods as having the unequivocal authorization of the proprietor to be sold within the EEA. The court rejected this reasoning. It rationalised that the meaning of the CE mark within the EEA market amounted to

⁶⁸⁰*Mastercigars Direct Ltd v Hunters & Frankau Ltd* [2007] EWCA Civ 176 paragraphs 42-43.

⁶⁸¹*Mastercigars Direct Ltd v Hunters & Frankau Ltd* [2007] EWCA Civ 176 paragraphs 32-36.

⁶⁸²*Mastercigars Direct Ltd v Hunters & Frankau Ltd* [2007] EWCA Civ 176 paragraphs 44.

⁶⁸³*Mastercigars Direct Ltd v Hunters & Frankau Ltd* [2007] EWCA Civ 176 paragraphs 37-38.

⁶⁸⁴"The CE mark is applied to the product by the manufacturer before it is placed on the European market. A CE mark may only be applied to a device for which the manufacturer has signed a declaration of conformity indicating that it conforms to the requirements of the Directive. The CE mark is the outward sign that a product meets all relevant new approach European Directives and is therefore permitted free access to all European markets. The CE mark is not unique to diagnostic products and you will find CE marks on electrical equipment, medical devices, even toys. The CE mark means that the device meets a defined set of minimum safety requirements listed in Annex 1 to the IVD Directive. It also means that the device is manufactured under a quality system." *Roche Products Ltd v Kent Pharmaceuticals Ltd* [2006] EWHC 335 (Ch) paragraphs 31-33.

no more than a quality assurance mechanism and this could not equate to the implied consent of a proprietor.⁶⁸⁵

The parallel importer appealed this decision. In *Roche Dec 2006*, the Court of Appeal upheld the decision of the High court. However, in its dictum, it considered that in theory, it was conceivable through proof that a mark which would ordinarily not amount to sufficient consent for the purpose of Article 7 TMD, could have the result of functioning as consent if it was established that it was the general understanding in the market place.⁶⁸⁶

This dictum is particularly interesting because the case of *Marussia Communications Ireland Ltd v Manor Grand Prix Racing Ltd*⁶⁸⁷ which is the next case in this set, has shown that while UK courts may be willing to imply a widely accepted custom trade as consent, they draw the line at implying consent through a term of the contract. In this case, the proprietor had licensed the use of its marks to the defendant in the popular Formula One racing with the effect that it became a majority stakeholder in the defendant's racing team company. It later sold its stake to a new owner, but the defendant continued use of the marks even after the license had expired because the Formula One governing body had refused it permission for a name change during the season. The claimant brought an action for trademark infringement and the defendant argued that its use of the mark had occurred with the proprietor's consent by virtue of the purchase agreement it had entered with its new owner. The court rejected this assertion and held that by trying to imply the proprietor's consent through the contractual agreement, this amounted to no more than deemed consent which did not satisfy the requirement for actual unequivocal consent on the part of the proprietor.⁶⁸⁸

The *Levi Strauss case*⁶⁸⁹ was part of the joined case with the *Zino Davidoff*⁶⁹⁰ case which both English courts made a preliminary reference to the CJEU to clarify

⁶⁸⁵ *Roche Products Ltd v Kent Pharmaceuticals Ltd* [2006] EWHC 335 (Ch) paragraph 43.

⁶⁸⁶ *Roche Products Ltd v Kent Pharmaceuticals Ltd* [2006] EWCA Civ 1775 paragraphs 26-28.

⁶⁸⁷ [2016] EWHC 809 (Ch).

⁶⁸⁸ *Marussia Communications Ireland Ltd v Manor Grand Prix Racing Ltd* [2016] EWHC 809 (Ch) paragraphs 68-74.

⁶⁸⁹ *Levi Strauss (UK) Ltd v Tesco Stores Limited* [2000] EWHC 1556 (CH).

⁶⁹⁰ Already considered under the repackaging subset 0.62.

questions around consent in exhaustion of rights and other matters. After receiving the preliminary ruling from the CJEU, the High Court advanced the significant decision against implied consent in relation to the exhaustion of rights issue. The parallel importers had imported the proprietor's famous branded jeans from outside the EEA market but argued that there was implied consent on the part of the proprietor with regards to selling them within the UK. The High Court held that according to the guidance given by the CJEU, only express consent would suffice.⁶⁹¹ In spite of attempts to rely on human rights arguments based on the right to private property (including the right to acquire and dispose of one's own property) and freedom of speech, none of these arguments were deemed valid by the court.

Which trademark theory provides better predictions of what happened in these cases or more compelling explanations of why it happened?

In all the cases above, the predominant theoretical justification is the utilitarian variant of the trademark being a tool in which the proprietor can reap the first rewards of his labour. This is espoused in the exhaustion of rights principle. Thus, because these cases all involved the simple scenario of whether the goods had been first marketed within the EEA by the proprietor or with his consent, the theoretical justifications are the same.

Did the theory lead to the discovery of more novel facts or new insights in the cases?

The use of the utilitarian theory in these cases displays how far UK courts are willing to explore the concept of exhaustion of trademark rights. It is observable that UK courts constantly tread the obscure lines set by the regional standard in this area using the tool of implied consent. They must perform a balancing act between determining at what point an alleged implied consent occurs whilst ensuring that such consent is an unequivocal demonstration of the proprietor to renounce his rights.

⁶⁹¹Levi Strauss (UK) Ltd v Tesco Stores Limited [2000] EWHC 1556 (CH) para 17.

Why is it that these cases are fully consistent with CJEU requirements?

Compared with cases under the repackaging subsets, it appears that parties find it less daunting establishing only three factors in an infringement claim as opposed to eight factors under repackaging. Thus, the cases in this subset reached full inclusion in the set of consistent cases because courts considered all the arguments put forward by the parties in order to reach a decision.

Under what conditions (and through what paths) non-trademark infringement occurs?

Out of the eleven cases in this subset, only two; *Honda 2008* and *Masterscigars 2007* were held to be non-infringements because on the evidence, the court found that there was proof of implied consent. The paths to infringement in all the other cases were based on the fact that no implied consent was evident on the part of the proprietors. This demonstrates that in practice, implied consent is very difficult to prove and thus, is arguably an almost impossible threshold for parallel importer. If the CJEU purports itself as effecting a balance between a proprietor's rights and third-party rights, it is debatable that this balancing exercise has failed because the dictionary meaning of 'balance' is to even distribute something to create elements that are equal.⁶⁹² Demonstrating implied consent as evident on a national level in UK cases does not adhere to this definition because there is no equal distribution; the rights of a trademark owner arguably is more important. Thus, the 'balancing approach' promoted by the CJEU is perhaps a fallacy and it needs to re-examine its declaration on this. By re-articulating that there is no balance to be achieved because either the proprietor's rights come first or third-party rights as reflected in broader free movement principles come first, it would arguably relieve national courts of pressure in their attempt to equalise competing interests that have repeatedly demonstrated that they cannot be. Conceivably, the inconsistencies flowing from these balancing acts would decrease because courts for one, would focus less on exploring the contradictions which usually lead to conflicting statements and reasonings of the law. This way they can focus on a sort of order of priorities with clear indications of whose priorities come first.

⁶⁹²See for e.g. <<https://en.oxforddictionaries.com/definition/balance>> Accessed 4 January 2024.

6.5 Conclusion on empirical findings on exhaustion of rights:

6.5.1 Introduction

This section draws together the findings from the empirical study undertaken in this chapter. The conclusions reached provide not only the validation of the hypothesis of this study, but they also identify potential solutions to some of the inconsistencies. Specifically, the results from the empirical study prove this research's hypothesis that the inconsistencies identified within the area of exhaustion of rights, exhibit underlying patterns which link to broader inconsistencies within EU trademark law at a regional level.

This empirical data and analyses in this chapter demonstrate that inconsistencies exist not only on a sub level of differences in theoretical perspectives but also on an outward level of the differences in the number of factors courts consider in the repackaging criteria. It is debatable whether there is a link between outward and sub levels because focus on the different theoretical perspectives may well lead to focus on only specific factors to the exclusion of others.

The sections below 6.5.1 will consider these outcomes in more detail whilst the next section will provide a 'lessons learned' analysis through a set of recommendations for legislative reform.

6.5.1.a Proving the hypothesis of this research using the lens of exhaustion of rights

The data and analyses of the sets of repackaging and non-repackaging cases examined under exhaustion of rights, reveal that UK courts comply better in the consideration of the fewer criteria relevant for proving exhaustion of rights in the non-repackaging set. Compared to the set of repackaging cases which all demonstrate varying degrees of inclusion in the subsets (complying with the criteria), the data demonstrates that this position is accurate because all seven cases demonstrate full inclusion in the subset of decisions consistent with adhering to the criteria. The inference from this is that the data mirror the complexities and problems demonstrated in the contextual analyses of the relationships in the subsets. The more complex and convoluted trademark law evolves, the more likely it is that certain factors will slip through the cracks and

end up not considered by courts. This is supported by the evidence from the analysis that the parties did not raise these factors during the hearings, possibly because of how long-winded and time consuming it would take to prove or disprove each factor.

All the analyses of cases in the varying subsets reflecting inconsistency show that for the most part, UK courts do not consider some of the BMS conditions primarily because the parties do not present claims on them in the proceedings. This raises important questions as to whether courts are obliged to consider these factors even when they are not argued in infringement actions as the standing CJEU guidance is that the factors must be considered.

The analyses further show that these inconsistencies and ambiguities are a waste of courts' time and resources. The current situation is akin to courts attempting to separate eggs, butter, flour and sugar after the batter has been mixed. There are no clear indications where rights and interests of various competitors start and end.⁶⁹³ As a result of this, courts often spend enormous amounts of time sifting through the muddy jurisprudence in a bid to distil the essence of the law. As if this is not enough problems, they must also spend equally gruesome amounts of time sorting through factual submissions and related proofs. The ensuing effects are lengthy judgments cast in over a hundred paragraphs.⁶⁹⁴

This leads to the next point about the CJEU's jurisprudence in this area. The analyses show that every time the CJEU is asked to clarify a point of law, it results in more ambiguities on a national level. This has created two perceptible effects. Firstly, it seems to generate an almost never-ending cycle of referrals to the CJEU on similar points of law. An obvious explanation for this is that the Court constantly introduces new concepts and requirements to the point that national courts find it strenuous keeping up. Secondly and by implication, it has inadvertently fashioned the national courts as a vetting body in charge of screening repackaged and relabelled goods.⁶⁹⁵ Such burden on courts is obviously a misplaced priority

⁶⁹³See for example in *Boehringer Ingelheim Pharma GmbH & Co KG v Swingward Limited* [2008] EWCA Civ 83 paragraph 2.

⁶⁹⁴See for example the *Boehringer* 2004 case where the decision was cast in 114 lengthy paragraphs while the *Glaxo* 2000 case was 194 lengthy paragraphs excluding addenda.

⁶⁹⁵See for example in *Boehringer Ingelheim Pharma GmbH & Co KG v Swingward Limited* [2004] EWCA Civ 129 paragraph 70 where numerous samples were submitted to the court.

and a waste of resources because the role of courts is to interpret the law, not to act as a vetting institution.

The analyses of the different subset relationships of the exhaustion of rights dataset has demonstrated effectively that all the extensive and exclusive rights granted to trademark proprietors are fundamentally at odds with the origin and quality functions linked with the theoretical justification of trademarks. They cannot be justified, nor should they even exist. The very concept of a trademark functioning as an origin and quality indicator is a very limiting one and cannot be reconciled with granting a proprietor, broader rights which require expansions of this limiting nature through exclusivity and other like avenues. As a result, all attempts to introduce balancing mechanisms (including free movement principles) have further exacerbated this initial defect of amalgamating two parallel ideas because of their obscurities and complexities. A prime example of this is the free movement principle which supposedly acts as a balancing mechanism by preventing proprietors from exercising their broad rights where it would lead to the artificial partitioning of the EEA Market. As the empirical findings above have demonstrated, parallel importers mainly focus on using the exhaustion of rights defence as opposed to alleging artificial partitioning of markets. An obvious explanation for this is that it is highly impractical for a parallel importer to demonstrate that the proprietor's exercise of his exclusive rights would lead artificial partitioning of markets because they are not privy to the inner workings of the proprietor's business and would struggle to gather any meaningful evidence towards any claim for this.

Thus, the granting of these broader rights to proprietors are superfluous and can be observed from the empirical findings to be one of the primary causes of the ambiguities and inconsistencies in this area. Following on from this, another key illustration of the datasets is that all the cases in the non-repackaging subset have full inclusion in the set of consistent decisions while the repackaging subset cases have varying degrees of inclusion in the set of consistent decisions. Given that most of the factors used as empirical indicators of the varying degrees of consistency in the repackaging subset are made up of the 5 BMS criteria, it is

discernible that the more complex the criteria for infringement, the more disused it is likely to be. This is particularly evident when compared to the non-repackaging subset where all cases had full inclusion in consistency because its empirical indicators consisted of only the three factors required to prove exhaustion of rights. Thus, on a national level, 'less is more' and reflects the need for a minimalistic approach which appears to be more effective in adhering to the criteria developed on the regional level.

Even in instances where there is full inclusion in the set of cases⁶⁹⁶ which considered all the necessary criteria, there are inconsistencies on a sub-level found in differences as to the correct interpretation of the law. The tension between free movement principles and trademark law is still evident despite numerous references to the CJEU. Particularly, the issue of whether a proprietor is allowed to rely on his rights under Article 7(1) in cases where his conduct in dealing with his trademark goods demonstrate that it will impede on free movement of goods or would be an abuse of a dominant market position as enshrined by Articles 34 and 36 TFEU. Although no reference on this specific question has been made to the CJEU recently, its jurisprudence over the years has led UK courts to be split on the meaning and scope of the provisions. Specifically, because it has been noted to have declared the provisions of Articles 5 and 7 of the TMD as embodying a complete harmonisation of trademark rules while also declaring that Articles 5 and 7 of the TMD must share the same interpretation with free movement principles espoused in Articles 34 and 36 TFEU. On a national level, this contradiction re-enacts itself as the analyses in the non-repackaging set shows. On the one hand, there is the opinion that trademark law and competition laws do not exist in isolation and thus, if there is evidence of distortion to free movement principles, a proprietor should not be able to rely on his rights under Article 7(1).⁶⁹⁷ On the other hand, there is the opinion that the TMD provisions represent a complete harmonisation of trademark laws and if Community legislature intended for free movement principles to be an exception, it would have been included in the TMD. Therefore, the TMD provisions should be interpreted as a stand-alone without

⁶⁹⁶See the non-repackaging set.

⁶⁹⁷Oracle America, Inc (Formerly Sun Microsystems, Inc) v M-Tech Data Limited, Stephen Lawrence Lichtenstein [2010] EWCA Civ 997.

reference to the free movement principles enshrined in the TFEU.⁶⁹⁸ This could be achieved through the provision of explicit clarification that the interpretation of Articles 5 and 7 of the TMD should be detached from the broader free movement of goods principles contained in Article 34 and 36 TFEU.⁶⁹⁹

The inconsistencies in this area of law provide enough ambiguities for the monopolistic attributes of trademarks to thrive on and succeed in obtaining extensive legal protection for their dominant market share. This is particularly observable in the overall picture of the data on exhaustion of rights where the overall judgment in favour of the trademark owner is seen at 53.6% compared to those of the parallel importer which is at 28.6%.

Thus, the observations noted from the analyses in the non-repackaging subset show that the act of attempting to balance equally competing interests is a failure because most of the requirements by the CJEU show that the law places a very difficult burden on a parallel importer to fulfil equally difficult thresholds. Two clear examples are the BMS conditions and the concept of implied consent. In light of such arduous tests an importer is required to pass, it is questionable when the CJEU purports to adopt a balancing approach between competing interests which the data and analyses show that it has embraced a peculiar pecking order to the benefit of the trademark owner more so than other third-parties.

6.5.1.b Inconsistency regarding the meaning of control: Placed on the market by the trademark owner or with his consent

Case examples: Flynn Pharma v Drugsrus and Doncaster Pharmaceuticals v Bolton Pharmaceutical.

One of the key directions by the CJEU regarding the placing of goods on the market by the trademark owner or with his consent relies heavily on the notion of control. As established in Hag II, “For the trade mark to be able to fulfil [its] role, it must offer a guarantee that all goods bearing it have been produced under the control

⁶⁹⁸Sun Microsystems Inc v M-Tech Data Limited, Stephen Lawrence Lichtenstein [2009] EWHC 2992 (Pat).

⁶⁹⁹See Recommendations in Section 6.6.

of a single undertaking which is accountable for their quality.”⁷⁰⁰ It could be argued that the Flynn case demonstrates that the requirement of ‘control’ is ambiguous as opposed to specifying that the ‘goods have to come from the same manufacturer’. This is because control can have different meanings in different contexts; particularly in terms of which ‘entity’ exercises control. For instance, in this case, the UK Court of Appeal interpreted ‘control’ strictly from the current trademark owner’s perspective without considering it from the angle of the original owner:

In my judgment the resolution of a case such as this involves a dual enquiry. Firstly, are the goods which the alleged infringer wishes to import goods which have been placed on the market by the trade mark owner or with his consent? Secondly, even if the answer to the first question is “no”, *is the party who did place the goods on the market under a trade mark also in effective (“unitary” to use the [Ideal Standard](#) terminology) control of the trade mark which is sought to be enforced?* Translated into the facts of this case, it is necessary, in my judgment, to ask, firstly, whether the goods which Flynn seeks to oppose, by the enforcement of its trade mark, are goods over which it had the ability to exercise control before they were placed on the market in the exporting state. *Secondly, it is necessary to ask whether the links which exist between Flynn and Pfizer are such that use of the trade mark Flynn should be regarded as being under the (unitary) control of Pfizer.*⁷⁰¹ *(emphasis added)*.

Whilst the first question in the quote above is in line with the wording of the Directive, the second question deviates from the CJEU directions in the Ideal Standard case where it explained that ‘control’ can be observed in a variety of contexts such as:

In all the cases mentioned, control was in the hands of a single body: the group of companies in the case of products put into

⁷⁰⁰CNL-Sucal v Hag (HAG II) Case C- 10/89 [1990] ECR I-3711 paragraph 13.

⁷⁰¹Flynn Pharma v Drugsrus [2017] EWCA Civ 226 paragraph 68.

circulation by a subsidiary; *the manufacturer in the case of products marketed by the distributor*; the licensor in the case of products marketed by a licensee. In the case of a licence, the licensor can control the quality of the licensee's products by including in the contract clauses requiring the licensee to comply with his instructions and giving him the possibility of verifying such compliance... It must further be stressed that the decisive factor is the possibility of *control over the quality of goods*, not the actual exercise of that control.⁷⁰² (*emphasis added*).

Therefore, by placing emphasis on the current 'control of the trademark' instead of 'control of quality of goods', the UK Court of Appeal chose to interpret the requirements differently. Furthermore, even though it subsequently asked the relevant question of 'control of quality of goods', the focus was on whether (or not) the current trademark owner could control the quality of the goods.

Conversely, it could be argued that the UK court was merely adhering to the precise wording of the TMD which is; 'put on the market in the Community under that trade mark by the proprietor or with his consent'. A contextual explanation for this is that a key practice of UK courts utilising statutory interpretation rules is to start with a literal interpretation of relevant law. This literal interpretation of the Directive suggests that it is inconsistent with the subsequent interpretation which is contained in the CJEU directions in the *Ideal Standard* case. The UK High Court which heard the Flynn case first in the appellate history also appeared to adopt this literal approach used by the Court of Appeal.⁷⁰³ The idea which can be observed in the CJEU quote above from the *Ideal Standard* case is that in all three examples of situations which a single body is in control of the quality, there is a common denominator of having control and oversight of the production process. The Doncaster

⁷⁰²(C-9/93) *IHT International v Ideal-Standard* [1994] ECR I-2789 paragraphs 34-38.

