

End Line: The Boundaries of Extended Protection for Word Trademarks in EU Law★

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Commercial exchange of goods has throughout the history relied on two essential factors. The first factor was the knowledge from where a certain good derives from, and the second factor was the guarantee of the trader, guild or an authority that the good in question has certain qualities. Because of this, a need to mark the good, with a sign, word or a shape; in order to distinguish it on the market, was formed. The use of trademarks, as a means to convey these two important messages served as an appropriate tool in the commercial activities of the traders. In the advent of modern commercial exchange, engaged in a more sophisticated form of commerce, the need to protect not only goods, but also the messengers of reputation of these goods, emerged. Therefore, it was thought most adequate to protect these messengers in a form of trademarks as an intellectual property right. The trademarks in their core are interlinked with the message they carry and the good or service this message propagates. The link between the two is made in the mind or the perception of the targeted audience, the consumers. Because of this, the registration or the obtainment of a trademark enables the trader to register the trademark for certain categories, in order not to monopolise the use of the sign across the board, and foreclose other traders for using the same sign for the sale of the goods or services that are different from their own. However, well-known marks, are the ones that offer such protection across the board. They extend the protection of the trademark and with it monopolise the sign for one specific good or service.

This article concentrates on the boundaries of extended protection for trademarks in the form of remedies on a European Union (the ‘EU’) level, demonstrating that a trader cannot rely on a well-known mark status without any obligations attached to it. These boundaries rest upon access points for interested third parties, to word embedded in the well-known mark. This article introduces two access points, independently developed from the European trademark framework,¹ that have as an underlying idea the protection of market principles and other traders, rather than the protection of the trademark owner. The problem of well-known marks and their interaction with market principles derives from a simple fact that the basis for their protection rests upon the sug-

* The article is based on the author’s Master Thesis in European Intellectual Property Law, Stockholm University.

gestive function of the trademark. This suggestive function needs to be curtailed in order for the proper functioning of the market to occur. These two access points derive from the general principles of European Union law, and competition law.

1. Background

1.1 The notion of well-known marks. The notion of well-known marks is embedded in the perception that the trademark owner's investment in the trademark must be protected. The idea of a safety valve in a form of a protection for well-known marks was firstly enacted in the Paris Convention² in 1925 in Article 6*bis* at the Revision Conference in The Hague. Essentially, Article 6*bis* provides for a level of protection for well-known marks in a global trading system through the prevention of piracy and unfair exploitation of well-known marks, and at the same time without undermining the registration system. However, the enforcement of the obligation that stems from Article 6*bis*, was introduced with the TRIPS³ as one of the founding documents of the World Trade Organization (the 'WTO'). It should be noted that the TRIPS expands protection to service marks in its Article 16.2.

Having an attached well-known mark status to the trademark means that unlike the registered trademark, which enjoys protection only in the registered classes for certain goods and services, a well-known mark enjoys protection across the board. For example, a trademark 'SOFTCOLA' could only enjoy protection in the classes it was registered for (example, non-alcoholic drinks Class 32), whereas a trademark 'COCA-COLA' enjoys protection in all classes of Nice Classification,⁴ due to its well-known mark status. This is why this sort of protection is called extended protection, because it extends the scope of registered protection beyond protected goods or services.

In the EU, under Article 5(2) of the TMD, the proprietors of well-known marks are entitled to prevent all third parties that do not have their consent from using an identical or similar mark for goods or services which are *not similar* to those for which the mark is protected, provided that the mark has a *reputation* and if the use made of it takes *unfair advantage* of or is *detrimental* to the reputation or the distinctive character of the mark.

Firstly, in order for a trademark to be classified as a well-known mark under the European trademark framework, it must claim reputation which exists within the territory where protection is sought. The Court of Justice of the European Union (the 'CJEU') in case *General Motors v. Yplon*⁵ clarified the mean-

¹ Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark (the 'CTMR') and 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 (the 'TMD').

² Paris Convention for the Protection of Industrial Property, as last revised at the Stockholm Revision Conference, July 14, 1967, 21 U.S.T. 1583; 828 U.N.T.S. 303 (the 'Paris Convention').

³ Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299; 33 I.L.M. 1197 (1994) (the 'TRIPS').

⁴ Nice Classification, 10th edition, version 2014 (NCL(10-2014)).

ing of the expression ‘to have reputation’ by stating that it entails a certain knowledge threshold and that several factors that include: the notoriety of the mark, the knowledge of the significant part of the public concerned, market share etc. should be taken into consideration when declaring a mark as a well-known mark.⁶ Secondly, the relevant territory for the reputation to exist in, is considered to be a substantial part of the territory of the Member State, as confirmed by the CJEU in *General Motors v. Yplon*.⁷ Furthermore, if a Community trademark is a well-known mark only in one Member State, it can nevertheless be protected in the whole EU as a well-known mark as the CJEU confirmed in *PAGO International v. Tirolmilch*.⁸

The scope of protection for well-known marks is granted against use of a well-known mark for dissimilar goods or services, if without cause, it takes unfair advantage of, or is detrimental to, the repute or distinctive character of the trademark. Firstly, although not directly stated, the protection against abuse or deterioration by use of trademarks for identical or similar products also applies, as the CJEU confirmed in *Davidoff*⁹ and *Adidas v. Fitnessworld*.¹⁰ Secondly, the establishment of a link between the well-known mark and the infringing mark is a necessary condition for granting extended protection.¹¹ In other words if the relevant section of the public makes a connection between these two marks, even though this action does not confuse them, and the infringing mark reaps benefit in the form of taking unfair advantage of the well-known mark, from that link, the infringement occurred, as stated by the CJEU in *Intel Corporation v. CPM*.¹² Thirdly, the detriment to the distinctive character of the mark characterises the concept under which the use of identical or closely similar signs in totally unrelated fields can lead to the ‘whittling away’ or ‘dilution’ of a the distinctive character of the well-known mark, and thereby destroy its unique market position.¹³ There is no doubt that such a risk exists if the use of the mark by a third party is liable to create the impression among the interested circles that the mark is a generic term for the goods or services offered as was confirmed by the CJEU in *Interflora*.¹⁴ However, as stated in *Intel Corporation v. CPM*,¹⁵ in order for the detriment to the distinctive character to occur, the necessity of the establishing link in the public mind must be made as well as to prove that a serious risk of injury will occur in the future. Proof of such injury 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

⁵ Case C-375/97, *General Motors v. Yplon S.A* (‘Chevy’), [1999] ECR I-05421.

⁶ *Ibid* [5] para. 23.

⁷ *Ibid* [5] para. 28.

⁸ Case C-301/07, *PAGO International v. Tirolmilch*, [2009] ECR I-9429 para. 29.

⁹ Case C-292/00, *Davidoff v. Gofkid*, [2003] ECR I-389 paras. 24 and 25.

¹⁰ Case C-408/01, *Adidas v. Fitnessworld*, [2003] ECR I-12537.

¹¹ *Ibid* [10] para. 20.

¹² Case C-252/07, *Intel Corporation v. CPM*, [2008] ECR I-8823 para. 30.

¹³ Frank Schechter, *The Rational Basis of Trademark Law*, 40 Harv. L Rev. 813 (1926–27).

¹⁴ Case C-323/09, *Interflora v. Marks & Spencer*, [2011] ECR I-0000, paras. 79–80.

¹⁵ *Ibid* [12] paras. 32, 38, 76.

use of the later mark, or a serious likelihood that such a change will occur in the future. Furthermore, detriment to reputation would occur when a mark is used in a manner which would destroy or jeopardise its positive perception by the public as stated in the dictum of *Intel Corporation v. CPM*.¹⁶ In addition, for taking unfair advantage of the trademark, there is no need for injury to occur; hence the fact that the free riding occurred and advantage was taken due to the attractiveness of the well-known mark would be enough, as confirmed in *Intel Corporation v. CPM*¹⁷ and *L'Oréal v. Bellure*.¹⁸ And lastly, a person taking advantage of, or inflicting detriment on, a mark's reputation or distinctive character will not be held liable for infringement if the relevant actions are taken with due cause.¹⁹ It has been clarified in *Interflora*²⁰ that this applies where use of the mark serves legitimate purposes, like allowing consumers to make a comparison between one's own products and those of a competitor. In the recent case of *Leidseplein Beheer*²¹ the CJEU linked the notion of 'without due cause' with the notion of good faith in use of the trademark.