⁷⁰³*Flynn Pharma v Drugsrus* [2015] EWHC 2759 (Ch) paragraph 75.

Pharmaceutical⁷⁰⁴ case on the other hand adhered to this CJEU direction by focusing on whether the original owner was still in control of the quality of goods as opposed to control of the trademark in the Flynn case.

6.5.1.c Application of Article 7 TMD exhaustion of rights

Another interesting point is that the exact premise and wording in which both provisions (1) and (2) of Art 7 of the TMD was instituted was based on the ‘right of first sale’. This principle entitles the trademark owner to be the first to introduce goods to circulation within the market and enjoy the unique advantage of profiting from the fruits of his labour in such venture before anyone else. This principle can be seen to be linked to the ‘utilitarian/economic’ theory of trademark which is rooted in the justification of trademarks as a profit-making tool of the proprietor.⁷⁰⁵

This inconsistency in the application of Art 7 is accentuated by the CJEU’s interpretation that “exhaustion of rights, applies where the owner of the trademark in the importing State and the owner of the trade mark in the exporting State are the same or where, even if they are separate persons, they are economically linked”. This requirement that owners are ‘economically linked’ reinforces the argument that it is inconsistent with the requirement of ‘control of quality of the goods.’ This is so especially because the condition of ‘economically linked’ has origins in the ‘utilitarian/economic’ theory of trademark which has a strong focus of ‘profit-making’ or commercial benefit of the trademark owner and is thus, a proprietor focused interest. When this is compared with the condition of ‘control of quality of goods’ which has a strong consumer-benefit focus, it is anomalous because these two competing interests cannot be reconciled. Being economically linked does not necessarily equate to control of the quality of the goods being in the hands of a single entity. Two trademark owners can be economically linked without necessarily having control of quality vested in either of them. Control of quality can be split between two trademark owners economically linked.

⁷⁰⁴[2006] EWCA Civ 661 paragraph 86.

⁷⁰⁵See chapter 3 on theoretical justifications of trademarks.

6.6 Recommendations for legislative reform

6.6.1 Introduction

This section follows on from the categorisation and classification of the inconsistencies identified in the previous section to the effect of providing a set of recommendations tailored to these problems. It is important to clarify that most of the recommendations proffered are specifically designed to deal with the issue of exhaustion of rights because they flow from the empirical study and analysis undertaken in the first parts of chapter 6 in sections 6.2 to 6.5. As such, the recommendations do not deal with EU trademark law in general, although, there are some general lessons that emerge which may be useful to other aspects of EU trademark law. In this regard, it is argued that the way courts treat the exhaustion of rights should inform their approach and mechanisms when dealing with the general provisions of European trademark law. Therefore, the recommendations are structured in two parts. The first part deals with the specific lessons learned from the exhaustion of rights empirical study whilst the second part deals with the general recommendations that could apply to other parts of EU trademark law.

6.6.2 Brexit Implications

6.6.2.1 Introduction

The UK's exit from the EU in 2020 was colloquially termed as "Brexit" and refers to the official contractual arrangements for the UK withdrawing from the Union since its entrance in 1972. The UK-EU Withdrawal Agreement⁷⁰⁶ sets out the agreed terms of Britain's departure in all areas of law. Specifically, the arrangements for the protection of intellectual property are dealt with by providing a clone of pre-existing EU IP rights to the UK systems. The position for pre-existing registered trademarks before the end of the transition period were recognised as comparable new rights.

⁷⁰⁶ Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community 2019/C 384 I/01 <<https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1580206007232&uri=CELEX%3A12019W/TXT%2802%29>> accessed 20th February 2024.

Regarding exhaustion of rights, those rights that were exhausted before the end of the transition period remain exhausted but from 1 January 2021, goods placed on the UK market will not be considered exhausted in the EEA and will require consent. On the other hand, the UK government at present has opted for the continued preference of regional EEA exhaustion regime, meaning that goods placed on the EEA market are still deemed exhausted in the UK even after 1 January 2021.

Most importantly regarding the position of judicial enforcement of EU-wide rights, the Withdrawal Agreement stipulates that all infringement proceedings commenced before the end of the transition period⁷⁰⁷ shall continue to apply existing EU rules on jurisdiction and enforcement and the length of the case shall not affect this stance. However, after the transition period existing EU rules ceased to have effect in the UK although the CJEU will continue to have jurisdiction over some areas for as long as those areas in the Withdrawal Agreement are still in being used, specifically Part II of the Withdrawal Agreement which concerns the rights of citizens.⁷⁰⁸ Thus, the CJEU still has jurisdiction over the interpretation and application of EU law where those rights are triggered. A key part of this jurisdiction of the Court is the retaining of the preliminary ruling reference procedure. UK courts can still send preliminary reference questions to the CJEU to get clarification and preliminary ruling on the interpretation of any aspect of Part II of the Withdrawal Agreement which covers citizens rights, for a period of eight years after the end of the transition period. This means that UK court can still submit questions about EU citizens' rights in until at least the end of 2028. As such, for the purposes of this thesis, the recommendations that are proposed below provide the UK the unique opportunity to include in its long-term negotiations and discussions with the EU, a proposal about clarifying the general ambiguities and reconciling the inconsistencies found within EU trademark law through amendments to the Withdrawal Agreement.

6.6.3 Recommendations in light of Brexit

⁷⁰⁷The transition period ended 31 December 2020.

⁷⁰⁸House of Commons Library, <<https://commonslibrary.parliament.uk/brexit-next-steps-the-court-of-justice-of-the-eu-and-the-uk/>> accessed 20th February 2024.

6.6.3.1 Specific Recommendations applicable to exhaustion of rights

1. There needs to be concrete definition of the principle of 'control' in the delineation of exhaustion of rights. For example, should the focus be on control of quality of the goods or control of the trademark? This needs to be clarified as the practical implications may influence the outcome of a case as seen in the *Flynn* and *Doncaster* cases respectively.
2. Furthermore, on the notion of control within exhaustion of rights, there needs to be additional clarification on the range and type of circumstances which will be deemed as acceptable proof of control. Should these be limited to the conventional forms of control like formal stipulations in licenses or should it be made available to other non-conventional forms of control? The exact scope of proof of control should be outlined as comprehensively as possible.
3. There is also the issue of whether an assignment of a trademark can fulfil the requirement for control. If an assignment effectively transfers full ownership of property in goods, then it follows that any formal stipulations relating to the quality of the product which an assignor includes in the assignment contract can be ignored by the assignee and the assignor has no means of ensuring that his stipulations are adhered to. Although the threat of an action for breach of contract in such cases are imminent, should it serve as a non-conventional method of control of the quality of goods where an assignor has used it?
4. The requirement of demonstrating economic links should become a more streamlined and formal process to facilitate clarity and ease of use in the trademark industry. Trademark proprietors could be made to assume more efficient responsibilities such as declaring their economic links on the relevant trademark registers. Particularly in the case of assignments of marks which involve two completely independent companies as opposed to assignments involving parent and subsidiary companies.
5. There needs to be clear rules on the application of exhaustion and the *BMS* conditions, particularly on whether there is need for the pre-condition of 'put on the market by the trademark owner or with its consent' before the application of the *BMS* criteria or if the *BMS* criteria are not dependent on the pre-condition and can be enforced on their own in repackaging (not rebranding) cases.

6. The interpretation of what constitutes consent should be further explained to consider situations where the trademark owner has involved a middleman, carrier or agent in the transportation of the goods. Crucial questions such as; if and when property has passed in such instances will be needed in determining whether the goods have been placed on the EEA market with the trademark owner's consent as was seen in the *Glaxo v Dowelhurst* case. International trade contract terms (Incoterms) such as FCA, CIF, etc, will also have significant implications on when property in the goods passes from seller to buyer to determine what market the goods are first placed on. Although this is venturing into the realms of Contract law and International trade law, they are necessary for the efficacy of trademark law. Alternatively, a much less complex approach would be for the UK to expand the scope of the requirement of EEA wide exhaustion to international exhaustion. It is argued that the concept of EEA wide exhaustion has no basis in the theoretical utilitarian justification of allowing the proprietor to first reap the financial rewards of putting the goods in circulation. This is because if the goods have already been put in circulation on any market in the world, the proprietor would have already received his economic returns on them. Although this would be contravening the safe guarding of the Internal Market, it could be a catalyst for change within EU trademark law.

7. The CJEU requirement of unequivocal implied consent of the trademark owner with regards to when the goods are first placed on the EEA market is ambiguous and gives room for inconsistencies. The trademark proprietor (not the parallel importer) should be made to demonstrate this unequivocal consent through more concrete means. Given that trademark law grants the owner of a trademark exclusive rights which have serious limiting consequences for parallel importers, the law should impose corresponding responsibilities on a trademark owner specifically with regards to parallel imports. One of such means could be that the trademark owner should be formally required to take measures⁷⁰⁹ to distinguish between the classes of goods for sale within the EEA and outside it as a means of demonstrating his actual consent unequivocally. It is argued that this would provide much needed clarity to parallel importers and mean less time for

⁷⁰⁹For example, marking or colouring the goods separately.

courts to spend deducing whether the proprietor has given his unequivocal consent or not. It could also have the potential effect of reducing the number of litigation claims in this area because parallel importers would have a more astute method of verifying the classes of goods that are legitimate under trademark law.

8. Another practical means to making the requirements for implied consent clearer could be to provide some formal examples of factors which can be used to demonstrate economic link to prove implied consent. The judgment delivered by Jacob LJ in the Court of Appeal case of *Mastercigars Direct Ltd v Hunters & Frankau Ltd* would be a useful starting point. Some examples from that case could be factors like; the proprietor receiving royalties in relation to the mark, actual control by the proprietor of the agent who sells to the importer (perhaps direct control of staff), commercial restriction by the proprietor of the amount that can be sold for foreign export (for e.g. through the use of invoices). Of course, the factors do not have to be exhaustive, but they would be a starting point for parties to examine the strength and merits of their cases and also guidance for courts. These could also be open for public consultation and the list could be added on to, based on suggestions from interested parties.

9. Regarding the point of implied consent, it is submitted that the concept of implied consent should be totally excluded as the data and more recently, the case of *Marussia Communications Ireland Ltd v Manor Grand Prix Racing*⁷¹⁰ has demonstrated the obscurities surrounding any attempt to imply consent on the part of the trademark owner. Lord Males has suggested that any implication of consent under English contract law rules may amount to no more than deemed consent which is not compatible with the consent required under EU trademark law as required by the CJEU.⁷¹¹ Conversely, if a total exclusion is not feasible, it is submitted that it would be particularly useful to provide some non-exhaustive examples which courts could be guided by. Lord Neuberger has suggested that English courts would be prepared to consider that a statement or mark could be interpreted as consent if it is proven that it is widely accepted as a custom of the

⁷¹⁰[2016] EWHC 809 (Ch).

⁷¹¹*Marussia Communications Ireland Ltd v Manor Grand Prix Racing Ltd* [2016] EWHC 809 (Ch) paragraphs 63-66.

trade.⁷¹² Legal draftsmen would be required to contemplate on which examples of current customs of trade would be clear enough to satisfy the requirements of unequivocal implied consent.

10. Clearer instructions should be provided regarding the emphasis on the type of evidence provided in support of proving that a parallel importer has effective access to a market. By way of example with regards to pharmaceutical products, the focus should be on whether emphasis should be placed on the percentage of prescriptions written or on the percentage of prescriptions filled in practice. Observations from the dataset has shown that these varying considerations have important consequences for the outcome of a case. The former has the capacity to favour proprietors and reinforce their broad rights because of the inherent practice of doctors generically writing prescriptions. The latter may act as a balancing mechanism of the broad rights of proprietors by examining the real-world practice of filling prescriptions which may demonstrate that pharmacists and consumers prefer a specific brand in comparison to others. Thus, aiding a parallel importer establishing strong resistance from a significant portion of the consuming public.

11. Clearer definition of what constitutes unfair advantage in exhaustion cases is needed. Clarity is particularly needed on if courts should treat any commercial advantage gained as the primary reason for parallel importation. This has practical implications on the outcome of a case as was seen in the High Court and Court of Appeal cases of *Speciality European Pharma Ltd v Doncaster*.

12. The BMS requirement of advance notice to the proprietor is hardly objective as it is demonstrable from the *Glaxo 2000* case that no matter the type of repackaging or relabelling used by the importer, the proprietor is prone to object from his subjective view.⁷¹³ In this case, the proprietor alleged that repackaging was not necessary as all the importers had to do was relabel. However, it also simultaneously alleged infringement because the relabeling in other instances carried out by the importer was also unnecessary. If both forms are unnecessary,

⁷¹²Roche Diagnostics GmbH v Kent Pharmaceuticals Limited [2006] EWCA Civ 1775 paragraphs 26-28.

⁷¹³Glaxo Group Limited and The Wellcome Foundation Ltd v Dowelhurst Limited Ltd 2000 WL 191144 paragraph 6.

how is a parallel importer expected to gain effective market access? The same argument may be made regarding the rest of the *BMS* conditions as the proprietor would seek to allege infringement by relying on them once he has received advance notice. To combat this subjectivity, if the UK Parliament decides to retain use of the *BMS* conditions, trademark legislation could be updated to provide for special mechanisms to make the repackaging and relabelling of goods more transparent. For example, an independent department within the UKIPO could be created to oversee the process. Similar to the process in registrations of trademarks, parallel importers could (for a minimal fee) be required to apply for certification of the repackaging or relabelling, submit relevant samples, respond to any objections raised and then given a certificate of completion of process which would enable them trade more confidently. This option will prove to be more advantageous over costly and long-winded litigation options. It will also reduce the burden on courts and stop the current practice of waste of courts time through having to decide on minutiae.⁷¹⁴

13. There needs to be an explicit legislative statement clarifying whether the test of necessity pervades all aspects of the *BMS* conditions or if it is solely restricted to whether repackaging or relabelling is necessary to gain effective market access. As the *Boehringer* cases has demonstrated, there is a divisive opinion across the different Member States as to the correct meaning of the CJEU's guidance. Although English courts have taken the position that the test of necessity is not suffused in all the *BMS* requirements, it would be beneficial for any future legislative action to consider entrenching this position clearly in UK trademark law to put a final nail in the coffin of such debates.

14. There also needs to be a clear articulation of whether UK courts are obliged to consider all the *BMS* conditions in a repackaging proceeding or whether they be limited to just the specific arguments which are put by the parties. Even though CJEU jurisprudence creates expectations that national courts should address all the conditions when the point of law arises, for clarity purposes and to manage

⁷¹⁴See for e.g in *Boehringer Ingelheim Pharma GmbH & Co KG v Swingward Limited* [2008] EWCA Civ 83 paragraph 65 where Lord Justice Jacob stated that the previous decisions of Justice Laddie was reduced to deciding minutiae.

the expectations, the specific approach the UK courts are willing to adopt as a matter of policy should be transparent.

6.6.3.2 General Recommendations applicable to all provisions of EU trademark law

15. The UK may want to re-articulate the specific theoretical justifications which provide better explanations for trademark rights and responsibilities. In particular, there should be explicit guidelines for the specific circumstances in which courts should consider the different theoretical justifications in order to avoid inconsistencies in the scope of protection.

16. There needs to be further clarity in terms of the relationship between free movement rules and the intersection with exhaustion principles. For example, the distinction between repackaging and relabelling cases and the different rules applicable to both as stated by the CJEU in the case of *Pharmacia & Upjohn SA*.⁷¹⁵ The inconsistency present in the distinction became apparent when the CJEU later contradicted itself by stating that the different rules (Articles 34 and 36 TFEU and Article 7 TMD) applicable should be given a single meaning. As seen from the empirical analysis, on a national level this created problems because of the inherently inconsistent nature of both provisions which are understood to pursue different goals. This contradiction created the unfortunate scenario of further interpretational discrepancies as seen in the Flynn case where Justice Floyd chose to interpret the Treaty Articles directly instead of substituting them for ‘bright line rules’ or ‘sub rules’ which he was wary of the danger associated with them.⁷¹⁶ Furthermore, since the CJEU has been seen to consider that repackaging is necessary only when relabelling will not grant effective market access, it is obvious that it regards repackaging as a more blatant form of infringement.⁷¹⁷ There seems to be no point in making this distinction if the same rules should apply to both repackaging and relabelling.

⁷¹⁵The CJEU stated that relabelling cases should be governed by Articles 34 and 36 TFEU (ex-Articles 28 and 30 European Community Treaty) instead of Article 7 TMD. (Case C-379/97) *Pharmacia & Upjohn SA (Formerly Upjohn SA) v Paranova A/S* [1999] E.T.M.R. 937 paragraphs 28 & 29.

⁷¹⁶*Flynn Pharma v Druggsrus* [2017] EWCA Civ 226 paragraph 62.

⁷¹⁷(Case C-143/00) *Boehringer Ingelheim KG v Swingward* [2002] 3 W.L.R. 1697 paragraphs 48-50.

17. Furthermore, there needs to be explicit clarification on whether the interpretation of Articles 5 and 7 of the TMD should be detached from the broader free movement of goods principles contained in Article 34 and 36 TFEU. Current CJEU jurisprudence is confusing on the matter. On the one hand, it has stated that Article 5 and 7 represent a complete harmonisation of trademark rights of a proprietor. On the other hand, it stated Articles 5 and 7 of the TMD and Articles 34 and 36 TFEU should be interpreted in the same way. Unfortunately, the dichotomy in this approach is observable. Articles 5 and 7 of the TMD do not appear to be a complete harmonisation on trademark proprietors' rights because they do not include provisions for ensuring that the exercise of the exclusive rights do not constitute an impediment to the overarching free movement of goods or abusing a dominant market position within the EU. Consequently, this has created split opinions in UK courts⁷¹⁸ as to what the proper approach to interpretation should be; should the TMD be read and interpreted on its own or should its meaning be regulated by the principal intention of the EU Treaty where it is likely that a stand-alone meaning given would violate Treaty requirements? Although the UK Supreme Court has taken a stance that the exercise of the proprietor's exclusive right to first market the goods in the EEA as contained in Article 7(1), is not governed by free movement principles even where there the proprietor's use of the mark is likely to distort free competition or free movement rules,⁷¹⁹ it would still be useful to adopt a clear statement on the position in a future trademark legislation. The statement should make it clear if the rights of the proprietor under Article 7(1) is subject to the free movement provisions under Articles 34 and 36 TFEU or if there is an option to opt-out of Treaty rules. There could be further consultation from sectors with interest in these questions.

18. With regards to Articles 34 and 36 TFEU and their applications to trademark law, it would be useful to provide a list of trademark proprietor activities or examples which would be deemed as 'quantitative restrictions on imports and all measures having equivalent effect'. It would also be useful to provide examples of

⁷¹⁸See for e.g the case of Oracle America, Inc (Formerly Sun Microsystems, Inc) v M-Tech Data Limited, Stephen Lawrence Lichtenstein [2012] UKSC 27 where the Court of Appeal views differed from those of the High court and the Supreme Court.

⁷¹⁹Oracle America, Inc (Formerly Sun Microsystems, Inc) v M-Tech Data Limited, Stephen Lawrence Lichtenstein [2012] UKSC 27.

trademark proprietor activities which would be deemed as 'arbitrary discriminations' or 'disguised restriction on trade'. The examples to be provided do not have to be an exhaustive list and could be continuously updated considering new evidences that become apparent. However, it would clarify the position and practices which are acceptable within the realms of the law. This way, both proprietors and parallel importers can have a reference point of what the measure standard is and what to avoid. This could also save litigation costs in the long run.

19. The rules relating to joint liability in trademark infringements should be expressly articulated mainly because there has been no effectively clear harmonisation in this area on an EU level.⁷²⁰ The UK legislators should make it clear under what conditions a person or company becomes an accessory in liability for trademark infringement. At the moment, UK courts rely primarily on the tort of joint liability to resolve issues in this area of law as there is nothing explicitly in the Trade Mark Act 1994 that makes provisions for this.

20. The challenges of the 'balancing acts' performed by courts should be reviewed. As the UK is set to leave the EU, the selection of its future political and economic interests and policies would be the deciding factor as to whether it chooses to forgo the balancing act purported by the CJEU and institutes a hierarchy of rights within trademark law. Arguably, an approach utilising a vertical hierarchy of rights would create more certainty and less confusion and inconsistencies in the law than the current horizontal approach which the CJEU favours because each party (as well as courts) would be able to tell exactly where they are on hierarchical ladder.

Chapter 7: Wider Implications- Trademarks, the notion of property, a Marxian perspective and radical

⁷²⁰L'Oreal SA v eBay International AG [2009] EWHC 1094 (Ch) paragraphs 1 & 344.

economics: towards a sustainability (not equilibrium) discourse

7.1 Introduction

“The wild dogs cry out in the night
As they grow restless, longing for some solitary company
I know that I must do what's right
As sure as Kilimanjaro rises like Olympus above the Serengeti
I seek to cure what's deep inside, frightened of this thing that I've
become”

~Lyrics from Toto's Africa

The lyrics above are analogous to the current inconsistencies facing EU trademark law (discussed in chapters 5 and 6) in the sense that the confusion that has arisen from something so seemingly simple gives cause for concern. One of the final conclusions reached in chapter six is that EU trademark law is now unnecessarily convoluted.⁷²¹ Another key conclusion reached was that the act of balancing competing interests is one of the major causes of the inconsistencies and ambiguities in this area.⁷²²

This chapter seeks to address the central question initially posed in the outline of the four interrelated indicators⁷²³ of inconsistencies in EU trademark law identified in the hypothesis section of chapter 1 of this thesis. This chapter argues that this central question of whether there is a single unifying rationale or logic to these four areas explored in this thesis, can be answered by consideration of the wider economic and property contexts in which trademark laws operate because there is an interdependency. In simple terms, the key contribution of this chapter is to demonstrate why these inconsistencies have taken root within the current system

⁷²¹See chapter 6 on Empirical findings.

⁷²²See chapter 6 on Empirical findings.

⁷²³To recap, the four areas are: the legacy of the legal ambiguity that followed the negotiations of the first Trademark Directive; the continuing uncertainty and differences in national approaches to trademark law; the on-going opportunity for interpretive challenges to the Directives; the inconsistent judgments in the trademark cases.

and EU trademark law has struggled to find consistency in its footing. It will also be shown that this interdependency of trademark law and the wider economic and property contexts in which it functions is an integral part of the debates which underpin and influence the nature and categorisation of the inconsistencies that have been explored in the preceding chapters of this thesis.

As such, the structure of this chapter is as follows. Firstly, consideration will be given to the broader economic attitudes that pervade trademark law and utilise it for its own end. Secondly, an examination of the links with notions of private property theories will be explored. Thirdly, it draws links between the notions of private property and the capitalist discourse and examines whether trademarks are being used as exploitative tools in ways which trigger inconsistencies. Finally, it concludes and argues that the above examinations demonstrate that EU trademarks are influenced by these wider contexts and may be attributed as the single unifying rationale for the four areas of inconsistencies identified in chapter 1.

7.2 The role of Competition principles

Based on the analysis and findings from Chapter 6, one of the causes of inconsistencies in EU trademark law appears to stem from trying to balance competing interests that have both internal and external factors.

When scrutinised, this balancing act appears to stem from broader orthodox economic principles such as the theory of general equilibrium regarding the perfection of the free market or competition.⁷²⁴ Orthodox economic principles tend to be obsessed about whether the free market is inclined towards achieving equilibrium or pareto efficiency. Equilibrium alludes to a specific market state where there is a balance between supply and demand. Pareto efficiency is an efficiency concept where in any allocation of resources, it is impossible to make someone better off without making someone else worse off. Traditional economists like Adam Smith and Leon Walras propounded that free markets

⁷²⁴Leon Walras, *Studies in Social Economics* (Jan van Daal & Donald A. Walker trs, Routledge 2010); Pascal Bridel, *Money and General Equilibrium Theory: From Walras to Pareto* (1870-1923) (Edward Elgar Publishing 1997); Pascal Bridel (ed), *General Equilibrium Analysis: A Century after Walras* (Routledge Studies in the History of Economics, Routledge 2001).

gravitate towards the concept of equilibrium because there is an invisible hand guiding it.⁷²⁵ However, Lachmann has argued that markets are never in a tendency to reach equilibrium, rather they are unstable and ridden with subjective knowledge and expectations.⁷²⁶ Thus, the concept of equilibrium is not mathematically provable in the context of either a general or partial market.

The above notions have direct bearing on trademark law because the idea of the free market is one which is inextricably linked to EU trademark law. This is so because trademarks operate within the sphere of the Internal Market of the EU which adopts a free market structure. The same imperative of seeking balance within the free market or free competition pervades EU trademark law. The analogies that can be drawn are quite succinct; in both cases equilibrium is highly sought after to ensure that one competing interest does not dominate others, leading to a system collapse or instability. In this sense, the legal rules in the EU trademark system have a direct impact in the wider functioning of the free Internal Market because the excessive protection of one competing interest could lead to an inevitable collapse of the system. In the context of inconsistencies and ambiguities in EU trademark law, these arise because the interests of proprietors have considerably more protection in law (monopolistic tendencies) and naturally, it leads to a state of disequilibrium which is considered inconsistent with free market and competition ideals. The courts (both CJEU and national courts) being the intermediaries are tasked with the difficult job of attempting to achieve market equilibrium through the legal aspect of this state of relationships. When examined closely, this is an unfair role to place on courts since it involves pursuing balance between two disjunctive economic concepts⁷²⁷ without comprehensive specialist and technical knowledge of the inner workings of these economic concepts. The disjunction of these concepts become even more recognisable in the ambiguous nature of competition as alluded to by Foster and McChesney.⁷²⁸

⁷²⁵Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (James E. Thorold Rogers, volume 2, Oxford: Clarendon Press 1869).

⁷²⁶Ludwig M. Lachmann, *The Market as an Economic Process* (Blackwell Publishing 1986).

⁷²⁷Glenn E. Hoover, 'Capitalism as a Progressive Economic System' (1942) 1(2) *American Journal of Economics and Sociology* 191.

⁷²⁸ John Bellamy Foster et al, 'Monopoly and Competition in Twenty-First Century Capitalism' (2011) 62(11) *Monthly Review*

<<https://monthlyreview.org/2011/04/01/monopoly-and-competition-in-twenty-first-century-capitalism/#fn5>> Accessed 4 January 2024; see also Joseph A Schumpeter, 'The

This ambiguity in the definition of competition is best elucidated using the account of Milton Friedman in his conservative classic titled *Capitalism and Freedom* where he stated that competition:

...has two very different meanings. In ordinary discourse, competition means personal rivalry, with one individual seeking to outdo his known competitor. In the economic world, competition means almost the opposite. There is no personal rivalry in the competitive market place. There is no personal higgling. The wheat farmer in a free market does not feel himself in personal rivalry with, or threatened by, his neighbor, who is, in fact, his competitor. No one participant can determine the terms on which other participants shall have access to goods or jobs. All take prices as given by the market and no individual can by himself have more than a negligible influence on price though all participants together determine the price by the combined effect of their separate actions.⁷²⁹

Using the above explanation, Foster and McChesney clarify that there is a huge disconnect between pure competition as understood in the context of economics and the reality of competition as understood and operated by businesses.⁷³⁰

Instability of Capitalism' (1928) 38(151) *The Economic Journal* 361–386 Available at <www.jstor.org/stable/2224315> Accessed 04 January 2024; Joseph A Schumpeter, *Essays of J.A. Schumpeter* (Richard V. Clemence ed, Cambridge: Addison-Wesley, 1951); Joseph A Schumpeter, *Capitalism, Socialism, and Democracy* (New York: Harper and Brothers 1942); Thorstein Veblen, *The Theory of Business Enterprise (Nature, Causes, Utility & Drift of Business Enterprise): A Political Economy Book* (Kindle edition, e-artnow 2016); Rudolph Hilferding, *Finance Capital: A study in the latest phase of capitalist development* (1st edition Routledge 2007); Vladimir Ilyich Lenin, *Imperialism, the Highest Stage of Capital* (New York: International Publishers, 1939).

⁷²⁹ Milton Friedman, *Capitalism and Freedom* (University of Chicago Press, 2002) 119-120.

⁷³⁰ John Bellamy Foster et al, 'Monopoly and Competition in Twenty-First Century Capitalism' (2011) 62(11) *Monthly Review* <<https://monthlyreview.org/2011/04/01/monopoly-and-competition-in-twenty-first-century-capitalism/#fn5>> Accessed 04 January 2024; see also Paul M. Sweezy, 'Demand Under Conditions of Oligopoly' (1939) 47(4) *The Journal of Political Economy* 568; Gavin C. Reid, *The Kinked Demand Curve Analysis of Oligopoly* (Edinburgh: Edinburgh University Press, 1981); John M. Blair, *Economic Concentration: Structure, Behavior and Public Policy* (New York: Harcourt Brace Jovanovich, 1972).

Again, they employ the account of Friedman in the definition of monopoly in economics to shed more light on the competition process in practice because a monopoly exists “when a specific individual or enterprise has sufficient control over a particular product or service to determine significantly the terms on which other individuals shall have access to it. *In some ways, monopoly comes closer to the ordinary concept of competition since it does involve personal rivalry*” (*emphasis added*).⁷³¹

This fundamental confusion between the normative and economic meanings of free competition is arguably one of the root causes of the ambiguities and inconsistencies in EU trademark law. The expectations that flow from both are completely disparate and affect the understanding and importance attached to specific (including legal) actions in the free market context.

As such, when courts attempt to undertake the fallible and Herculean responsibility of pursuing balance, the result has been a construction of fuzzy legal concepts which inherently reflect the polarity of these economic concepts in what is now a convoluted body of jurisprudence.⁷³²

The fact that proprietors are afforded exclusive rights in trademark law which evoke monopolistic attributes, triggers apprehension from the rest of society because of concerns that if left unfettered, it could adversely affect other businesses and consumers through high barriers to the free market entry and fixed high prices (with no lower costing alternatives) for consumers. This conception of the free market has been defined as one of the key elements of Capitalism. As defined by Hoover, capitalism is “An economic system characterized by a predominance of privately owned wealth, individual initiative, freedom of contract and a free market system.”⁷³³

Oppenheimer, however, rejects this definition and argues that:

There is no universal freedom of contract in capitalism
and no free market system throughout. The contracts
between workers and capitalists are made "under

⁷³¹Milton Friedman, *Capitalism and Freedom* (University of Chicago Press, 2002) 120.

⁷³²See chapter 6 on empirical findings.

⁷³³Glenn E. Hoover, ‘Capitalism as a Progressive Economic System’ (1942) 1(2) *American Journal of Economics and Sociology* 191.

duress," under the pressure exerted by a monopoly.

Capitalism is not, as Dr. Hoover supposes, the system of free competition.⁷³⁴

Foster and McChesney have examined this ambiguity in competition and explained that it occurs because the currently dominant neoliberal school of thought in economics has in practice, acquiesced to the idea of monopoly and become its greatest supporter even though theoretically, it is founded on a staunch attachment to the purported brilliance of economically competitive markets.⁷³⁵ They further argue that monopolisation is an inherent predisposition⁷³⁶ of capitalism and that historically observing the last quarter of the century, there has been the transitioning from this capitalist monopoly to a more globalised monopoly-finance capital. In rationalising this argument, they elucidate that monopoly is the logical end game of free competition which should be expected because the ultimate self-interest of businesses is to have as little competition as possible. To achieve this, the logical action is to pursue as much economic and monopoly power and concentration as they can get. Once this position is attained, the next logical step is to preserve this position through relative (not absolute) barriers to entry in the free market. Shepherd and Shepherd have both outlined twenty-two common barriers to entry which businesses use to preclude competitors and sustain their monopoly.⁷³⁷ These barriers include:

- 1) capital requirements, (2) economies of scale, (3) absolute cost advantages, (4) product differentiation, (5) sunk costs, (6) research and development intensity, (7) asset specificity, (8)

⁷³⁴Franz Oppenheimer, 'Capitalism and the Free Economy' (1942) 1(3) American Journal of Economics and Sociology 307; see also Joan Robinson, *The Economics of Imperfect Competition* (London: Macmillan 1933); Edward Chamberlin, *The Theory of Monopolistic Competition* (Cambridge: Harvard University Press, 1933); Mark Blaug, *Economic Theory in Retrospect* (Cambridge: Cambridge University Press, 1978).

⁷³⁵John B. Foster & Robert W. McChesney, *The Endless Crisis: How Monopoly-Finance Capital Produces Stagnation and Upheaval from the USA to China* (Monthly Review Press 2012).

⁷³⁶They use the phrase, "It is in the DNA of capitalism" see John Bellamy Foster et al, 'Monopoly and Competition in Twenty-First Century Capitalism' (2011) 62(11) Monthly Review <<https://monthlyreview.org/2011/04/01/monopoly-and-competition-in-twenty-first-century-capitalism/#fn5>> Accessed 4 January 2024.

⁷³⁷William G. Shepherd & Joanna M. Shepherd, *The Economics of Industrial Organization* (5th edition, kindle edition, Waveland Press, Inc. 2003).

vertical integration, (9) diversification by conglomerates, (10) switching costs in complex systems, (11) special risks and uncertainties, (12) information asymmetries, (13) formal barriers set up by government, (14) preemptive action by incumbents, (15) excess capacity, (16) selling expenses, including advertising, (17) segmenting of the market, (18) patents, (19) exclusive control over strategic resources, (20) taking actions that raise rivals' costs, (21) high product differentiation, and (22) secrecy about competitive conditions.⁷³⁸

In the list above, the relative barriers which *prima facie* relate to the use of trademarks as private property by businesses are; high product differentiation, formal barriers set up by government and taking actions that raise rivals' costs. Thus, any discussion about the discrepancies within the current protectionist system of Intellectual Property rights as they affect trademark law would be remiss without an exclusive consideration of the Marxism principles of ownership of private property. The self-seeking nature and characteristic of both trademarks and their proprietors' intentions and the imbalances emanating from them as discussed in the preceding chapters necessitate consideration of the wider implications for society. This chapter first considers whether the inconsistencies and ambiguities in EU trademark law can be explained as being a product of the broader failures of economic attitudes. At the heart of these discussions, a key exploration undertaken is the concept of trademark rights as private property using the Marxian viewpoint as an instrument to examine the wider implications in society of these imbalances. In this context, the final line of enquiry contemplates whether the current use of trademarks in EU trademark law acts as a tool contributing to mass exploitation of society when compared with their collective social utility.

⁷³⁸William G. Shepherd, *The Economics of Industrial Organization* (Prospect Heights, Illinois, Waveland Press, 1997) 210.

7.3 Can the inconsistencies and ambiguities in EU trademark law be explained as being a product of the broader failures of economic attitudes?

Foster and McChesney have argued that the broader market failures of economic stagnation and collapse resulting from monopolies⁷³⁹ are arguably because of the persistent denials of orthodox economics in the understanding and explanation of the real world, leading to devastating consequences.⁷⁴⁰ In this same vein, it is also arguable that the inconsistencies and ambiguities in EU trademark law emanate because broader orthodox economics failed to acknowledge the practical threat monopolies pose to the ideologies of pure competition. Due to its failure to recognise this dangerous existence, no formal measures have been undertaken to clear up the confusion and dichotomy on the broader economic level, which inevitably filtered to the legal structures of society.

The weight of the confrontation that emanated from this contradiction was a clear one; neoclassical economics faced a fundamental choice that shook its very foundations. It had the choice to either hold on to the ideologies of pure competition which had the connotations of perfect competition in the free market where emphasis is placed on the theory of equilibrium or to “...abandon these make-believe models in favor of greater realism.”⁷⁴¹ Unfortunately, the former was the dominant preference for neoclassical economic theorists who refused to let go of the idealistic paradigm even when confronted with its unsuitability to real

⁷³⁹ See for e.g. some studies done during the Great depression Adolf A. Berle and Gardiner C. Means, *The Modern Corporation and Private Property* (Kindle edition, 2nd edition, Routledge 1932); Arthur R. Burns, *The Decline of Competition: A study of the evolution of American industry* (1st edition, McGraw-Hill 1936); see also President Roosevelt in 1938 quoted in Ellis W. Hawley, *The New Deal and the Problem of Monopoly* (Princeton University Press, 1966) 412 as stating “concentration of private power without equal in history,” while the “disappearance of price competition” was “one of the primary causes of our present [economic] difficulties.

⁷⁴⁰ John Bellamy Foster et al, ‘Monopoly and Competition in Twenty-First Century Capitalism’ (2011) 62(11) *Monthly Review* <<https://monthlyreview.org/2011/04/01/monopoly-and-competition-in-twenty-first-century-capitalism/#fn5>> Accessed 4 January 2024; John Bellamy Foster, *The Theory of Monopoly Capitalism* (New York: Monthly Review Press 1986) 53-55

⁷⁴¹ John Bellamy Foster et al, ‘Monopoly and Competition in Twenty-First Century Capitalism’ (2011) 62(11) *Monthly Review* <<https://monthlyreview.org/2011/04/01/monopoly-and-competition-in-twenty-first-century-capitalism/#fn5>> Accessed 4 January 2024.

market settings. In fact, this led to the famous British economist, John Hicks observing that:

If we assume that the typical firm (at least in industries where the economies of large scale are important) has some influence over the price at which it sells...[it] is therefore to some extent a monopolist.... Yet it has to be recognized that a general abandonment of the assumption of perfect competition, a universal adoption of the assumption of monopoly, must have very destructive consequences for economic theory. Under monopoly the stability conditions become indeterminate; and the basis on which economic laws can be constructed is therefore shorn away....

It is, I believe, only possible to save anything from this wreck—and it must be remembered that the threatened wreckage is the greater part of [neoclassical] general equilibrium theory—if we can assume that the markets confronting most of the firms with which we shall be dealing do not differ very greatly from perfectly competitive markets.... Then the laws of an economic system working under perfect competition will not be appreciably varied in a system which contains widespread elements of monopoly. At least, this get-away seems well worth trying. We must be aware, however, that we are taking a dangerous step, and probably limiting to a serious extent the problems with which our subsequent analysis will be fitted to deal. Personally, however, I doubt if most of the problems we shall have to exclude for this reason are capable of much useful analysis by the methods of economic theory.⁷⁴²

Conversely, Schumpeter defends these monopolistic attributes are being consistent with the most important form of competition in the sense that they inspire the ‘perennial gale of creative destruction’ which in Marxism terms are the

⁷⁴²John R. Hicks, *Value and Capital* (Oxford University Press 1946) 83-84.