1.1 Interplay of the functionality of trademarks and extended protection. Generally when observing the functions of a trademark, three functions are brought in the lime light. Firstly, the origin function, serves as a protection for a trademark that it may operate as an indicator of the trade source from which the goods or services come, or are in some way connected. Secondly, the quality or guarantee function, serves as a protection for a trademark because it symbolises qualities associated by consumers with certain goods or services, as well as the guarantee that these goods or services reach a certain level of expectations that consumers have. Lastly, the investment or advertising function, serves as a protection for the trader, because it encompasses the investment in the promotion of a product, and that investment is a value, which deserves protection as such.²² The term for the latter in this article will be the suggestive function, because this investment and advertising suggests to the consumer that the possession of goods or services afford a sense of prestige to the owner of the trademarked product. This in turn results in the automatic consumer recognition of the trademark and this recognition is attached to the trademark itself rather than to goods or services.

¹⁶ Ibid [12] para. 40.

¹⁷ Ibid [12] para. 41.

¹⁸ Case C-487/07, *L'Oréal v. Bellure*, [2009] ECR I-05185 para. 49.

¹⁹ Annette Kur and Thomas Dreier, *European Intellectual Property Law Text, Cases and Materials* (1st, Edward Elgar Publishing Limited, 2013) p. 218.

²⁰ Ibid [14] para. 91.

²¹ Case C-65/12, *Leidseplein Beheer BV and Hendrikus de Vries v Red Bull GmbH and Red Bull Nederland BV* [2014] ECR (not yet published) para. 60.

²² William Cornish; David Llewelyn; Tanya Aplin, *Intellectual Property: Patents, Copyrights, Trademarks & Allied Rights* (7th edn, Sweet & Maxwell 2010) 16–22.

The most prominent one is the origin function of the trademark.²³ The whole idea is that distinctive signs fulfil an essential function in the market economy, the one of enhancing a firm's or business's product or service market identity by emphasising the difference between competing business product or service on the market. The origin function enables this market identification, and alongside of it enables the existence of the other two functions.

In the developments of the functionality of the trademark, other functions such as the investment function have been subscribed to the trademark.²⁴ Essentially, trademark confers protection also for the economic investment in the goods or services. This is gained through the suggestive function of the trademark. This function recognises that this investment also establishes the positioning of a good or service on the market via its trademark, and enlarges the earning potential of the good or service. Through this investment and establishment on the market, trader often seeks protection that extends the original scope of protection conferred by the trademark, based on the suggestive function. This is so because the suggestive function is aimed at creating a certain goodwill in the consumers' mind for the trademark itself.²⁵ This suggestive function also leads the consumer to associate the trademark with a sense of prestige and glamour, thus enabling the trademark to consequently become a status symbol.

It is this suggestive function of the trademark that is the pillar of the well-known mark status, enabling the protection for such marks to extend across the board of Nice Classification. The question lies, how this influences other functions of the trademark.

There are three clashes that can be identified with the purpose of the origin function and the extended protection. Firstly, from a legal perspective, the origin function is quite straightforward and formalistic in its view. It is narrowly tied with the origin of the product that the trademark conveys to the relevant public. In this respect the extended protection for well-known marks goes beyond the origin function. It blurs the lines of the origin function, because it does not convey the message that the origin function entails. It goes further. A well-known mark does not bother itself with the origin of the good or service, therefore diminishing the role of this function. Moreover, the well-known mark takes a life of its own, detaching itself from the original good or service.

Secondly, from an economic perspective, the origin function of well-known marks is diminished because the idea of a confounded origin to specific class of goods and services is impaired. The economic monopoly in specific classes of the Nice Classification is prolonged across the board. This diminishes the origin function from an economic perspective because it propagates two ideas. First

²³ See: Case 102/77, *Hoffmann-La Roche & Co. AG v Centrafarm Vertriebsgesellschaft Pharmazeutischer Erzeugnisse mbH*. [1978] ECR 01139 paras. 7 and 9.

²⁴ Case C-324/09, *L'Oréal SA, Lancôme parfums et beauté & Cie SNC, Laboratoire Garnier & Cie, L'Oréal (UK) Ltd v eBay International AG, eBay Europe SARL, eBay (UK) Ltd, Stephen Potts, Tracy Ratchford, Marie Ormsby, James Clarke, Joanna Clarke, Glen Fox, Rukhsana Bi* [2011] ECR I-0000.