‘constant revolutionizing of production’, through continuous waves of innovation that destroy old economic structures and create new ones.⁷⁴³

This grapple between theory and practice is best illustrated using Galbraith’s concise narrative of the contention between economic scholars and businessmen in their divergent views on the definition of competition.⁷⁴⁴ Regarding the neoclassical view on competition, he states that it has amounted to:

...an endless amount of misunderstanding between businessmen and economists. After spending the day contemplating the sales force, advertising agency, engineers, and research men of his rivals the businessman is likely to go home feeling considerably harassed by competition. Yet if it happens that he has measurable control over his prices he obviously falls short of being competitive in the foregoing sense. No one should be surprised if he feels some annoyance toward scholars who appropriate words in common English usage and, for their own purposes, give them what seems to be an inordinately restricted meaning.⁷⁴⁵

This continued tension between perfect competition in theory and imperfect competition in practice as evidenced by a gradual evolution of Capitalist free markets into monopolies and oligopolies, is still pervasive in recent times and cannot be denied by modern day neoclassical economists. Billionaire Warren Buffett, was noted saying in 2011:

The single most important decision in evaluating a business is pricing power. If you’ve got the power to raise prices without losing business to a competitor, you’ve got a very good business. And if you have to have a prayer session before raising the price by 10 percent, then you’ve got a

⁷⁴³Joseph A Schumpeter, *Capitalism, Socialism, and Democracy* (New York: Harper and Brothers 1942).

⁷⁴⁴John Kenneth Galbraith, *American Capitalism* (Houghton Mifflin 1952) 14-15; see also Friedrich Hayek, *The Road to Serfdom* (University of Chicago Press 1944) 49.

⁷⁴⁵John Kenneth Galbraith, *American Capitalism* (Houghton Mifflin 1952) 14-15; see also Paul A. Baran and Paul M. Sweezy, *Monopoly Capital* (Monthly Review Press, 1966).

terrible business. If you own the only newspaper in town, up until the last five years or so, you had pricing power and you didn't have to go to the office.⁷⁴⁶

As this position continued to worsen, Foster, McChesney, Baran and Sweezy have noted that other forms of competition (outside of pricing wars and technological advancement) such as product differentiation, advertising and sales management developed more aggressively as proof of oligopolistic rivalry and thus, leaned more on the monopoly side of things, rather than competition.⁷⁴⁷ The collectiveness of these 'sales efforts' are quite literally the modern basis for extensive trademark protection as has been noted in preceding chapters.

Foster and McChesney have further identified that this essential critique of the ambiguity of competition in capitalism was unfortunately principally side-lined by the emergence of the neoliberal attitude in the 70s and 80s propounded mostly by the Chicago School of thought in economics. This Chicago School became the dominant economics with its "neoliberal shift to a "leaner, meaner" capitalist system."⁷⁴⁸ Some view this as, "the necessary political-economic policy counterpart to the rise of monopoly-finance capital."⁷⁴⁹ At the core of the neoliberal stance is the argument that perfect competition exists in practice, not just in theory but in practice. To evidence this, they relegate the issue of monopolies and economic concentration in the free market as insignificant by explaining that they result because:

⁷⁴⁶Andrew Frye and Dakin Campbell, 'Buffet Says Pricing Power Beats Good Management' (Bloomberg, 17 February, 2011)
<<https://www.bloomberg.com/news/articles/2011-02-18/buffett-says-pricing-power-more-important-than-good-management>> Accessed 4 January 2024.

⁷⁴⁷John Bellamy Foster et al, 'Monopoly and Competition in Twenty-First Century Capitalism' (2011) 62(11) Monthly Review
<<https://monthlyreview.org/2011/04/01/monopoly-and-competition-in-twenty-first-century-capitalism/#fn5>> Accessed 4 January 2024; Paul A. Baran and Paul M. Sweezy, *Monopoly Capital* (Monthly Review Press, 1966).

⁷⁴⁸John Bellamy Foster et al, 'Monopoly and Competition in Twenty-First Century Capitalism' (2011) 62(11) Monthly Review
<<https://monthlyreview.org/2011/04/01/monopoly-and-competition-in-twenty-first-century-capitalism/#fn5>> Accessed 4 January 2024.

⁷⁴⁹John Bellamy Foster et al, 'Monopoly and Competition in Twenty-First Century Capitalism' (2011) 62(11) Monthly Review
<<https://monthlyreview.org/2011/04/01/monopoly-and-competition-in-twenty-first-century-capitalism/#fn5>> Accessed 04 January 2024; See also See Gérard Duménil and Dominique Lévy, *Capital Resurgent* (Harvard University Press 2004) 110-18; David Harvey, *The Enigma of Capital* (Oxford University Press 2010) 11.

...corporate integration (particularly vertical integration) had to do with reducing external transaction costs arising from purchasing inputs within the market, as opposed to producing them internally within a given firm. Vertical integration, when it took place, was then seen as a way in which firms optimized on costs and “efficiency” by reducing transaction costs rather than an attempt to generate monopoly power.⁷⁵⁰

It was this exploitation in the ambiguous meaning of competition which led Foster and McChesney to lament that this argument changed the nature of the debate amongst policymakers, activists and the public.

All the above quotes point to the ultimate question; how can courts make effective decisions that would have a broader stabilising effect in the market when the foundational neoclassical economic theory on competitions which such decisions are rationalised, is not fitted to deal with the extent of the threat (imperfect competition) it faces? The thrust of the matter lies in the legislative decisions to grant exclusive rights to proprietors and declare free competition ideals at the same time, as influenced the practical world of monopolistic businesses and

⁷⁵⁰John Bellamy Foster et al, ‘Monopoly and Competition in Twenty-First Century Capitalism’ (2011) 62(11) Monthly Review
<https://monthlyreview.org/2011/04/01/monopoly-and-competition-in-twenty-first-century-capitalism/#fn5> Accessed 4 January 2024; see in particular Ronald H. Coase, ‘The Nature of the Firm’ (1937) 4(16) *Economica* 386-405
<https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1468-0335.1937.tb00002.x>
 Accessed 4 October 2018; Joan Fontrodona & Alejo José G. Sison, ‘The Nature of the Firm, Agency Theory and Shareholder Theory: A Critique from Philosophical Anthropology’ (2006) 66(1) *Journal of Business Ethics* 33–42 <www.jstor.org/stable/25123810> Accessed 04 January 2024; Giuseppe Colangelo, ‘Vertical vs. Horizontal Integration: Pre-Emptive Merging’ *The Journal of Industrial Economics* 43(3) (1995) 323-337 <www.jstor.org/stable/2950583> Accessed 04 January 2024; Kathryn Rudie Harrigan, ‘Matching Vertical Integration Strategies to Competitive Conditions’ (1986) 7(6) *Strategic Management Journal* 535–555 <www.jstor.org/stable/2486138> Accessed 04 January 2024; Masahiro Abiru, ‘Vertical Integration, Variable Proportions and Successive Oligopolies’ (1988) 36(3) *The Journal of Industrial Economics* 315-325 <www.jstor.org/stable/2098470> Accessed 04 January 2024; James L. Hamilton & Ibrahim Mqasqas, ‘Double Marginalization and Vertical Integration: New Lessons from Extensions of the Classic Case’ (1996) 62(3) *Southern Economic Journal*, 567-584 <www.jstor.org/stable/1060880> Accessed 04 January 2024; Oliver E. Williamson, *Markets and Hierarchies* (The Free Press 1975) 258-261; Herbert J. Hovenkamp, ‘Harvard, Chicago and Transaction Cost Economics in Antitrust Analysis’ (2010) 55 *Antitrust Bulletin* 613 <<http://ssrn.com/abstract=1592476>> Accessed 04 January 2024; George J. Stigler, *Memoirs of an Unregulated Economist* (University of Chicago Press 2003).

neoclassical economic idealism. If as Harvard economist Sumner Slichter states that “the belief that competition is dying is probably accepted by a majority of economists,”⁷⁵¹ then why is there further disconnect in the dialogue between economists and the law makers? The effect of trademark law is not insulated from the wider impact in society and it follows that if there is now a shift in the neoclassical school of thought in economics with the effect of recognising that imperfect competition exists in the free market, legislators should be influenced by this shift. Broader arguments justifying the exclusive rights granted to trademark proprietors using economics-based theories do not reverse the thrust of this argument either because it appears specious to use economic arguments to justify something which is inconsistent with the very foundation of economics.

7.4 Trademark rights as private property using the Marxian viewpoint

The concept of trademarks as private property is one which has Lockean justifications of owning property particularly embedded in it as has been discussed in a previous chapter.⁷⁵² Under this view, trademarks are justified as private property because they flow from ‘natural rights’ where they are the ‘fruit’ of the creator’s labour. This view is further solidified in the legislative context when one examines the UK Trade Mark Act 1994 and the TMD which both allude to a registered trade mark being a property right.⁷⁵³ As with any other system of rights proclaimed by law, they grant certain privileges to their owners as well as imposing a duty on others to respect such privileges.⁷⁵⁴ However, it is usually the public implication of the legal predisposition and distribution of wealth that result from the conflict of interest between property rights holders and others who have a

⁷⁵¹Sumner H. Slichter, ‘The Growth of Competition’ (November 1953) *The Atlantic Monthly* 66-70; see also confirmation by Ross M. Robertson, ‘On the Changing Apparatus of Competition’ (1954) 44(2) *The American Economic Review* 51–62 <www.jstor.org/stable/1818322> Accessed 4 January 2024.

⁷⁵²See chapter 3 on theoretical justification of trademarks.

⁷⁵³Section 2(2) TMA and Article 5(1) TMD 1989 as reformed by the latest EU Trade Mark Directive 2015/2436 to approximate the laws of the Member States relating to trade marks (Recast) which entered into force on 15 January 2016.

⁷⁵⁴Joseph Raz, ‘On the Nature of Rights’ (1984) 93 *Mind* 199-200.

duty to respect such rights, which are the bone of contention in society.⁷⁵⁵ As such, it is not incompatible to point out that the specific nature of legal protection afforded to trademarks is the goodwill attached to it.⁷⁵⁶ Thus, this is the specific property which this thesis wishes to inquire into. It is this notion of goodwill or reputation which achieves exclusive proprietary right status and arguably contributes to the rift of monopoly or oligopoly within the Capitalist system.

Marxian notions of private property involve a specific focus on the distinction of its control between the two classes in society. According to Marx and Engels, “The whole of society must fall apart into two classes – the property-owners and the propertyless workers.”⁷⁵⁷ It is this classicism which leads to situations where the workers are exploited for the fruits of their labour by the property owners. By consequence, they are compelled by the unevenness of the playing field to sell their labour in order to survive. Marx and Engels identified the Capitalist system as the perpetuator of this social imbalance because capitalism allowed the means of production to be concentrated in the hands of few as opposed to all of society’s members. Therefore, they viewed the capitalist system as a killer of the natural creativity of humans which leads to productivity because people become preoccupied with their means of survival rather than assuming their creative sense of identities. This appropriation of not only workers labour but also sense of identity and wholeness, further causes the workers to feel devalued and alienated from their creations.⁷⁵⁸ In this regard, ownership of private property is not the issue, but the concentrated distribution of social power associated with the ownership of private property. In trademark terms, this concentrated distribution of power is reflected in the system of monopolies and oligopolies which currently exist.⁷⁵⁹ As has been argued before elsewhere in this thesis, it is the inherently

⁷⁵⁵Richard L. Abel, ‘Rise of Capitalism and the Transformation of Disputing: From Confrontation over Honour to Competition for Property’ (1979) 27 University of California, Los Angeles Law Review 233-255.

⁷⁵⁶Lord MacNaughton in *Commissioners of Inland Revenue v Muller & Co's Margarine Ltd* [1901] AC 217, 223.

⁷⁵⁷Karl Marx & Frederick Engels, *The Marx-Engels Reader* (Robert C. Tucker ed, 2nd edition, W.W. Norton & Company 1978) 70.

⁷⁵⁸Karl Marx & Frederick Engels, *The Marx-Engels Reader* (Robert C. Tucker ed, 2nd edition, W.W. Norton & Company 1978) 71.

⁷⁵⁹See for e.g. Alfred S. Eichner, *The Megacorp and Oligopoly* (Cambridge University Press 1976)

self-seeking and self-enhancing nature of a trademark which continues to reassert itself until it gains status as a monopoly or oligopoly.

It follows that in a capitalist system of private property, this concentration of social power in the hands of property owners allows for exploitation in numerous ways because of the motivation for profit. Although the solution to this for Marx and Engels was the creation of the communist state, it should be noted that this thesis does not explore this concept.

7.5 Does the current use of trademarks in EU trademark law and the current capitalist system act as a tool contributing to mass exploitation of society when compared with their collective social utility?

The concept of exclusive rights in EU trademark law is one which denotes complete control. Placed in the neoclassical economics context of a free market, it seems abhorrent to its notions. As a matter of economic justifications, the exclusive rights given to trademark proprietors are normally justifiable under two currents of thoughts. The first is the greatest happiness principle/wealth maximisation notion propounded by John Mills and also known as maximisation of net social welfare⁷⁶⁰ while the second is the incentive theory.⁷⁶¹ Under the maximisation of net social welfare, trademarks are afforded protection because of their contribution to the enhancement of net social welfare through the primary role of economical communication of information by reducing search costs and the secondary characters of enriching the language pool through addition of new words as well as achieving salience to the point of stimulating and initiating consumer purchase as opposed to merely inducing it.

All these benefits have thus been considered as having serious economic values worth protecting in trademark law. However, the philosophical foundations of the free market or competition is flawed because every competitor does not start out

⁷⁶⁰See chapter 3 on main theoretical justifications.

⁷⁶¹See chapter 3 on main theoretical justifications.

on a level playing field. Some may due to social background, have a better advantage. This uneven playing field is then likely to lead to monopoly, which is at odds with idealistic free competition.

Apart from the benefit of the search costs utility, it is arguable that trademarks as extensively protected under EU trademark law and used within the capitalist society perpetuate the glorification of personal consumption which is evidenced through a mark achieving 'salience' status wherein it becomes an embodiment of consumers' emotional, spiritual and psychological values.⁷⁶² The glorification of personal consumption is a social problem which leads to and simultaneously results from the current overproduction and consumerism culture.⁷⁶³ These have adverse effects not only on availability of resources (scarcity issues)⁷⁶⁴ but also on humans and the environment.⁷⁶⁵ This specific failing is one which EU trademark law actively contributes to. To better describe the relationship which trademarks and EU trademark law share with capitalism; if capitalism is the principal, then trademarks and EU trademark law are the agents. As discussed in previous chapters, they have been seen to do the bidding of capitalism by constructing and pursuing avenues to enable brand culture through indirect sanctioning of dominant market positions by means of granting excessive legal protection.

The negative externalities that result from the above are worth inspecting because even though positive externalities exist,⁷⁶⁶ they cannot be said to outweigh the negative impacts. In clearer terms:

⁷⁶²See chapter 2 on history of trademarks.

⁷⁶³See for e.g. Jan-Benedict E. M. Steenkamp, et al, 'A Cross-National Investigation into the Individual and National Cultural Antecedents of Consumer Innovativeness' (1999) 63(2) Journal of Marketing 55-69 <www.jstor.org/stable/1251945> Accessed 04 January 2024; Mike Featherstone, Consumer Culture and Postmodernism (2nd edition, SAGE Publications Ltd 2007).

⁷⁶⁴Costas Panayotakis, *Remaking Scarcity: From Capitalist Inefficiency to Economic Democracy* (Pluto Press 2011).

⁷⁶⁵"Capitalism's record of nuclear proliferation, two world wars that have claimed millions of human lives, global warming, and ecological devastation demonstrates that this system is not just wasteful, it is downright dangerous, since it turns the very technological potential that could increase human well-being and enrich human life into a series of grave threats to humanity and the planet alike." See Costas Panayotakis, *Remaking Scarcity: From Capitalist Inefficiency to Economic Democracy* (Pluto Press 2011) 149.

⁷⁶⁶For e.g. technological advances, economic growth, etc.

There is arguably no better proof of capitalism's fundamental irrationality than the dialectical irony by which that system's economic strength becomes a source of serious problems for humanity and the planet. Capitalism's irrationality stems from its undemocratic nature and its subordination of humanity to an abstract logic of profit and capital expansion that escapes human control. It is because of this logic that capitalism's regular development of its productive potential is inseparable from its threat to inflict unprecedented levels of harm on human beings and the planet.⁷⁶⁷

The collectively social utility that flows from trademarks contributions in the capitalist system should not allow society to become blind to the negativities that are also present in its nature.

Such negative externalities that are consequential from the contribution of trademarks and trademark law acting as agents of the capitalist system are entrenched in an environmental impact perspective. In 2008, Trucost⁷⁶⁸ (as commissioned by a United Nations backed programme) investigated the environmental impact of big companies and concluded that: "Top 3,000 public companies were responsible for \$ 2.15 trillion worth of environmental damage in 2008; Environmental harm could affect significantly the value of capital markets and global economic growth; Global environmental damage estimated to cost \$28 trillion by 2050."⁷⁶⁹ These conclusions casts a huge question mark on why EU trademark law has taken the position of granting extensive trademark protection which continues to be a mechanism to secure market dominance which unfortunately perpetuates environmental issues. Furthermore, the 2006 'Stern

⁷⁶⁷Costas Panayotakis, *Remaking Scarcity: From Capitalist Inefficiency to Economic Democracy* (Pluto Press 2011) 150.

⁷⁶⁸The United Nations backed Principles for Responsible Investment (PRI) and UNEP Finance Initiative commissioned Trucost Plc to conduct research for this report 'Universal Ownership: Why Environmental Externalities Matter to Institutional Investors (full report)' <<https://www.trucost.com/publication/universal-ownership-environmental-externalities-matter-institutional-investors-full-report/>> Accessed 4 January 2024.

⁷⁶⁹ Trucost News, 'Putting a price on global environmental damage' <<https://www.trucost.com/trucost-news/putting-price-global-environmental-damage/>> Accessed 4 January 2024.

Review on the Economics of Climate Change⁷⁷⁰ which was conducted under the supervision of renowned economist Nicholas Stern for the UK government also highlighted the impact of environmental issues on the global economy to the effect of proposing that “...the benefits of strong and early action far outweigh the economic costs of not acting.”⁷⁷¹ Although this review has been criticised for bias,⁷⁷² practical challenges to the application of its solutions,⁷⁷³ taking the wrong approach by not encouraging economic growth as a strategy for dealing with environmental issues,⁷⁷⁴ and an excuse for higher taxes,⁷⁷⁵ these criticisms do not reverse the thrust of the argument that societal actions (all spheres, inclusive of the law) should be gravitating towards sustainable practices. Even if critics refuse to acknowledge the harmful impact of externalities to the planet or deny that these externalities are a direct consequence of the current system, they should in theory, not be opposed to considering alternatives which can at least, start the process of effectively dealing with the glaring social and environmental issues present. Thus, explicitly identifying and recognising the role that trademarks and EU trademark law play in the link in the chain will allow society to develop radical ideas which are “...needed not only at the level of understandings but also of forward strategies.”⁷⁷⁶

⁷⁷⁰ Stern Review, ‘The Economics of Climate Change Summary of Conclusions’ <http://webarchive.nationalarchives.gov.uk/20100407163608/http://www.hm-treasury.gov.uk/d/Summary_of_Conclusions.pdf> Accessed 4 January 2024.

⁷⁷¹ Stern Review, ‘The Economics of Climate Change Summary of Conclusions’ <http://webarchive.nationalarchives.gov.uk/20100407163608/http://www.hm-treasury.gov.uk/d/Summary_of_Conclusions.pdf> vi Accessed 4 January 2024.

⁷⁷² Bjørn Lomborg ‘Stern Review - The dodgy numbers behind the latest warming scare’ (Biokemisk Forening July 2007) <<http://www.biokemi.org/biozoom/issues/515/articles/2294>> Accessed 4 January 2024.

⁷⁷³ David Brown and Leo Peskett ‘The challenge of putting Stern’s prescriptions into practice’ (Overseas Development Institute 5 December 2006) <<https://www.odi.org/comment/58-challenge-putting-stern-s-prescriptions-practice>> Accessed 04 January 2024.

⁷⁷⁴ Ronald Bailey, ‘Stern Measures: Averting climate change is surprisingly affordable. Or is it?’ (Reason 3 November 2006) <<http://reason.com/archives/2006/11/03/stern-measures>> Accessed 4 January 2024.

⁷⁷⁵ Ruth Lea, ‘Just another excuse for higher taxes’ (The Telegraph 31 October 2006) <<https://www.telegraph.co.uk/comment/personal-view/3633767/Just-another-excuse-for-higher-taxes.html>> Accessed 4 January 2024.

⁷⁷⁶ David Brown and Leo Peskett ‘The challenge of putting Stern’s prescriptions into practice’ (Overseas Development Institute 5 December 2006) <<https://www.odi.org/comment/58-challenge-putting-stern-s-prescriptions-practice>> Accessed 4 January 2024.

This position has been recognised by Barker who asserts that:

The problem of avoiding dangerous climate change *requires analysis from many disciplines*. Mainstream economic thinking about the problem has shifted with the Stern Review from a single-discipline focus on cost-benefit analysis to a new inter-disciplinary and multi-disciplinary risk analysis, already evident in the IPCC Third Assessment Report. This shift is more evidence of the failure of the traditional, equilibrium approach in general to provide an adequate understanding of observed behaviour, either at the micro or macro scale.⁷⁷⁷ (*emphasis added*)

For any true change to occur, society needs to re-configure attitudes like that of Miles Templeman (former director-general of the Institute of Directors) who was noted to have said that, “Without countries like the US, China or India making decisive commitments, UK competitiveness will undoubtedly suffer if we act alone. This would be bad for business, bad for the economy and ultimately bad for our climate.”⁷⁷⁸ It is clear from the Stern review that putting economic interests before ecological interests is exactly the reason that the current environmental crises have happened.

To better explain the urgency of the environment impact capitalism and its agents; trademarks and EU trademark law have on the planet, it is also essential to examine what scientists have to say about the current environmental catastrophe. Rockström et al have identified nine interlinked biophysical planetary boundaries which all life on earth depend on and in their research, they concluded that current human activities have led us to cross three of these boundaries as well as on the brink of several others.⁷⁷⁹ Intrinsically, Andrew Simms former policy director of the New Economics Foundation (NEF) has advanced the notion of ecological debt as a

⁷⁷⁷ Terry Barker, ‘The economics of avoiding dangerous climate change. An editorial essay on The Stern Review’ (2008) 89 Climatic Change 173-194 <<https://link.springer.com/content/pdf/10.1007%2Fs10584-008-9433-x.pdf>> Accessed 4 January 2024.

⁷⁷⁸ Caroline Muspratt & Stephen Seawright, ‘Amber alert over green taxes’ (The Telegraph 30 October 2006) <<https://www.telegraph.co.uk/finance/2949852/Amber-alert-over-green-taxes.html>> Accessed 4 January 2024.

⁷⁷⁹ Johan Rockström et al, ‘A safe operating space for humanity’ (2009) 46(1) Nature 472-475 <<https://www.nature.com/articles/461472a>> Accessed 4 January 2024.

depiction of the measure in which economies conduct themselves outside environmental brinks.⁷⁸⁰ However, he argues that “Putting a price on nature becomes meaningless if we treat the ecosystems upon which we depend as mere commodities with a price for trading.”⁷⁸¹ Therefore, the monopolistic attributes of trademarks which thrive on inconsistencies in EU trademark that reflect the broader failures of our current economic system need to be disconnected from the current use of trademarks within EU trademark law as a start in the process of fulfilling ecological responsibilities as opposed to ‘paying’ ecological debts.

The other type of negative externality (apart from the environmental aspect) which is also worth highlighting is the impact of the current branding culture on the working conditions of human beings. In order to make the connection with the forthcoming argument, it is necessary to define the words ‘brand’ and ‘brand culture’. Banet-Weiser defines a brand as the connection between marketing a product and consumers while brand culture is the way brand relationships become cultural reference points for societal activities.⁷⁸² In this way, a brand is a narrative recounted to the consumer about the experience associated with a company or product. When such a narrative is met with success, it exceeds tangible product identification by becoming a centerpiece which is intimately familiar to the personal stories of consumers. Thus, “the brand is the essence of what will be experienced; the brand is a promise as much as a practicality.”⁷⁸³ If one was to examine this definition of brand and brand culture as protected by EU trademark law in light of the negative impact on humans, it is obvious that the narrative some big brands tell to consumers is not the whole story. Take for example three well-known global brands: Apple, Microsoft, and Google who all have one thing in common; outsourcing “environmentally intensive manufacturing processes to

⁷⁸⁰ Andrew Simms, ‘Ecological debt: No way back from bankrupt’ (The BBC 7 April 2009) <<http://news.bbc.co.uk/1/hi/sci/tech/7988648.stm>> Accessed 4 January 2024.

⁷⁸¹ Andrew Simms, ‘The price of environmental destruction? There is none’ (The Guardian 18 February 2010) <<https://www.theguardian.com/environment/2010/feb/18/price-of-environmental-destruction>> Accessed 4 January 2024.

⁷⁸² Sarah Banet-Weiser, *Authentic™: The Politics of Ambivalence in a Brand Culture* (NYU Press 2012) 4.

⁷⁸³ Sarah Banet-Weiser, *Authentic™: The Politics of Ambivalence in a Brand Culture* (NYU Press 2012) 4.

other companies in order to produce the vast majority of the goods that we buy from them.”⁷⁸⁴ In addition to this environmental impact, there is the impact on the human condition in terms of the working conditions in the factories that produce the goods for these companies. All three companies have been known to outsource production to Hon Hai Precision Industry Co. Ltd. trading as Foxconn Technology Group. Foxconn has been notoriously linked to horrible working conditions, suicide rates and physical brutality of its workers.⁷⁸⁵ These disgraceful treatment of human beings is observed as a central but hidden part of these brands and brand cultures. This sinister narrative is clearly not included in the branding image these companies portray to the world; consumers and legislators alike. What is even more shameful is that EU trademark law offers extensive protection to well-known brands like these based on inconsistent economic rationales which lead to inconsistencies with the law.

Furthermore, as discussed elsewhere in this thesis, the self-seeking nature of trademarks may pose other issues when compared to their collective social utility. This self-seeking character necessitates the pursuit of both self-interest and self-enhancement qualities. Whilst these are not necessarily detrimental things, within the context of a capitalist free market it is arguable that they contribute to a setting where the proprietor may gain a position of market dominance or monopoly⁷⁸⁶ which reflect the inconsistencies in broader economics as well as the law and are arguably not in the interests of society as it has been contended that monopolies and oligopolies lead to economic stagnation.⁷⁸⁷

⁷⁸⁴ James Salo ‘Beyond the Brand: leaders in supply chain environmental sustainability’ (Trucost Blog 22 October 2012) <<https://www.trucost.com/trucost-blog/beyond-brand-leaders-supply-chain-environmental-sustainability/>> Accessed 4 January 2024.

⁷⁸⁵ See the Guardian for a list of articles relating to the deplorable working conditions in Foxconn factories<<https://www.theguardian.com/technology/foxconn>> Accessed 4 January 2024.

⁷⁸⁶ Edward Chamberlin, *The theory of monopolistic competition* (8th edition, Harvard University Press 1969).

⁷⁸⁷ See for e.g. Harry Magdoff and Paul M. Sweezy, *The End of Prosperity* (Monthly Review Press 1977); Harry Magdoff and Paul M. Sweezy, *The Deepening Crisis of U.S. Capitalism: Essays* (Monthly Review Press 1981); Harry Magdoff and Paul M. Sweezy, *Stagnation and the Financial Explosion* (Monthly Review Press 1987); Harry Magdoff and Paul M. Sweezy, *The Irreversible Crisis* (Monthly Review Press 1988); Frederick F. Clairmonte, ‘Capitalism: The Deepening Crisis’ (1975) 10(16) *Economic and Political Weekly* 651- 654 <www.jstor.org/stable/4537040> Accessed 04 January 2024.

Conversely, Snowdon argues that there is a conflation in the meaning of self-interest and selfishness (greed) amongst critics of capitalism.⁷⁸⁸ He argues that “Selfishness implies indulging oneself at another’s expense, but free-market transactions only take place when two self-interested parties see a mutual benefit.”⁷⁸⁹ He further clarifies that:

Self-interest should not be conflated with avarice. If I decide to have apple juice instead of orange juice with my breakfast I am acting in my self-interest, but unless I snatch it from a thirsty child I can hardly be accused of selfishness. Neither is taking a holiday or an education course generally selfish, but these things may still be a legitimate pursuit of self-interest. The desire to fulfil wants and needs in no way implies greed. Adam Smith wrote of the ‘uniform, constant, and uninterrupted effort of every man to better his condition’ (Smith 1957: 306). Self-interest can mean wanting to provide a better life for ourselves and our families, but it can encompass altruism and a host of non-financial ambitions.⁷⁹⁰

However, Snowdon’s elucidation is erroneous. His examples fail to take into cognizance that self-interest implies the putting of the interest of the self before anything else which will always be above any other competing interest. Whether or not this is at the expense of something or someone else is strictly a matter of context. As long as the context involves a competition of some sort, then it follows that this interest will be put above anything else, especially in a business context where competition is pronounced. This clearly alludes to selfishness. If one looks at the dictionary meaning of ‘selfish’ it refers to “Someone who thinks only of their

⁷⁸⁸ Christopher Snowdon, *Selfishness, Greed and Capitalism Debunking Myths about the Free Market* (The Institute of Economic Affairs in association with London Publishing Partnership Ltd 2015) 5.

⁷⁸⁹ Christopher Snowdon, *Selfishness, Greed and Capitalism Debunking Myths about the Free Market* (The Institute of Economic Affairs in association with London Publishing Partnership Ltd 2015) 5.

⁷⁹⁰ Christopher Snowdon, *Selfishness, Greed and Capitalism Debunking Myths about the Free Market* (The Institute of Economic Affairs in association with London Publishing Partnership Ltd 2015) 6.

own advantage.”⁷⁹¹ It also lists the word self-interest as one of the synonyms of the word selfish, which gives the public a legitimate reason to conflate their meanings and use both words interchangeably. Moreover, the dictionary meaning of greed also states that is “a very strong wish to continuously get more of something, especially food or money.”⁷⁹² Again, this implies self-interest is the driving force to continuously get more of something for the ‘self’. It cannot be that a person who is seeking to get more of something puts other people’s interests above his/her own. This would defeat the point of the self-desire or interest to get more of something. For these reasons, Snowdon’s arguments do not hold much weight particularly in the context of trademark law where the nature of a trademark is self-seeking and places its interests above other competing interests in the market place. Of course, in the absence of competing interests like in Snowdon’s examples above, self-interest will not have the same selfish connotations because it does not have to contend with any other pursuit. Put simply, self-interest is relatively harmless until placed in an adversarial framework. In addition to all the above, before a trademark achieves the elite status of what is now known as branding and consequently, achieves significant valuation in terms of how much it is worth, there are a lot of important factors and exertion of labour that goes into making the entire process successful. One important aspect is the commitment and efforts of all the people involved. This of course would most likely start with the trademark owner; however, he cannot achieve this all by himself. It is only through the help of his workers that he can totally transform his mark to the gold standard of a brand. Analogous to the Proletariat in Marxism, it appears that exploitation of workers continues in the sense that such workers become alienated from the products in which they expended significant efforts because apart from receiving their standard remuneration, they do not have any financial share in the subsequent significant value that a brand achieves. In fact, it appears that all the workers expend their energy (physical, mental, emotional and otherwise) in pursuit of one man’s/company’s dream of self-seeking territorial

⁷⁹¹Cambridge Dictionary <<https://dictionary.cambridge.org/dictionary/english/selfish>> Accessed 4 January 2024.

⁷⁹²Cambridge Dictionary <<https://dictionary.cambridge.org/dictionary/english/greed>> Accessed 4 January 2024.

control and dominance and once achieved, they have no real financial stake in it. Take for example the technology giant Apple which has been ranked as number one in the Interbrand Best Global Brands 2018 Rankings and valued at \$214, 480. It only recently (in the last three years) decided to grant stock of \$1000 to \$2000 worth of shares to all its 120,000 employees.⁷⁹³ Whilst this may be seen as an effort in the right direction, the remuneration is nothing compared to the profits the company has amassed as one of the tech companies with a dominant market share.⁷⁹⁴

7.6 Conclusion

In conclusion, this chapter has argued and demonstrated that the failures of the wider economic and private property theories could be identified as the single unifying rationale of why inconsistencies exist in the four interrelated areas initially identified in chapter 1.

Furthermore, the current system of inconsistencies in EU trademark law act as a fertile ground for perpetuating monopolies and oligopolies which both have a hazardous impact on the environment. It would be easy to think of the inconsistencies within this area as insulated from wider societal impact. However, as has been discussed in this chapter, they are not shielded from this wider impact. Whilst they may not be identified as a direct cause, trademarks and their current embodiment of inconsistencies indirectly contribute to the ecological crises as some of the key agents of the current capitalist system.

⁷⁹³ Ananya Bhattacharya, 'Apple extends stock grants to all employees' (CNN Business 15 October, 2015) <<https://money.cnn.com/2015/10/15/technology/apple-stocks-free-for-all-employees/index.html>> Accessed 4 January 2024; see also Sky News <<https://news.sky.com/story/apple-employees-to-get-bonuses-of-2500-in-stock-11212019>> Accessed 4 January 2024.

⁷⁹⁴ See for e.g. this year and last year Apple had highest profit ever in spite of fall in iPhone sales (profit in the region of \$11.5 billion): Seth Fiegerman 'iPhone sales were flat but Apple's profit jumped 32%' (CNN Business 31 July, 2018) <<https://money.cnn.com/2018/07/31/technology/apple-q3-earnings/index.html>> Accessed 4 January 2024; Martyn Landi, (The Independent 2 February 2018) 'Apple records highest ever profits despite fall in iPhone sales' <<https://www.independent.co.uk/news/business/apple-records-profits-despite-fall-iphone-sales-a8190346.html>> Accessed 4 January 2024.

Chapter 8

8.1 Future implications

8.1.1 Introduction

This chapter examines the long-term implications of the inconsistencies examined in this thesis as well as their long-term impact and consequences. It argues that embedding sustainability into any adopted solutions is the better choice for lasting outcomes. It builds on the arguments of Stiglitz, Derclaye and Taylor around fostering wellbeing in IP by proposing that EU trademark law replaces its use of income-based justifications with more focus on sustainability.

8.1.2 Sustainability of trademark law

Whilst the legislative reform recommendations suggested in this thesis will help increase efficiency of trademark law in the short term, it is by no means a sustainable solution in the long term. If any lesson is to be learnt, it is that the current legal system and institutional choices are far from an embodiment of the pinnacle of market efficiency or success. If the free market as enabled through competition is such a success, then why the need of granting exclusive rights to impede competition? In fact, this thesis contends that the inconsistencies and ambiguities in EU trademark law are a reflection and personification of the flaws in the current broader orthodox and neoliberal economic market principles. It is becoming more apparent that no matter the numerous amounts of theoretic justification refinements and short-term legislative modifications,⁷⁹⁵ there can never be an adequate balance between the rights of trademark holders and that of the public. In fact, in recent years the UK underwent implementation of the

⁷⁹⁵ See for e.g the most recent modifications in EU trademark law: Trade Mark Directive 2015/2436 to approximate the laws of the Member States relating to trade marks (Recast) which entered into force on 15 January 2016. EU Member States have been given three years to implement it into their national laws. Before this most recent amendment, Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks (Codified version) was established and before this, Directive 89/104 existed. However, all these reforms did not institute any major change. Tarawneh has labelled the amendments to the new European Trade Marks Directive as “feeble” see: Jasem Tarawneh, ‘A new classification for trade mark functions’ (2016) 4 Intellectual Property Quarterly 352-370

recently passed Trade Mark Directive in the form of a Statutory Instrument.⁷⁹⁶ Nevertheless, this will only be another short-term measure which will not fully treat the underlying condition. The imminent question is what role can EU trademark law play in the evolution "from economic anarchy to a regime which deliberately aims at controlling and directing economic forces in the interest of social justice and social stability"?⁷⁹⁷

It is argued that refined capitalist-economy based approaches are not working and that trademarks as social instruments could be a mechanism for greater change from fundamental economic principles. Renowned economists like Stiglitz have challenged traditional economic theories like Adam Smith's invisible hand theory⁷⁹⁸ which purports that an almost invisible hand guides the pursuit of individual self-interests towards the general well-being of society, as being invisible because it is non-existent.⁷⁹⁹ Stiglitz also criticised the role that IP regimes in developed countries play in fostering disparities in social resources and information.⁸⁰⁰

Support for this line of thinking can also be seen from commentators such as Derclaye and Taylor who have advocated replacing the economics-based justifications in IP law with a 'well-being' approach.⁸⁰¹ They state that the dominant economic justification of IP rights is deeply flawed and ideological because a system of protection based solely on economic utility linked to economic wealth is an inadequate substitute for well-being in terms of its broader

⁷⁹⁶ United Kingdom Intellectual Property Office, 'Implementation of the EU Trade Mark Directive 2015'

<https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/682232/trade-mark-directive.pdf> Accessed 28 January 2024.

⁷⁹⁷ John Maynard Keynes, *The Collected Writings of John Maynard Keynes* (Volume 7, 2nd edition Cambridge University Press 2012).

⁷⁹⁸ Adam Smith, *An Inquiry into the nature and causes of the wealth of nations* 423 (Edwin Cannan ed, Modern Library 1937).

⁷⁹⁹ Bruce C. Greenwald & Joseph E. Stiglitz, 'Externalities in Economies with Imperfect Information and Incomplete Markets' (1986) 101 *The Quarterly Journal of Economics* 229, 230.

⁸⁰⁰ Joseph E. Stiglitz, 'Economic Foundations of Intellectual Property Rights,' (2008) 57 *Duke Law Journal* 1693-1724

<<https://scholarship.law.duke.edu/dlj/vol57/iss6/3>> Accessed 28 January 2024.

⁸⁰¹ Estelle Derclaye & Tim Taylor, 'Happy IP: replacing the law and economics justification for intellectual property rights with a well-being approach' (2015) *European Intellectual Property Review* 37(4) 197-209.

social impact. In their proposal, they suggest that the notions of utility are still valid but should instead be based directly on well-being, rather than income.

The futuristic and final argument this thesis presents builds on the idea of Derclaye and Taylor by focusing on the replacement of income-based justifications in trademark law.

The stance that flows from this is that trademark law should evolve from its market-enabling role by returning to its more simplistic beginnings of origin and quality functions. At first blush this seems like a great contradiction. How does a thing evolve if it reverts or devolves to a previous state? It should be noted that this devolving is the first of many steps in the long process of evolving sustainably. Reverting to simpler origins will set the scene for envisaging a clearer picture of the role to be constructed. The line of reasoning is a simple one; stripping trademark law of all other rights except origin and quality rights may force trademark owners to stop investing in the current brand culture with the intention to benefit from it. Of course, this would result in an outcry from proprietors because other third-parties like parallel importers may benefit from this approach and this may impact on their own profit margins. However, the theoretical focus should not be on monetary profitability but on giving priority to sustainability of resource bases.