²⁵ H.W. Wertheimer: *The Principle of Territoriality in the Trademark Law of the Common Market Countries* International and Comparative Law Quarterly, Issue 16, June 1967 p. 646.

one is that the economic origin of the good or service is all goods and services; and secondly that it is legitimate to have an absolute monopoly based on notoriety, and not the origin of good or service.

And lastly, from a social perspective, the origin function is diminished because the extended protection effectively monopolises the meaning of a certain word or a phrase, thus allowing the trademark owner a legitimate right to prevent anyone using it in the course of trade. This clashes with two notions of trademark law and fair competition. The first one is, that there are ample trademarks in use, and everyone can use a word that describes its good or services, as long as they are registered in a different class and are not likely to confuse the relevant consumer base. And the second one is, that the trademark owner should not foreclose any possible new entrant on the market. With the extended protection, these two notions are hindered from occurring.

Regarding the guarantee function, we must firstly take into consideration that this function is described as the function that gives an assurance of the goods or services unchanged quality. It should be borne in mind that a trademark owner obtains an exclusive right of a word for certain categories of goods or services; or for goods or services of a similar description and not for a specific product of a certain quality. Due to this fact, the trademark owner as a monopolistic owner is entitled to change (be it for better or worse) the quality of the goods or services to which the trademark is affixed, without the risk of losing its trademark right. This can happen organically, either through the market structure change or through the change in consumer preferences. Moreover, there is no obligation on the trader to inform the public of this change. Additionally, the trader is free to change its source of supply, or to have several sources at a given moment. This can change the quality of the good or service, as well as cause differences in the product offered in different markets where the trademark is protected. This is evident in the case of well-known marks. For example, in the case of Marlboro trademark, affixed to tobacco products, it is a known fact that the quality of tobacco as well as the source varies, based on the territory where the product is traded. This is also true for Coca-Cola, which quality depends on the purity and quality of water where the soft drink is produced. McDonalds in its active policy to obtain as much consumers as possible, is notorious for adapting its products to the taste of the consumers based on the territory where a McDonald's restaurant is situated. Therefore, the offer in McDonald's restaurant varies. For example, in Greece McDonalds offers pita gyros, in Austria pretzels, in India only chicken meat is used to make hamburgers. Therefore, in this respect, certain differences in quality are inevitable, however, this does not hamper the retention of the title of a well-known mark. Consequently the public cannot count on a steady quality of the marked goods it buys successively in the course of time, so that a consistent standard quality is not an essential feature of the origin function of the trademark.²⁶

²⁶ Ibid [25] p. 649.

The suggestive function, is the one on which the extended protection lies. It is also the function that clashes with the origin function. This is due to its psycho-sociological role, attributed to the trademark itself, and not the good or service that it is affixed to. Although, it is fair to state that the allure of well-known marks needs to be protected, that the investment made into commercialisation and advertisement of them needs to be preserved. It should also be fair to state where the boundaries of this protection lie.

The question here is whether the extended protection, diminishes the origin function (and with it consequently others that derive from it). Firstly, the origin function in its essence does not need an extended protection. To exemplify this, Coca-Cola is a soft drink made in the USA, the extended protection will not add on, or protect the trademark origin. The trademark origin entails the meaning of Coca-Cola as a soft drink that comes from USA has a brown colour and is sparkling. It is highly unlikely, if we place a Coca-Cola word on a table, made of wood that the consumer would be deceived into believing that this is a soft drink, which has brown colour, is sparkling and comes from the USA. Secondly, the investment function, is a valid reason for getting the extended protection, because it does preserve the trader's investment, however, the question is, if the trader invested in a good or service for 5 years, why would it gain an extended protection which can last *ad infinitum*?

Even if we accept that it serves an economical equilibrium to grant the trader the extended protection of trademark, we have to observe the competition considerations which might be raised. This is due to the fact that trademark protection confers a monopoly in its core, and that the behaviour of the trader when using this monopoly can be detrimental to the effective functioning of competition rules as well as the welfare of the consumer. Firstly, the behaviour of the trader by interlocking the trademark with geographical restraints of the distribution of goods or services on the market through licensing agreements. Secondly, the behaviour of the trader by abusing the dominant position which was granted to him by the extended protection. Be this with refusal to supply or foreclosure of the market. This in turn can lead to the partitioning of the internal market. Therefore, certain boundaries to the extended protection need to be established, in order not to diminish the origin function, and the proper functioning of the internal market of the EU.