Practically, trademark law could achieve this new focus in a couple of ways. Firstly, it could consider granting these origin and quality functions of a trademark as 'placeholder' rights which serve only to acknowledge the owner instead of the current materially enforceable rights in the current system. Issues relating to the origin and quality of goods as jeopardized by using a trademark would still be enforceable in courts but not by the proprietor. Rather, a small independent body could be established where consumers could make anonymous complaints regarding these issues and the matter could be investigated by this body. The typical cease and desist official letter could be used as an initial approach. If this fails and the alleged infringer believes s/he is in the right, the case could then be settled in court. However, such a case before a court will not be riddled with the current issues over points of law because courts will only be concerned with the straightforward task of making a finding on if the alleged actions distort the origin and quality functions of the mark. No more will courts be concerned with

balancing intersecting economic and other interests or delivering long-winded judgments based on equally verbose theoretical explanations after lengthy trials; they will be able to decide with substantial clarity. In this way, the independent body will directly represent the interests of the consuming public and no claim about abusing dominant market positions through trademark ownership can be made. This approach resonates strongly with the consumer-focused arguments that already pervade this area of law. Specifically, it is a practical extension of the public authorship model of trademarks which has already been discussed elsewhere in this thesis.⁸⁰² By focusing on the consuming public's part in the validation of a mark as a badge of origin and quality, it shifts the theoretical and practical focus away from the dominant economic theories in this area which have fostered ambiguities and inconsistencies.

Secondly, trademark law should not stop at removing power from only proprietors. It could also shift the current focus from 'exclusive rights' to 'exclusive responsibilities' by imposing specific duties on the proprietors, parallel importers and other third-parties alike. These duties should not be viewed by interest holders as onerous. Rather they should be formed with the intention of fostering a collaborative and social justice attitude with a primary shift from profit-making. There are a couple of ways this could be achieved. The first example could require proprietors and parallel importers to adhere to a system of pricing where the price reflects the exact costs of manufacturing goods and services and nothing else. Of course, such a system by implication would necessitate the forgoing of the idea to make profit. This would be radical for trademark law and would raise broader fundamental, political, philosophical and sociological questions about the ideology of money and its deep-seated conditioning of current societal values such as; relentless consumerism⁸⁰³ enabled by an equally insatiable economy founded predominantly on profit making.

The second example could be a scheme that retains the current system where organisations largely determine the market prices for their products or services. However, trademark law could require that all current profit-making businesses

⁸⁰²See chapter 3 on theoretical justifications of trademark law.

⁸⁰³ See for example the fundamental work by American economist and sociologist-Thorstein Veblen, *The theory of the leisure class: An Economic Study of Institutions* (Augustus M. Kelly 1975) (1899).

responsible for both creating or using trademarks, become non-profit organisations. Essentially, becoming social enterprises. This way, all profit is held on 'trust' for the public good by reinvesting it into the socially responsible businesses and other social infrastructures that provide for the well-being of everyone. Specifically, pursuing environmental causes that would be tasked with cleaning up the environmental damage most brands have wreaked on the planet. If all of society's members invested collectively in posterity in this manner ('public trust fund'), post-scarcity economics may then no longer be deemed unachievable.⁸⁰⁴ In fact, this rhetoric is not far in reasoning from the current tax system in society. After all, the reason the government imposes tax is to collate resources to provide for society's basic social necessities and infrastructures.⁸⁰⁵ This is not dissimilar to the public trust fund approach advocated in this thesis. The goals are based on the same ideology of providing for public benefit and good. However, where the current tax system provides only for basic social infrastructures, the public trust fund could be invested in advanced social infrastructures such as increased funding for research. This arguably is stretching the ambits of trademark law, but it could also have implications for tax law too. To be clear, this argument is not based on fascist or communist ideals where for example, pricing is controlled by the State with little regard for the cost of production. There will be no rationing of resources to the masses or allocation of labour either, rather people would be able to work as normal but also live in a society that they can afford basic amenities for the cost of production and nothing more. Whatever surplus is made, it is devoted to social causes. There will be no State-owned capital either. Again, the central idea is that a legal trust for the profits is created for society. The government can act as one of the trustees as well as other nominees by society. This could potentially also have ramifications for

⁸⁰⁴ Adel Daoud, 'Robbins and Malthus on Scarcity, Abundance, and Sufficiency: The Missing Sociocultural Element' (2010) *The American Journal of Economics and Sociology* 69(4) 1206-1229; Jesse J. Ramírez, 'From Anti-Abundance to Anti-Anti-Abundance: Scarcity, Abundance, and Utopia in Two Science Fiction Writers.' (2015) *RCC Perspectives* 83-90. <<http://www.jstor.org/stable/26241320>> Accessed 28 January 2024.

⁸⁰⁵ See for e.g. Julian Baggini 'Let's talk about tax as a force for common good – or we lose the debate' (The Guardian 1 August 2016) <<https://www.theguardian.com/commentisfree/2016/aug/01/tax-debate-freedom-day-society-theft>> Accessed 28 January 2024; Mats Persson, 'Why Are Taxes So High in Egalitarian Societies?' (1995) *The Scandinavian Journal of Economics* 97(4) 569-580.

English law of trusts. Private ownership will not change, neither will the government be able to control input and output. The free market is still allowed to exist. However, its fundamental profit-making focus is replaced by a more sustainable value.

The well-being approach put forward by Derclaye and Taylor is the starting point of rationale for this approach. A well-being centred approach that looks after the collective interests of the public and replaces the economic justification that currently pervades the system will encourage society to start rethinking its fundamental values. This will be yet again, one of the many further steps in the long process of evolution.

The 2003 World Bank report also shares this view that to cultivate sustainable development in today's world, society needs to operate a wider range of assets. It contends that these assets are not just limited to human and physical capital; but extend to critical aspects such as social and environmental assets.⁸⁰⁶ To effect institutions for sustainable development, it suggests that effective coordination mechanisms must be present. Effective coordination mechanisms are those which reflect the inclusion in the form of voices and more access to the wide range of assets which societies need to operate. Although it argues that markets are efficient in tackling some types of problems that arise in coordination, this thesis does not entirely agree with this specific view. The contention here is that current market systems based on economics all have their own flaws and have not achieved sustainability of resources as has been argued by several scholars.⁸⁰⁷ The imbalance of distribution of resources pervades all aspects of our global society

⁸⁰⁶ World Bank, 'World Development Report 2003 : Sustainable Development in a Dynamic World--Transforming Institutions, Growth, and Quality of Life' (Oxford University Press 2003) <<https://openknowledge.worldbank.org/handle/10986/5985>> Accessed 28 January 2024.

⁸⁰⁷ See for e.g. Robert Barbera, *The Cost of Capitalism: Understanding Market Mayhem and Stabilizing our Economic Future* (McGraw-Hill Education 2009); see also Joseph E. Stiglitz, 'Information and Economic Analysis: A Perspective' (1985) *The Economic Journal* 95 21-41; Joseph E. Stiglitz, 'The Invisible Hand and Modern Welfare Economics' in David Vines & Andrew Stevenson (eds) *Information Strategy and Public Policy* (Blackwell 1991); James Crotty, 'Structural causes of the global financial crisis: a critical assessment of the 'new financial architecture' (2009) *Cambridge Journal of Economics* 33(4) 563-580; Dani Rodrik, 'The fatal flaw of neoliberalism: it's bad economics' (The Guardian 14 November 2017) <<https://www.theguardian.com/news/2017/nov/14/the-fatal-flaw-of-neoliberalism-its-bad-economics>> Accessed 28 January 2024.

and this thesis argues that trademarks have been used as one of the primary tools to further this imbalance. As such, this thesis maintains that the attention should not be on whether trademarks enable an efficient free market system but rather, it should be on how trademarks should enable a system which is focused on societal well-being through effective collaboration and coordination as initially proposed by the World Bank. In its report, the World Bank further identified that current mechanisms in the social and environmental areas for addressing coordination problems are “often lacking, undeveloped, faulty, or weak.”⁸⁰⁸ Inherently connected to this statement, it is at the very least, the intention of this thesis to be a starting point in fostering future discussions on if trademark law should or can be used in this way as a coordination mechanism for sustainable development.

In all the above examples, trademark law has been portrayed as a useful tool to affect broader societal changes. Without taking for granted this hugely unpopular avantgarde role it would be assuming in society, it will be necessary to examine if it should and why it is important that it should undertake this role. By effect, these compulsory questions also compel a discussion in the role of the state as a mechanism for developing and implementing the rules that underpin market transactions. The World Bank in its 1997 World Development Report took the view that governments around the world should embrace a more proactive role in the encouraging and complementing of private companies and individuals towards sustainable development.⁸⁰⁹

This thesis recognises that there are practical limitations to the proposals presented in this chapter. For example, getting society to leave the current consumerism culture behind will present unique psychological and sociological challenges.⁸¹⁰ Not least of all, convincing the elite and rich in society to forgo

⁸⁰⁸ World Bank, ‘World Development Report 2003 : Sustainable Development in a Dynamic World--Transforming Institutions, Growth, and Quality of Life’ (Oxford University Press 2003) <<https://openknowledge.worldbank.org/handle/10986/5985>> Accessed 28 January 2024 pg XIV.

⁸⁰⁹ World Bank, ‘World Development Report 1997 : The State in a Changing World’ (Oxford University Press 1997) <<https://openknowledge.worldbank.org/handle/10986/5980>> Accessed 28 September 2018.

⁸¹⁰ See for e.g Matthew McDonald & Stephen Wearing, *Social psychology and theories of consumer culture: A political economy perspective* (Routledge 2013); Mike Featherstone, ‘Perspectives on Consumer Culture’ (1990) *Sociology* 24(1) 5-22.

profit-making will highlight distinctive struggles in challenging sociological constructs of the relationship of wealth and power.⁸¹¹ There is also the matter of a society not living in a vacuum and engaging in business with foreign investors. How would such a society attract and retain foreign investors if the right to profit is removed? These are all crucial questions which society members would have to mull over deeply and carefully to find other suitable incentives. Consequently, this thesis does not assert that the suggestions put forward are the 'right' approach or that they will solve all the problems in the current IP regime or even broader societal maladies like markets dysfunction or wealth distribution. Instead, it hopes to provoke further thoughtful debates on the issues.

As a final point in this chapter it should be noted that most of the limitations identified above could be addressed using Panayotakis' recommended principle of economic democracy. He proposes that economic democracy:

...does not refer to a detailed blueprint of what a non-capitalist socio-economic system might look like. Instead, it refers to the principle that all citizens should democratically determine their society's economic goals and priorities. This principle, I argue, can guide the struggle for reforms within capitalism and serve as a criterion for evaluating and comparing the different blueprints for a non-capitalist society that are on offer.⁸¹²

8.2 Conclusion

⁸¹¹ See for e.g. Ann R. Tickamyer, 'Wealth and Power: A Comparison of Men and Women in the Property Elite' (1981) *Social Forces* 60(2) 463-481; see also Richard Lachmann, 'Toward a Sociology of Wealth: definitions and historical comparisons' *Sociologia, Revista da Faculdade de Letras da Universidade do Porto*, Vol. XXVI, 2013, 11-36 <<http://ler.letras.up.pt/uploads/ficheiros/11877.pdf>> Accessed 28 January 2024.

⁸¹² Costas Panayotakis, *Remaking Scarcity: From Capitalist Inefficiency to Economic Democracy* (Pluto Press 2011) 149.

Overall, the inference from the explorations undertaken in this thesis suggests that the better choice for a long-term solution to the inconsistency issues in this area of law would be for society to rethink and reconceptualise its market structure and values. The problems in EU trademark law are dire symptoms of the much larger malady of capitalism and its neoliberal approach. In fact, they are much bigger than requiring quick fixes, which so far have not resolved the underlying problem. To achieve a truly lasting result, trademark legislators must be willing to understand the broader economic issues which affect trademark law. They should be inclined to replace current economic values in trademark law of achieving 'balance' with socially agreeable values like sustainability. The first step towards this should be a recognition of the inherent self-seeking and self-enhancing nature of trademarks. Secondly, when this inherently selfish nature is placed within the context of a capitalist free market and competition, monopolies and oligopolies are an inevitable result. Thirdly, the broader arguments that this new system of monopolies reflects a more concentrated form of free competition is untenable in the face of their negative social impact of exploitation of society. Fourthly, expecting courts to deal with this upshot by attempting to strike a balance between the selfish nature of trademarks and their negative impact on social utility, is unfair and unrealistic. Fifthly, there is an identifiable link between the inconsistencies in EU trademark law and broader societal maladies like ecological crises because the inconsistencies in this area (emanating from broader inconsistent economic principles) establish a fertile ground (using ambiguities and obscurities) for trademarks to continue their dominating attributes leading to monopolies and oligopolies which in turn create these ecological crises. Sixthly and finally, EU trademark law can undertake long-term solutions which are sustainable only if it refuses to endorse the profit-making enabling role of trademarks.

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Appendices

Allocation of factors used in the empirical study

Exhaustion of rights/Parallel import

All factors highlighted below under Article 7 of the TMD and by the CJEU in landmark trademark exhaustion cases are those that were used during the determination of which empirical factors to observe.

Factors derived from Article 7 TMD (in highlights):

Article 7

Exhaustion of the rights conferred by a trade mark

1. The **trade mark shall not** entitle the proprietor to **prohibit** its use in relation to **goods** which have been **put on the market in the Community under that trade mark by the proprietor or with his consent**.

2. Paragraph 1 shall not apply where there exist **legitimate reasons** for the proprietor **to oppose further commercialization of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market**.

The above highlighted have been further expanded on by the CJEU in landmark cases.

Landmark CJEU cases and factors derived from the above are:

1. Cnl-Sucal v Hag:

“Article 36 EEC allows **exceptions to the fundamental principle of freedom of movement** in the Common Market of goods covered by an intellectual property right only in so far as such exceptions are justified for safeguarding the rights which are the **specific subject matter of that property**”⁸¹³

2. IHT Internationale Heiztechnik GmbH v Ideal Standard GmbH:

“...exhaustion of rights, applies **where the owner of the trade mark in the importing State and the owner of the trade mark in the exporting State are the same or where, even if they are separate persons, they are economically linked**. A number of situations are covered: products put into circulation by the same undertaking, by a licensee, by a parent company, by a subsidiary of the same group, or by an exclusive distributor... In the situations described above (paragraph 34) the function of the trade mark is in no way called in question by freedom to import. As was held in *HAG II* : ‘For the trade mark to be able to fulfil [its] role, it must offer a guarantee that all goods bearing it have been produced under the control of a single undertaking which is accountable for their quality’ (paragraph 13). **In all the cases mentioned, control was in the hands of a single body: the group of companies in the case of products put into circulation by a subsidiary; the manufacturer in the case of products marketed by the distributor; the**

⁸¹³ (Case C-10/89) para 12.

licensor in the case of products marketed by a licensee. In the case of a licence, the licensor can control the quality of the licensee's products by including in the contract clauses requiring the licensee to comply with his instructions and giving him the possibility of verifying such compliance. The origin which the trade mark is intended to guarantee is the same: it is not defined by reference to the manufacturer but by reference to the point of control of manufacture... **It must further be stressed that the decisive factor is the possibility of control over the quality of goods, not the actual exercise of that control.** Accordingly, a national law allowing the licensor to oppose importation of the licensee's products on grounds of poor quality would be precluded as contrary to Articles 30 and 36 : if the licensor tolerates the manufacture of poor quality products, despite having contractual means of preventing it, he must bear the responsibility. Similarly if the manufacture of products is decentralized within a group of companies and the subsidiaries in each of the Member States manufacture products whose quality is geared to the particularities of each national market, a national law which enabled one subsidiary of the group to oppose the marketing in the territory of that State of products manufactured by an affiliated company on grounds of those quality differences would also be precluded. Articles 30 and 36 require the group to bear the consequences of its choice.”⁸¹⁴

3. Bristol-Myers Squibb and Others v Paranova further clarified the exceptions/factors to be fulfilled on rebranding during parallel import:
 - a) the **trade mark owner is relying on its rights to** oppose the further marketing in order to **artificially partition the markets** between Member States (**in practice; repackaging is necessary** to market the product in the country of importation);
 - b) it **does not affect the original condition of the product** inside the packaging;
 - c) the new packaging **clearly states who repackaged the product and the name of the manufacturer;**

⁸¹⁴ (C-9/93) para 34-38.

- d) the presentation of the **repackaged product is not liable to damage the reputation of the trademark or of its owner**; and
 - e) the **importer gives notice to the trademark owner before the repackaged product is put on sale**, and, on demand, supplies him with a specimen of the repackaged product.⁸¹⁵
4. Boehringer Ingelheim v Swingward Ltd:
- “...replacement packaging of pharmaceutical products is objectively necessary within the meaning of the court's case law if, without such repackaging, effective access to the market concerned, or to a substantial part of that market, must be considered to be hindered as the result of strong resistance from a significant proportion of consumers to relabelled pharmaceutical products.”**⁸¹⁶
5. Zino Davidoff SA v A & G Imports Ltd factors:
- “the consent of a trade mark proprietor to the marketing within the EEA of products bearing that mark which had previously been marketed outside the EEA by him or with his consent could be implied where it followed from facts and circumstances before, at the same time as or after the marketing outside the EEA which unequivocally demonstrated that the proprietor had renounced his right to oppose the marketing of the goods A within the EEA”.**⁸¹⁷
6. Silhouette International Schmied GmbH & Co. KG v Hartlauer factor:
- “...national rules providing for exhaustion of trade mark rights in respect of products put on the market outside the E.E.A. under that mark by the proprietor or with his consent are contrary to article 7(1) of the Directive, as amended by the E.E.A. Agreement.”**⁸¹⁸

Outcome classifications:

Exhaust - Favours exhaustion

Noexhaust - Favours a finding of no exhaustion

⁸¹⁵ Joined Cases C-427, C-429 and C-436/93 [1996] ECR I-3457 para 41, 79; see also Hoffmann-La Roche v Centrafarm Case 102/77 [1978] ECR 1139.

⁸¹⁶ (Case C-143/00) para 54.

⁸¹⁷ Joined cases C-414 to 416/99 paras 45-47.

⁸¹⁸ (Case C-355/96) para 31

Neut - Neutral

Irr - Irrelevant

Notad - Not addressed by the court

Uncl - Unclear

Fi - Deemed to be a factual issue.

Tabular Depiction

Factor	Favours exhaust.	Favours no exhaust.	Neutral	Irrelevant	Not addressed by court	Unclear	Fact issue
Placed on the market by the trademark owner: a) Where the owner of the trade mark in the importing State and the owner of the trade mark in the exporting State are the same or where, even if they are separate persons, they are economically linked. b) Control or possibility of control of quality was in the hands of a single body or possibility of control.	F1exhaust	F1noexhaust	F1neut	F1irr	F1notad	F1uncl	F1fi
Actual consent	F2exhaust	F2noexhaust	F2neut	F2irr	F2notad	F2uncl	F2fi
Implied consent: a) inferred from facts and circumstances prior to the placing of the goods on the market b) inferred from facts and circumstances simultaneous with the placing of the goods on the market c) inferred from facts and circumstances subsequent to the placing of the goods on the market	F3exhaust	F3noexhaust	F3neut	F3irr	F3notad	F3uncl	F3fi
Repackaging/Relabelling is necessary:	F4exhaust	F4noexhaust	F4neut	F4irr	F4notad	F4uncl	F4fi

-because there is or will be strong resistance from a significant proportion of consumers to relabelled pharmaceutical products							
Effect on the original condition of the product	F5exhaust	F5noexhaust	F5neut	F5irr	F5notad	F5uncl	F5fi
Clear identification of the manufacturer and importer	F6exhaust	F6noexhaust	F6neut	F6irr	F6notad	F6uncl	F6fi
Protection of the reputation of the trademark and its owner	F7exhaust	F7noexhaust	F7neut	F7irr	F7notad	F7uncl	F7fi
Prior notice	F8exhaust	F8noexhaust	F8neut	F8irr	F8notad	F8uncl	F8fi
EEA wide exhaustion	F9exhaust	F9noexhaust	F9neut	F9irr	F9notad	F9uncl	F9fi

Likelihood of confusion

All factors highlighted below under Article 5(1)(b), Article 4(1)(b) of the TMD and by the CJEU in landmark trademark likelihood of confusion cases are those that were used during the determination of which empirical factors to observe.

Likelihood of confusion: the overall picture

The sample size for likelihood of confusion is the largest across all the trademark law areas at 68 cases. As was done with the data in exhaustion of rights, the percentages of factors recorded as irrelevant were subtracted from the percentages of factors recorded as not addressed to give a clearer indication of the total percentages of factors which should have been considered but were not. The data suggests that the two main factors which the UK courts consider the most are: 1) Degree of similarity between the mark and the sign and between the goods/services and 2) Average consumer perception. Both factors had the lowest percentages at 11.8% and 17.6% respectively in the tab 'percentages of ignored factors' (see chart below). The second most considered factor is the category of goods or services the circumstances in which they are marketed which had an ignored percentage of 29.4.

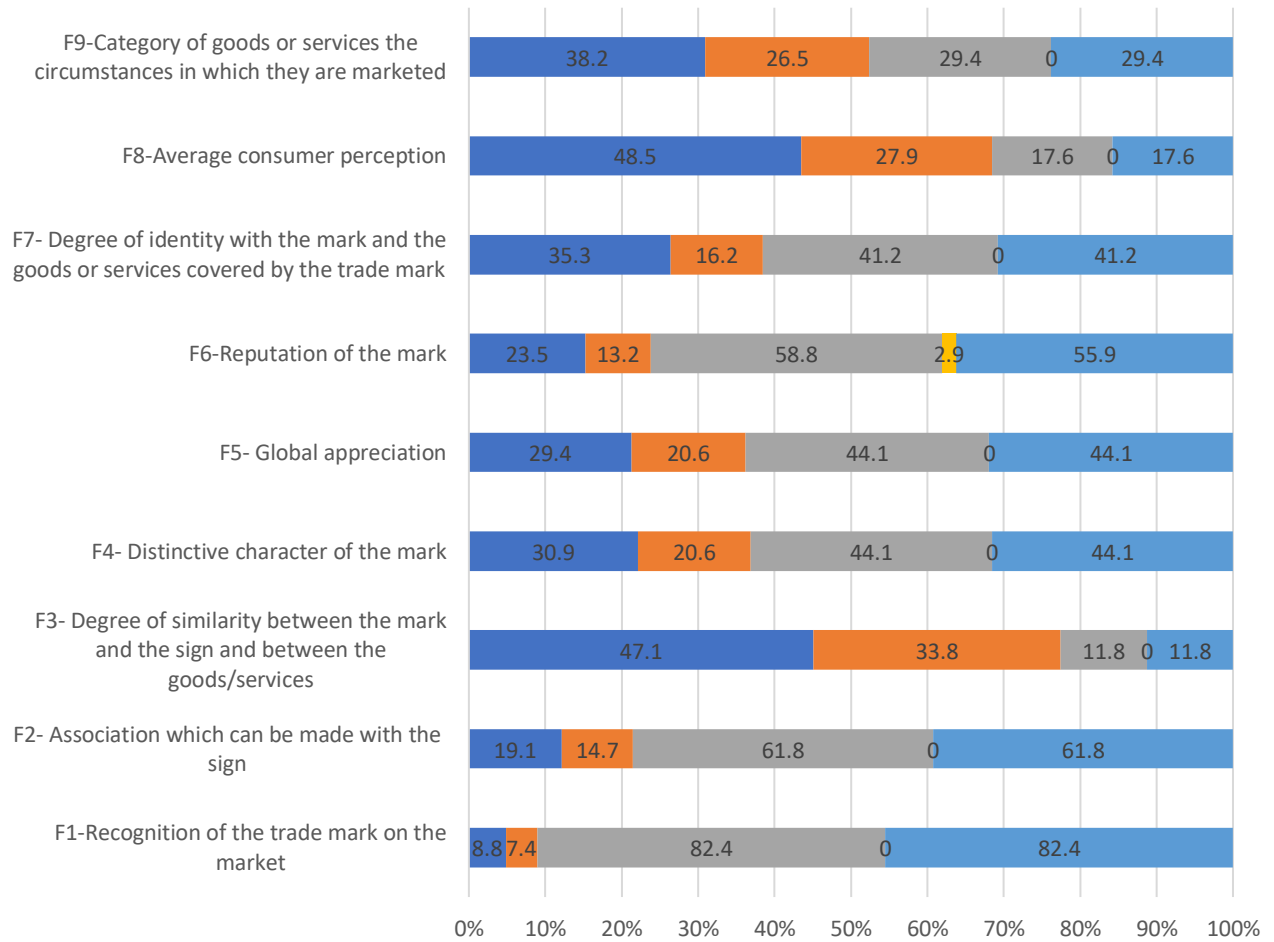
By contrast, the two most ignored factors in the UK courts were: 1) Recognition of the trade mark on the market and 2) Association which can be made with the sign. They both had the highest percentages at 82.4% and 61.8% respectively.

The second set of most ignored factors were 1) Reputation of the mark at 55.9%, 2) Distinctive character of the mark at 44.1%, 3) Global appreciation at 44.1% and 4) Degree of identity with the mark and the goods or services covered by the trade mark at 41.2%.

Like the results in the exhaustion of rights category, trademark owners are seen dominating the infringement claims in this area at a 55.9% win-rate while third-party defendants have a meagre win-rate of 36.8%.

Chart 3

Overall depiction



	F1- Recogniti on of the trade mark on the market	F2- Associati on which can be made with the sign	F3- Degree of similarity between the mark and the sign and between the goods/se rvices	F4- Distinctiv e character of the mark	F5- Global appreciat ion	F6- Reputatio n of the mark	F7- Degree of identity with the mark and the goods or services covered by the trade mark	F8- Average consume r perceptio n	F9- Category of goods or services the circumsta nces in which they are marketed
■ Confusion	8.8	19.1	47.1	30.9	29.4	23.5	35.3	48.5	38.2
■ No Confusion	7.4	14.7	33.8	20.6	20.6	13.2	16.2	27.9	26.5
■ Not addressed	82.4	61.8	11.8	44.1	44.1	58.8	41.2	17.6	29.4
■ Irrelevant	0	0	0	0	0	2.9	0	0	0
■ Percentages of ignored factors	82.4	61.8	11.8	44.1	44.1	55.9	41.2	17.6	29.4

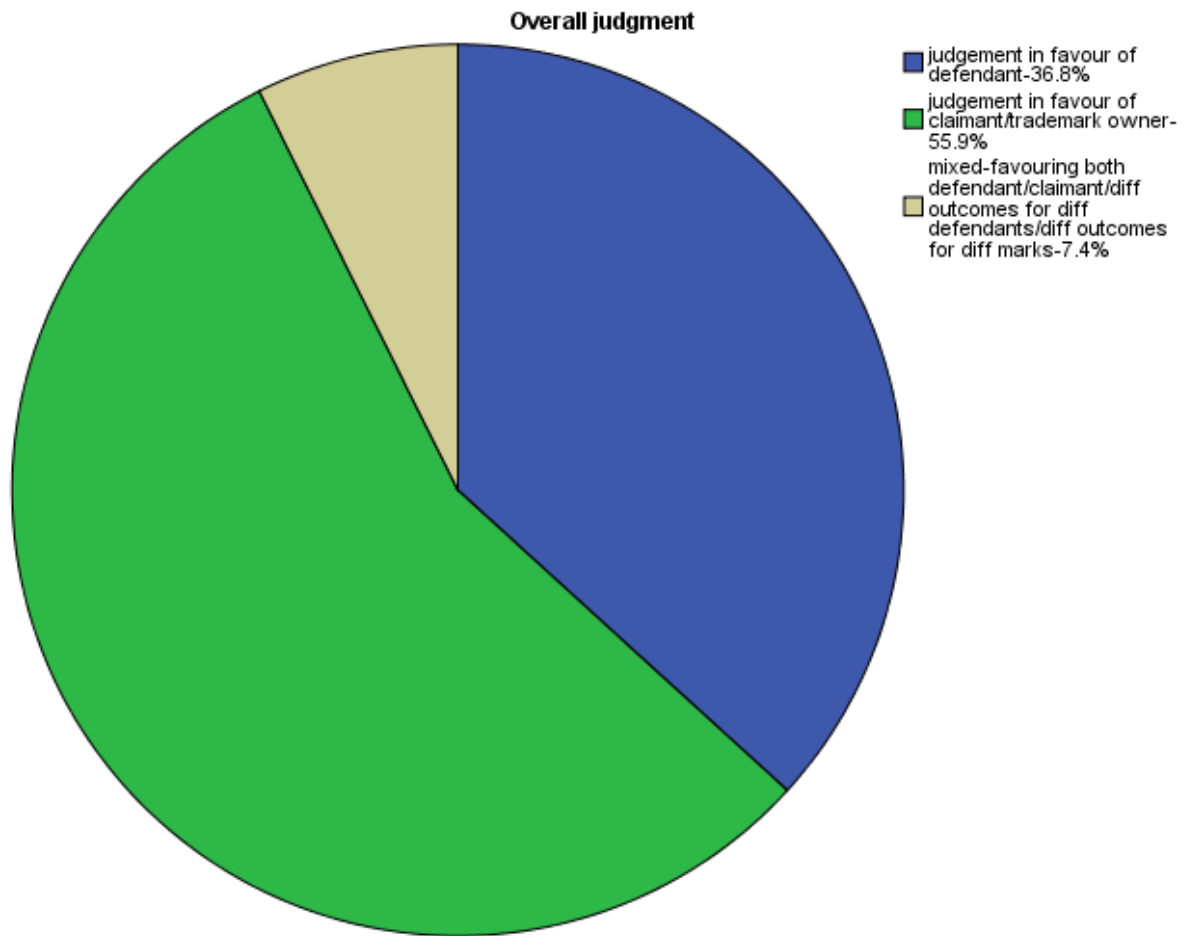
■ Confusion ■ No Confusion ■ Not addressed ■ Irrelevant ■ Percentages of ignored factors

Table 2

Overall judgment- Likelihood of confusion

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	judgement in favour of defendant	25	36.8	36.8	36.8
	judgement in favour of claimant/trademark owner	38	55.9	55.9	92.6
	mixed-favouring both defendant/claimant/diff outcomes for diff defendants/diff outcomes for diff marks	5	7.4	7.4	100.0
	Total	68	100.0	100.0	

Chart 4 Likelihood of confusion



Unfair advantage: the overall picture

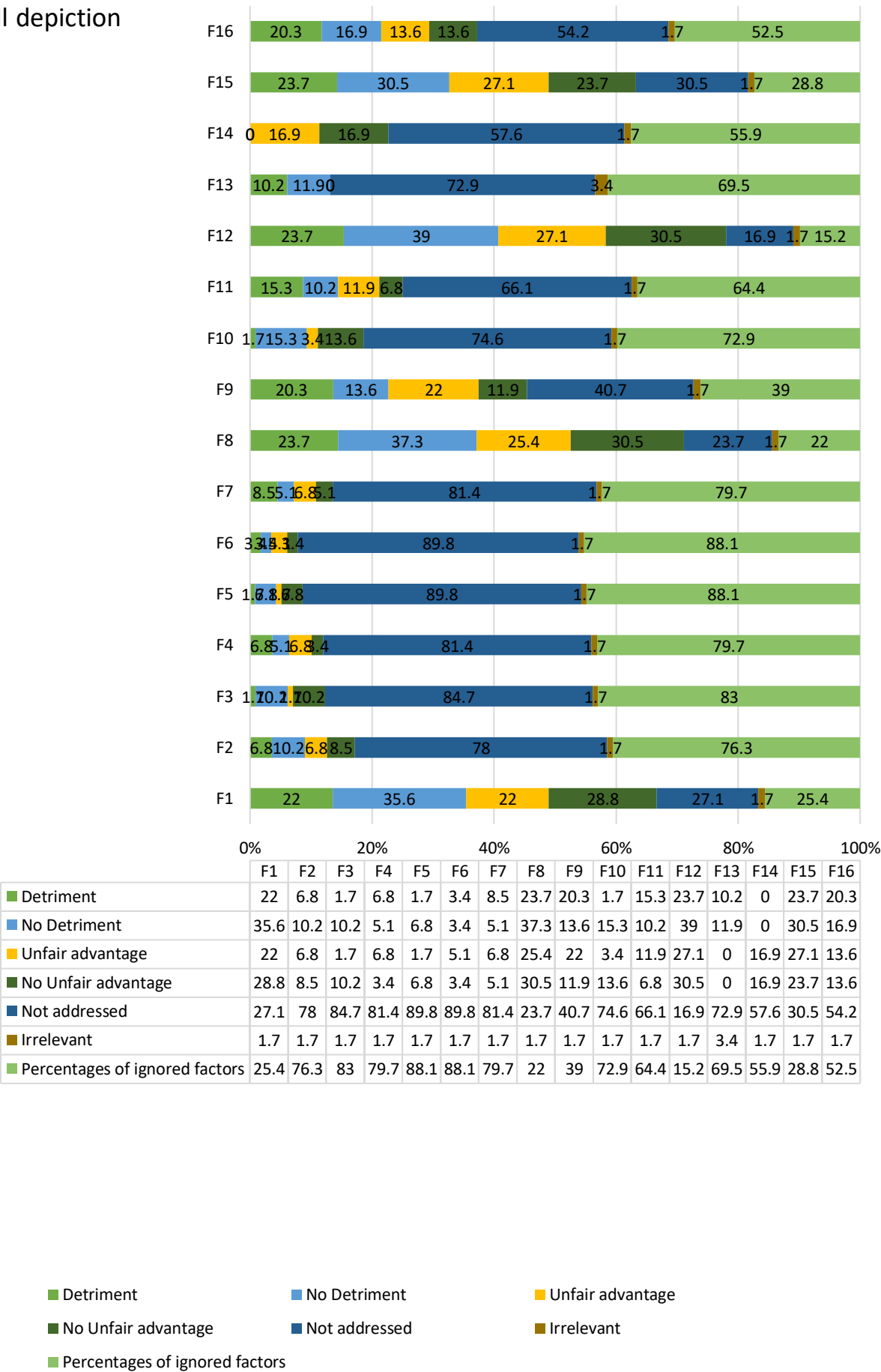
The dataset in this area comprised of 59 cases and is the second largest across all three areas. The factors most ignored by courts are the intensity of the mark and duration of the mark's use which both have the highest percentages at 88.1% each and also the market share of the mark at 83%. This is closely followed by the size of investment made by the undertaking promoting the mark, geographical extent of the mark and significant part of the relevant public at 79.7%, 79.7% and 76.3% respectively. The next set of most ignored factors in this descending order is; goods or services which are not similar to those which the mark is registered for

at 72.9%, proof of detriment at 69.5%, goods or services identical with or similar to those covered by the registered mark at 64.4%, proof of unfair advantage at 55.9% and the use of sign which is identical with or similar to trademark at 52.5%. By contrast, the least ignored factors include: the types of injury at 15.2%, the relevant public concerned by the mark makes a connection/establishes a link at 22%, the reputation of the mark at 28.8%, the relevant public concerned by the mark at 25.4% and the global appreciation of connection/link made by relevant public at 39%.

The data in relation to the overall win-rates in this area presents a unique surprise. Third-party defendants are seen to have a higher percentage of win-rate than trademark proprietors at 50.8%. Mark owners are observed at a 40.7% win-rate. This is unusual compared to the results from the other two areas of trademark law where proprietors are seen dominating. Future research could investigate the possible explanations for this atypical result. However, in comparison to the win-rates of proprietors in the other two areas, the difference between the percentages in this area is quite close at 10.1 when compared to the differences in the other two areas which resulted in nearly half of the percentages.

Chart 5

Overall depiction



Key

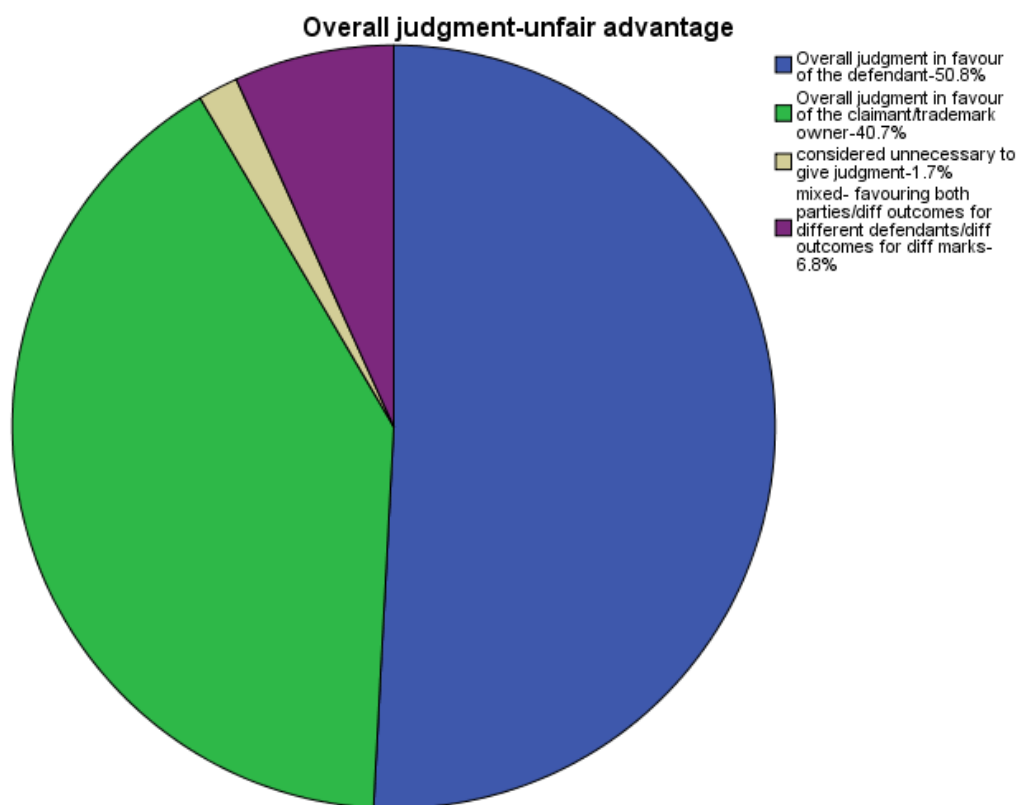
F1-Relevant public concerned by the mark
F2- Significant part of the relevant public
F3- Market share of the mark
F4- Geographical extent of the mark
F5- Intensity of the mark
F6-Duration of the mark's use
F7- Size of investment made by the undertaking promoting the mark
F8-Relevant public concerned by the mark makes a connection/establishes a link
F9-Global appreciation of connection/link made by relevant public
F10-Goods or services which are not similar to those which the mark is registered for
F11-Goods or services identical with or similar to those covered by the registered mark
F12-Types of injury
F13-Proof of detriment
F14-Proof of unfair advantage
F15-Reputation of the mark
F16-Use of sign which is identical with, or similar to trademark

Table 3

Overall judgment-unfair advantage

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Overall judgment in favour of the defendant	30	50.8	50.8	50.8
	Overall judgment in favour of the claimant/trademark owner	24	40.7	40.7	91.5
	considered unnecessary to give judgment	1	1.7	1.7	93.2
	mixed- favouring both parties/diff outcomes for different defendants/diff outcomes for diff marks	4	6.8	6.8	100.0
	Total	59	100.0	100.0	

Chart 6



Factors derived from relevant TMD Articles (in highlights):

Article 5(1)(b)

Rights conferred by a trade mark

1. The registered trade mark shall confer on the proprietor exclusive rights therein.

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

(b) any sign where, because of its **identity with, or similarity to, the trade mark** and the **identity or similarity of the goods or services covered by the trade mark and the sign**, there exists a **likelihood of confusion** on the part of the public, which includes the **likelihood of association** between the sign and the trade mark.