2. Accesspoints

The overall analysis of the boundaries of extended protection for trademarks in the form of remedies, demonstrates that a trader cannot rely on a well-known mark status without any obligations attached to it. The crux of the analysis outlined below, proposes an idea, of the autonomous access points for interested third parties, to word embedded in the well-known mark. These autonomous remedies stem from both the internal market principles and competition law. It should be noted that these boundaries in a form of remedies are employed after the trademark has been registered, due to the fact that the extended protection is gained after the registration has been made.

The remedies that are presented can be grouped into three categories: (a) remedies in a form of grounds for invalidation, (b) remedies in a form of grounds for revocation, and lastly (c) counterclaims in infringement proceedings.

Firstly, under the grounds for invalidation, the autonomous remedy developed under general principles of the EU law is abuse of rights. Under competition rules, anti-competitive behaviour can be used as a ground for invalidation, as well as the right of any injured party to seek damages. Secondly, under the grounds for revocation, the autonomous remedy developed under general principles of the EU law is abuse of rights. Under competition rules, anti-competitive behaviour can be used as a ground for revocation, as well as the right of any injured party to seek damages. Thirdly, under the counterclaims in infringement proceedings, the autonomous remedies developed under general principles of the EU law, are abuse of rights and exhaustion of rights. Under competition rules, anti-competitive behaviour can be used as a counterclaim in infringement proceedings, as well as the right of any injured party to seek damages.

Additionally, under competition rules, regarding the public enforcement of competition rules by the Commission or the national competition authority, there are two other ways to access the word embedded in the well-known mark. These are a declaratory judgement that the prohibited agreement is null and void under Article 101 of the TFEU²⁷ and to seek a compulsory licence under Article 102 of the TFEU.

2.1 The EU internal market. 2.1.1 The EU's legal framework, as any legal framework is not defined in its entirety. Legal lacunas exist, and therefore, a need for gap filling emerged. In its case law, the CJEU employs mainly public international law and general principles of law. Additionally, fundamental rights constitute a specific category of rules as they form part of both primary and supplementary law of the EU, depending on their source.

The analysis of the internal market perspective and the role of general principles in them is made on the observance of interaction of general principles of law and market freedoms; namely free movement of goods and services, and how they serve as litigation grounds and litigation counterclaims. The bellow analysis of the principles, demonstrates several conclusions. Firstly, that these principles are applied to all trademarks irrespective of the protection they confer to a trademark. Secondly, that they are employed in certain stages of the 'life' of a trademark. And lastly, that they can be relied upon by third interested parties, when they want to be granted access to the word that is embedded in a trademark. In the spectrum of internal market rules, the evolution of the principles, has been to curtail the protection afforded to trademarks in the name of a bigger goal, and that is the creation of the internal market.

²⁷ Treaty of Lisbon Amending the Treaty on European Union and the Treaty Establishing the European Community, Dec. 13, 2007, 2007 O.J. (C 306) 1 (the TFEU).

2.1.1.1 *Freihaltebedürfnis as a general principle of EU law.* *Freihaltebedürfnis* or the right to remain free; is a trademark law legal concept that derives from German law. The general idea is that signs that are used as trademarks are infinite in their supply. Therefore, each trader can choose the sign it wishes, in order to affix to its good or service. This right is employed as a remedy during examination proceedings by the registration officer and in opposition proceedings, in a form of an opposition claim by an interested third party. This means that, the registration officer can use this principle to deny registration of a trademark, based on the idea that certain words should not be monopolised, and accordingly any third party can use this same reason by bringing this claim in the opposition proceedings. The trader has a right of an appeal in the event that this principle was used, be it to its national court, in the case of national trademarks or to the Board of Appeal of the OHIM, in the case of Community trademark. In addition, it should be noted, that due to the fact that this principle is observed under absolute grounds for refusal, the commencement of invalidation proceedings based on this principle, cannot be done, due to the fact that the well-known mark has already acquired distinctiveness.