Article 4(1)(b)

1. A trade mark shall not be registered or, if registered, shall be liable to be declared invalid:

(b) if because of its **identity with, or similarity to, the earlier trade mark and the identity or similarity of the goods or services covered by the trade marks**, there exists a **likelihood of confusion** on the part of the public, which includes the **likelihood of association** with the earlier trade mark.

The above highlighted have been further expanded on by the CJEU in landmark cases. Landmark CJEU cases and factors derived from the above are:

1. Sabel v Puma:

“likelihood of confusion” **depends on** numerous elements and, in particular, on the **recognition of the trade mark on the market, of the association which can be made with the used or registered sign, of the degree of similarity between the trade mark and the sign and between the goods or services identified.**” The **likelihood of confusion must therefore be appreciated globally**, taking into account all factors relevant to the circumstances of the case. That **global appreciation of the visual, aural or conceptual similarity of the marks in question, must be based on the overall impression given by the marks, bearing in mind, in particular, their distinctive and dominant components.** The wording of Article 4(1)(b) of the Directive— “... there exists a likelihood of confusion on the part of the public ...” —shows that the perception of marks in the mind of the average consumer of the type of goods or services in question plays a decisive role in the global appreciation of the likelihood of confusion. The average consumer normally perceives a mark as a whole and does not proceed to analyse its various details.

[24] In that perspective, the more distinctive the earlier mark, the greater will be the likelihood of confusion.”⁸¹⁹

2. Canon v MGM:

“...**the distinctive character** of an earlier trade mark, **and** in particular its **reputation**, must be taken into account when determining whether the similarity between the goods or services covered by the two trade marks was sufficient to give rise to the likelihood of confusion...”⁸²⁰

3. Lloyd v Schuhfabrik:

⁸¹⁹ (Case C-251/95) para 22 and 23.

⁸²⁰ (Case C-39/97) para 15, 19, 22 and 24.

“For the purposes of global appreciation of the likelihood of confusion, account should be taken of the fact that the **average consumer** only rarely has the chance to make a direct comparison between the different marks but must place his trust in the imperfect picture of them that he has kept in his mind. It should also be borne in mind that the **average consumer's level of attention is likely to vary according to the category of goods or services in question**”⁸²¹

“In order to assess the degree of similarity between the marks concerned, the national court must determine the degree of visual, aural or conceptual similarity between them and, where appropriate, evaluate the importance to be attached to those different elements, **taking account of the category of goods or services in question and the circumstances in which they are marketed.**”⁸²²

Outcome classification:

Conf - Favours confusion

Noconf - Favours a finding of no confusion

Neut - Neutral

Irr - Irrelevant

Notad - Not addressed by the court

Uncl - Unclear

Fi - Deemed to be a factual issue.

Factor	Favours conf.	Favours no conf.	Neutral	Irrelevant	Not addressed	Unclear	Fact issue
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⁸²¹ (Case C-342/97) para 26.

⁸²² (Case C-342/97) para 29.

					by court		
Recognition of the trade mark on the market	F1conf	F1noconf	F1neut	F1irr	F1notad	F1uncl	F1fi
Association which can be made with the used or registered sign	F2conf	F2noconf	F2neut	F2irr	F2notad	F2uncl	F2fi
Degree of similarity between the trade mark and the sign and between the goods or services identified	F3conf	F3noconf	F3neut	F3irr	F3notad	F3uncl	F3fi
Distinctive character of the mark	F4conf	F4noconf	F4neut	F4irr	F4notad	F4uncl	F4fi
Global appreciation: a) Degree of visual similarity b) Degree of aural similarity c) Degree of conceptual similarity d) Degree of dominant components	F5conf	F5noconf	F5neut	F5irr	F5notad	F5uncl	F5fi
Reputation of the mark	F6conf	F6noconf	F6neut	F6irr	F6notad	F6uncl	F6fi
Degree of identity with mark	F7conf	F7noconf	F7neut	F7irr	F7notad	F7uncl	F7fi
Average consumer perception	F8conf	F8noconf	F8neut	F8irr	F8notad	F8uncl	F8fi
Category of goods or services in question and the circumstances in which they are marketed	F9conf	F9noconf	F9neut	F9irr	F9notad	F9uncl	F9fi

Detriment to a mark's distinctive character or reputation/unfair advantage

All factors highlighted below under Article 5(2) of the TMD and by the CJEU in landmark cases regarding 'unfair advantage/detriment to distinctive character of a trademark' are those that were used during the determination of which empirical factors to observe.

Factors derived from relevant TMD Articles (in highlights):

Article 5(2)

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

The above highlighted have been further expanded on by the CJEU in landmark cases. Landmark CJEU cases and factors derived from the above are:

1. General Motors v Yplon:

“...The public amongst which the earlier trade mark must have acquired a reputation is that concerned by that trade mark, that is to say, depending on the product or service marketed, either the public at large or a more specialised public, for example traders in a specific sector. It cannot be inferred from either the letter or the spirit of Article 5(2) of the Directive that the trade mark must be known by a given percentage of the public so defined. The degree of knowledge required must be considered to be reached when the earlier mark is known by a significant part of the public concerned by the products or services covered by that trade mark. In examining whether this condition is fulfilled, the national court must take into consideration all of the relevant facts of the case, in particular the **market share held by the trade mark, the intensity, geographical extent and duration of its use, and the size of the investment made by the undertaking in promoting it...**”⁸²³

2. Davidoff v Gofkid:

⁸²³(C-375/97) para 24-28.

“...articles 4(4)(a) and **5(2)** of the Directive are **to be interpreted as** entitling the member states **to provide specific protection for registered trade marks with a reputation** in cases **where a later mark or sign, which is identical with or similar to the registered mark**, is intended to be used or is used for **goods or services identical with or similar to those covered by the registered mark.**”⁸²⁴

3. Adidas v Salomon:

“The infringements referred to in article 5(2) of the Directive, where they occur, **are the consequence of** a certain degree of similarity between the mark and the sign, by virtue of **which the relevant section of the public makes a connection between the sign and the mark, that is to say, establishes a link between them even though it does not confuse them...** The existence of such a link must, just like a likelihood of confusion in the context of article 5(1)(b) of the Directive, be appreciated globally, taking into account all factors relevant to the circumstances of the case: see, in respect of the likelihood of confusion, SABEL , para 22, and Marca Mode , para 40”⁸²⁵

4. Intel Corp v CPM: the CJEU expanded on its judgment in Adidas above and held that the criteria for establishing that the public makes a connection or link between the earlier mark with a reputation and a later mark is by a global assessment,⁸²⁶ taking into account all the relevant factors of the case including the following:

- a) the degree of similarity between the conflicting marks,
- b) the nature of the goods or services for which the conflicting marks were registered,
- c) the degree of closeness or dissimilarity between those goods or services,
- d) the relevant section of the public,

⁸²⁴ (Case C-292/00) para 30.

⁸²⁵ (Case C-408/01) para 29 and 30.

⁸²⁶ (C-252/07) para 41.

- e) the strength of the earlier mark's reputation,
- f) the degree of its distinctive character and
- g) the likelihood of confusion on the part of the public

In addition, the Court also clarified the criteria for establishing unfair advantage and detriment under the Directive. It stated that:

“The specific condition of that protection consists of a use of the later mark without due cause which takes or would take unfair advantage of, or is or would be detrimental to, the distinctive character or the repute of the earlier mark: see, to that effect, in respect of article 5(2) of the Directive... **The types of injury against which...the Directive ensures such protection for the benefit of trade marks with a reputation are, first, detriment to the distinctive character of the earlier mark, secondly, detriment to the repute of that mark and, thirdly, unfair advantage taken of the distinctive character or the repute of that mark. Just one of those three types of injury suffices for that provision to apply.** As regards, in particular, detriment to the distinctive character of the earlier mark, also referred to as “dilution”, “whittling away” or “blurring”, **such detriment is caused when that mark’s ability to identify the goods or services for which it is registered and used as coming from the proprietor of that mark is weakened, since use of the later mark leads to dispersion of the identity and hold upon the public mind of the earlier mark.** That is notably the case when the earlier mark, which used to arouse immediate association with the goods and services for which it is registered, is no longer capable of doing so...In order to benefit from the protection introduced by...the Directive, **the proprietor of the earlier mark must adduce proof that the use of the later mark “would take unfair advantage of,**

or be detrimental to, the distinctive character or the repute of the earlier trade mark... It follows **that proof** that the use of the later mark is or would be detrimental to the distinctive character of the earlier mark **requires evidence of a change in the economic behaviour of the average consumer of the goods or services for which the earlier mark was registered consequent on the use of the later mark, or a serious likelihood that such a change will occur in the future**"⁸²⁷

5. L'Oreal v Bellure: "article 5(2) of Directive 89/104 must be interpreted as meaning that the taking of unfair advantage of the distinctive character or the repute of a mark, within the meaning of that provision, does not require that there be a likelihood of confusion or a likelihood of detriment to the distinctive character or the repute of the mark or, more generally, to its proprietor. **The advantage arising from the use by a third party** of a sign similar to a mark with a reputation **is an advantage taken unfairly by that third party** of the distinctive character or the repute of the mark **where that party seeks by that use to ride on the coat-tails of the mark with a reputation in order to benefit from the power of attraction, the reputation and the prestige of that mark and to exploit, without paying any financial compensation, the marketing effort expended by the proprietor of the mark in order to create and maintain the mark's image.**"⁸²⁸

⁸²⁷ (C-252/07) para 26-29, 37, 77.

⁸²⁸ (Case C-487/07) para 50.

Factor	Favours detri/unfadv	Favours no detri/unfadv	Neutral	Irrelevant	Not addressed by court	Unclear	Fact issue
Relevant public concerned by the mark	F1detri/F1unfadv	F1nodetri/F1nounfadv	F1neut	F1irr	F1notad	F1uncl	F1fi
Significant part of the relevant public	F2detri/F2unfadv	F2nodetri/F2nounfadv	F2neut	F2irr	F2notad	F2uncl	F2fi
Market share of the mark	F3detri F3unfadv	F3nodetri F3nounfadv	F3neut	F3irr	F3notad	F3uncl	F3fi
Geographical extent of the mark	F4detri F4unfadv	F4nodetri F4nounfadv	F4neut	F4irr	F4notad	F4uncl	F4fi
Intensity of the mark	F5detri F5unfadv	F5nodetri F5nounfadv	F5neut	F5irr	F5notad	F5uncl	F5fi
Duration of the mark's use	F6detri F6unfadv	F6nodetri F6nounfadv	F6neut	F6irr	F6notad	F6uncl	F6fi
Size of investment made by the undertaking promoting the mark	F7detri F7unfadv	F7nodetri F7nounfadv	F7neut	F7irr	F7notad	F7uncl	F7fi
Relevant public concerned by the mark makes a connection/establishes a link	F8detri F8unfadv	F8nodetri F8nounfadv	F8neut	F8irr	F8notad	F8uncl	F8fi
Global appreciation of connection/link made by relevant public: a) the degree of similarity between the conflicting marks, b) the nature of the goods or services for which the conflicting marks were registered, c) the degree of closeness or dissimilarity between those goods or services,	F9detri F9unfadv	F9nodetri F9nounfadv	F9neut	F9irr	F9notad	F9uncl	F9fi

d) the relevant section of the public, e) the strength of the earlier mark's reputation, f) the degree of its distinctive character and g) the likelihood of confusion on the part of the public							
Goods or services which are not similar to those for which the trade mark is registered for	F10detri F10unfadv	F10nodetri F10nounfadv	F10neut	F10irr	F10notad	F10uncl	F10fi
Goods or services identical with or similar to those covered by the registered mark	F11detri F11unfadv	F11nodetri F11nounfadv	F11neut	F11irr	F11notad	F11uncl	F11fi
Types of injury: a) detriment to the distinctive character of the earlier mark: a1) weakened mark b) detriment to the repute of that mark and, c) unfair advantage taken of the distinctive character or the repute of that mark.	F12detri F12unfadv	F12nodetri F12nounfadv	F12neut	F12irr	F12notad	F12uncl	F12fi
Proof of detriment (factors to consider):: a) evidence of a change in the economic behaviour of the average consumer of the goods or services for which the earlier mark was registered consequent on the use of the later mark b) or a serious likelihood that such a change will occur in the future	F13detri	F13nodetri	F13neut	F13irr	F13notad	F13uncl	F13fi
Proof of unfair advantage (factors to consider): Advantage gained where:	F14unfadv	F14nounfadv	F14neut	F14irr	F14notad	F14uncl	F14fi

a) that party seeks by that use to ride on the coat-tails of the mark with a reputation b) in order to benefit from the power of attraction, the reputation and the prestige of that mark c) and to exploit, without paying any financial compensation, the marketing effort expended by the proprietor of the mark in order to create and maintain the mark's image							
Reputation of the mark	F15detri/F15unfadv	F15nodetri/F15nounfadv	F15neut	F15irr	F15notad	F15uncl	F15fi
Use of sign which is identical with, or similar to trademark	F16detri/F16unfadv	F16nodetri/F16nounfadv	F16neut	F16irr	F16notad	F16uncl	F16fi

Outcome classification:

Detri - Favours a finding of detriment to a mark's distinctive character

Unfadv - Favours a finding of unfair advantage

Nodetri - Favours a finding of no detriment to a mark's distinctive character

Nounfadv - Favours a finding of no unfair advantage

Neut - Neutral

Irr - Irrelevant

Notad - Not addressed by the court

Uncl - Unclear

Fi - Deemed to be a factual issue.

Indirect approach of calibration- Fuzzy Set Qualitative Analysis (fsQCA)

Ragin recommends that:

The dominant approach is the indicator approach, in which social scientists seek to identify the best possible empirical indicators of their theoretical concepts. For example, national income per capita (in constant U.S. dollars, adjusted for differences in purchasing power) is often used as an empirical indicator of the theoretical concept of development applied to countries. In the indicator approach, the main requirement is that the indicator must vary across cases, ordering them in a way that is consistent with the underlying concept. All techniques in the indicator family share a deep reliance upon observed variation...⁸²⁹

Using the indicator approach, the ‘number of factors’ present or absent in a case is used as the ‘empirical indicator’ of consistency or inconsistency in UK courts’ adhering to CJEU requirements.

Exhaustion of rights- indirect method

Case name	Number of factors considered	Qualitative Coding	Case group
1. Flynn Pharma Ltd v Drugsrus	4 factors- F1, F2, F4, F9.	0.50	Repackaging case
2. Flynn Pharma Ltd v Drugsrus	4 factors-F1, F2, F7, F9.	0.50	Repackaging case
3. Speciality European Pharma Ltd v Doncaster Pharmaceuticals Group Ltd	1 factor-F4	0.12	
4. Speciality European Pharma Ltd v Doncaster Pharmaceuticals Group Ltd	1 factor- F4	0.12	Repackaging case

⁸²⁹ Charles C. Ragin, Redesigning social enquiry: fuzzy sets and beyond (The University of Chicago Press kindle Edition 2008) location 736

5. Surtec International v A-Tech Chemicals	3 factors-F1, F2, F9	0.38	Repackaging case
6. Sun Microsystems Inc v M-Tech Data Ltd	3 factors-F1, F2, F9	1.0	Non-Repackaging case
7. Sun Microsystems Inc v M-Tech Data Ltd Also known as: Oracle America Inc v M-Tech Data Ltd"	3 factors-F1, F2, F9	1.0	Non-Repackaging case
8. Oracle America Inc (formerly Sun Microsystems Inc) v M-Tech Data Ltd	3 factors-F1, F2, F9	1.0	Non-Repackaging case
9. Honda Motor Company Limited & Others v Neesam & Others	3 factors-F1, F2, F9	1.0	Non-Repackaging case
10. Honda Motor Co Ltd v Neesam Also known as: KJM Superbikes Ltd v Hinton	3 factors-F1, F2, F9	1.0	Non-Repackaging case
11. Boehringer Ingelheim KG v Swingward Ltd; Glaxo Group Limited and Others v Dowelhurst Limited and Others	7 factors-F1, F2, F4, F5, F7, F8, F9	0.88	Repackaging case
12. Glaxo Group Ltd and the Wellcome Foundation Ltd v Dowelhurst Ltd and Other Actions	7 factors-F1, F2, F4, F5, F7, F8, F9	0.88	Repackaging case. Didn't consider BMS condition 2(F6) because it was not argued in the proceedings.
13. Boehringer Ingelheim KG and	8 factors-F1, F2, F4, F5, F6 F7, F8, F9	1.0	Repackaging case.

Another v Swingward Ltd			
14. Boehringer Ingelheim KG v Swingward Ltd	6 factors-F1, F2, F4, F6, F7, F9	0.75	Repackaging case. CoA case continuing from.
15. Glaxo Group Ltd v Dowelhurst Ltd and Another	3 factors-F1, F2, F9	0.38	Repackaging case. Didn't consider BMS conditions because it was not argued in the proceedings.
16. Glaxo Group Ltd v Dowelhurst Ltd, Richard Taylor	5 factors-F1, F2, F4, F8, F9.	0.62	Repackaging case.
17. Doncaster Pharmaceuticals v Bolton Pharmaceutical 2006	3 factors-F1, F2, F9	0.38	Repackaging case.
18. Doncaster Pharmaceuticals v Bolton Pharmaceutical 2006	3 factors-F1, F2, F9	0.38	Repackaging case.
19. Levi Strauss & Co. and Levi Strauss (UK) Ltd v Tesco Stores Ltd, Tesco Stores Plc and Costco Wholesale UK Ltd	3 factors-F1, F2, F9	1.0	Non-Repackaging case
20. Sony Computer Entertainments Inc. v Tesco Stores Ltd	7 factors-F1, F2, F5, F6, F7, F8, F9.	0.88	Repackaging case. Didn't consider all the BMS conditions
21. Zino Davidoff SA v A & G Imports Ltd	5 factors-F1, F3, F5, F7, F9.	0.62	Repackaging case. Didn't consider all the BMS conditions
22. Microsoft Corporation v	5 factors- F1, F2, F9,	0.62	Repackaging case. Didn't consider all

Computer Future Distribution Ltd			the BMS conditions
23. L'Oreal SA v eBay International AG	4 factors- F1, F2, F7, F9	0.50	Repackaging case. Didn't consider all the BMS conditions
24. Mastercigars Direct Ltd v Hunters & Frankau Ltd 2006	3 factors-F1, F2, F9	1.0	Non-repackaging case
25. Mastercigars Direct Ltd v Hunters & Frankau Ltd 2007	3 factors-F1, F2, F9	1.0	Non-repackaging case
26. Roche Products Ltd v Kent Pharmaceuticals Ltd Feb 2006	3 factors-F1, F2, F9	1.0	Non-repackaging case
27. Roche Products Ltd v Kent Pharmaceuticals Ltd Dec 2006	3 factors-F1, F2, F9	1.0	Non-repackaging case
28. Marussia Communications Ireland Ltd v Manor Grand Prix Racing Ltd 2016	3 factors-F1, F2, F9	1.0	Non-repackaging case

Raw Data

Due to the volume of the document which makes it unsuitable for replication here, please use the link below to access the raw data and coding for Exhaustion of rights, Likelihood of confusion and Detriment to a mark's distinctive character or reputation/unfair advantage:

<https://drive.google.com/file/d/1oGLofC0hg8JaAEJn3XJ7uORsJMmKJlza/view?usp=sharing>

Diagrams