Under Articles 7 (3) of the CTMR and 3 (3) of the TMD trademarks cannot be cancelled for the absolute grounds listed in Articles 7 (1) (b)–(d) of the CTMR or 3 (1) (b)–(d) of the TMD if they have *acquired distinctiveness* after registration by use in trade. This is based on the fact that words, once registered and connected by the consumer to a product, become distinctive in the consumer base that made the link. So in the event that a suggestive trademark (such as ‘COPPERTONE’ for suntan lotions), or a descriptive trademark (such as ‘SHOELAND’ for a shoe store), becomes distinctive, *Freihaltebedürfnis*, cannot be employed, because the word is no longer free for a different trader to use. This is so, because the distinctiveness is gained through genuine use of the trademark, and if the trademark has been genuinely used in the course of trade, there exists no grounds for invalidation or revocation. The CJEU stated in *Ansul*,²⁸ that there is a genuine use of a trademark where the mark is used in accordance with its essential function. Therefore, if a trademark with the word ‘SHOELAND’ is genuinely used in the course of trade for shoe shops, it cannot be revoked or invalidated based on the fact that this word needs to become free for other traders to use.

Freihaltebedürfnis means, either that a sign should not gain protection, or under certain circumstances, that it may be valid to accept overlapping trademarks for competing products. *Freihaltebedürfnis*, in its core, is compatible with the notions of free movement of goods and services. Moreover, this is visible from both the national Member State perspective and the EU one. From the national perspective, it does not preclude to have same signs for different goods and services in the same territory, be it for national or foreign registered trademarks. This also applies for the Community trademark due to the shared principles under the European trademark framework. On an EU wide level, the notion of

²⁸ Case C-40/01, *Ansul BV v. Ajax Brandbeveiliging BV*, [2003] ECR I-2439 para. 38.

Freihaltebedürfnis, was introduced in the case *Windsurfing Chiemsee*²⁹ that concerned an application to register ‘CHIEMSEE’, a name of a famous Bavarian lake, in relation to a range of sportswear.

The CJEU observed that Article 3(1) (c) of CTMR ensured that geographically descriptive marks remained available to the public.³⁰ Indeed, Article 3(1) (c) of CTMR applied to prevent registration of a mark if it may serve to designate the geographical origin of the category of goods, in the future.³¹ Relevant considerations include the degree of familiarity amongst the relevant class of persons with that name, with the characteristics of the place designated by the name, and with the category of goods concerned.³² In *Koninklijke KPN Nederland NV v. Benelux-Merkenbureau*³³ the CJEU went further, and stated that the public interest in the form of the *Freihaltebedürfnis* means that signs, which describe any characteristic *whatsoever* must be kept available.³⁴

Essentially, the *Freihaltebedürfnis*, comes to play under the European trademark framework in the instances of registration of a trademark. In addition, it should be noted that under the European trademark framework this principle is employed if a word mark is descriptive.

When it comes to well-known marks, two situations need to be distinguished. The first one is that a word mark, which is descriptive, should not be registered according to this principle and the second one is the fact that *Freihaltebedürfnis* is impeded if such mark is registered due to the fact it monopolises the meaning for a specific good or service.

In the example of the Community trademark registration of the word ‘CANDY’ for an online videogame, it is visible that this principle was not adhered to. With this registration (which has a potential of becoming a well-known mark), the trademark owner King, has a valid right to exercise the rights afforded with the trademark protection. Firstly, King can easily employ the property justification, which states that the proprietor of the intellectual property right has a positive right to exploit the product of the mind or reputation of the sign through production and distribution. This is quite evident, from its course of business. King allows users to download its games, to purchase additional game products while playing and make use of them in course of playing the games provided. Secondly, King can easily employ the trade justification, which states that the specific subject matter of the intellectual property right is safeguarded by a negative right to prevent others from producing and trading in goods and services. King has already started sending cease-and-desist letters to other makers of candy-infused games, like All Candy Casino Slots, and with this exercising its negative rights.³⁵ Lastly, King can rely on the social justifica-

²⁹ Joined Cases C-108/97 and 109/97, *Windsurfing Chiemsee v. Huber & Attenberger* [1999] ECR I-2779.

³⁰ *Ibid* [29] paras. 25–30.

³¹ *Ibid* [29] para. 31.

³² *Ibid* [29] para. 32.

³³ Case C-363/99, *Koninklijke KPN Nederland NV v Benelux-Merkenbureau* [2004] ECR I-01619.

³⁴ *Ibid* [33] para. 102.

tion, which states that intellectual property rights serve as an incentive for investment and innovation, through dynamic competition. King has recently, added new games and services on their online web portal, and have started advertising their games through other media outlets in order to boost its revenue. However, one should also note, that this social justification opens the door for the suggestive function of the trademark, thus enabling it the well-known status.

Therefore, it can be concluded that the *Freihaltebedürfnis* is a principle that serves as a safeguard before a trademark is registered, and that after this benchmark of registration has been made, a trademark can become a well-known mark in its own right. This can be seen from the example of the trademark 'ABSOLUTE VODKA' which become a well-known mark in its own right, although it contained the word 'absolute' and through its status filled infringement proceedings against a radio station that used the same word.³⁶ This principle cannot be employed as a remedy on an already registered trademark because by the time the well-known mark gains its status, it has already become distinctive through genuine use.

2.1.1.2 Abuse of rights as a general principle of EU law. The principle of abuse of rights has been developed through the case law of the CJEU in cases of tax law. However, it was confirmed as a general principle of the EU law in the case *Kofoed*.³⁷ Moreover, in *Halifax and Cadbury-Schweppes*, the CJEU explicitly noted that according to settled case law, Community law cannot be relied on for abusive or fraudulent ends.³⁸

The landmark case that defined the contours of abuse in EU law was *Emsland Stärke*,³⁹ where the CJEU laid down two conditions to constitute abusive conduct, an objective and a subjective element. Concerning the objective element, the CJEU explained it as an objective circumstance in which, despite formal observance of the conditions laid down by the Community rules, the *purpose* of those rules has not been achieved. The subjective condition was explained as consisting in the intention to obtain an advantage from the Community rules by creating artificially the conditions laid down for obtaining it. The CJEU specified that it is for the national court to establish the existence of these two elements.⁴⁰

Under the current case law of the CJEU, there are two situations where the principle of abuse of right is examined regarding the trademark. The first one is

³⁵ Gaming Company Crushes Competitors for Using 'Candy' <http://www.businessweek.com/articles/2014-01-22/gaming-company-crushes-competitors-for-using-candy>, accessed on 30 April 2014.

³⁶ Absolute Radio settles trademark fight with Absolut vodka <http://www.theguardian.com/media/2010/apr/29/absolute-radio-absolut-vodka>, accessed on 30 May 2014.

³⁷ Case C-321/05, *Hans Markus Kofoed v Skatteministeriet* [2007] ECR I-05795 para. 38.

³⁸ See: Case C-255/02, *Halifax plc e.a. v Comrs of Customs & Excise* [2006] ECR I-1609, para. 68. Case C-196/04, *Cadbury Schweppes plc e.a v Comrs of Inland Revenue* [2006] ECR I-7995, para. 35. In Case C-212/97, *Centros Ltd v Erhvervs- og Selskabsstyrelsen* [1999] ECR I-1459, para. 24.

³⁹ Case C-110/99, *Emsland Stärke* [2000] ECR I-11569 paras. 52 and 53.

⁴⁰ *Ibid* [39] para. 54.

in the situation of abuse where a trademark owner relies on its granted rights in order to oppose the marketing of repackaged products under that trademark, therefore partitions the internal market, and consequently hinders free movement of goods and services.⁴¹ The second one is, in regards of Community trademark, the abuse of rights is considered as an element of bad faith in registration of the trademark.⁴² The well-known marks come into play here in both situations, the use of trademark and the registration of the Community trademark.

The European trademark framework uses the mutual recognition principle which states that if a certain product is legally made and placed on a market of one Member State, there is nothing precluding it to be legally placed on the market of another Member State. Therefore, in the situation of a legally obtained well-known mark status in one Member State, there is nothing precluding it to be recognized as a well-known mark in another Member State. This in turn, makes a proliferation of well-known marks easier in the internal market. Easier proliferation of well-known mark status, enables monopolisation of a word and therefore, easier way for entities to abuse the rights granted by them in order to curtail the use of that word by others. Therefore, abuse of rights in this situation is a limitation or a boundary of extended protection, which states that one cannot misuse the rules to obtain a certain advantage (in this case the well-known mark status) with the aim of abusing it. The abuse of rights, as a remedy can be employed in front of a national court, as stated in *Emsland Stärke*⁴³ and would most probably be accompanied by a damages claim by an injured party.

However, this would rarely be used, because it would be hard to prove that a certain trader obtained a well-known status in order to use it against its competitors. This is also contrary to business logic of a trader. The well-known status is a shield from competitors after years of investment in a product. Nevertheless, if the situation should arise, the abuse of rights could be employed as a boundary to extended protection of trademarks. Regarding the Community trademark, the case law points on that the abuse of right is considered under the bad faith principle of European trademark framework. However its should be noted that similar reasoning of evidentiary threshold previously discussed would apply here as well.

2.1.1.4 Exhaustion of rights as a general principle of EU law. The exercise of intellectual property rights, or industrial and commercial property rights, such as trademarks, can have a negative impact on the operation of the internal market. Most notably, it can be used to hinder or impede the free movement of goods between Member States. The exhaustion of rights has been firstly observed

⁴¹ See: Case C-427/93, *Bristol-Myers Squibb v Paranova A/S*, [1996] ECR I-03457 para. 79, Case C-379/97, *Pharmacia & Upjohn SA v Paranova A/S*, [1999] ECR I-06927, para. 46.

⁴² Case C-569/08, *Internetportal und Marketing GmbH v Richard Schlicht* [2010] ECR I-04871 para. 113 and 114.

⁴³ *Ibid* [39] para. 54.

through Article 34 of the TFEU. This was done in connection with Article 36, which provides for a derogation on free movement of goods, where this is justified on grounds of the protection of industrial or commercial property. This exception must be read in conjunction with Article 345, which states that the TFEU shall in no way prejudice the rules in Member States, governing the system of property ownership.

The scope of the application of Article 36 of the TFEU was firstly considered in the case of *Deutsche Grammophon*.⁴⁴ There the CJEU concluded that the provision permitted prohibitions or restrictions on the free movement of goods only to the extent that they were justified for the protection of the rights that form the *specific subject matter of the property*.⁴⁵ With this the concept of EU wide exhaustion of right was born. Once the protected right or a product has been legally placed on the market of the Member State by the consent of the intellectual property rights holder, or by a person economically or legally dependent on that person, the intellectual property right holder cannot prevent its right or a product from circulating, as confirmed by the CJEU in *Centrafarm BV v Sterling Drug Inc.*,⁴⁶ *Centrafarm BV v Winthrop BV*,⁴⁷ and *Musik-Vertrieb Membran GmbH v GEMA*.⁴⁸ If the exhaustion of rights principle would not be possible, on the internal market of the EU, this would legitimize the isolation of national markets, and go against the essential purpose of the EU law and that is to unite national markets into a single market as confirmed in *Deutsche Grammophon*.⁴⁹ Although, the case law cited, only considers provisions on free movement of goods, it should be noted that the free movement of services may similarly be affected by the tension between protecting intellectual property rights and ensuring free movement in the internal market. This is so, because the trademarks are affixed to a certain good or service, therefore they are capable of hindering both the provisions on free movement of goods and services. However, in the absence of more specific case law on this point, it is difficult to predict the extent to which the CJEU would adopt a similar approach in the field of services.

Under the European trademark framework, this principle has been incorporated in both the TMD and the CTMR. Pursuant to Articles 13 of the CTMR and 7 of the TMD, the proprietor of a trademark cannot prohibit the use of the mark in relation to goods which have been put on the market in the EU (including the European Economic Area (the 'EEA')) by the proprietor or with its consent. Exhaustion of trademark rights only occurs when goods are actually sold, or ownership is otherwise transferred, within the EU; and import as such is not sufficient, as was clarified in *Peak Holding*.⁵⁰ It should be also noted that

⁴⁴ Case 78-70, *Deutsche Grammophon Gesellschaft mbH v Metro-SB-Großmärkte GmbH & Co. KG* [1971] ECR P-00487.

⁴⁵ Case C-206/01, *Arsenal Football plc v Reed* [2002] ECR I-10273 para. 7.

⁴⁶ Case 15/74, *Centrafarm BV v Sterling Drug Inc* [1974] ECR P-01147 para. 10 and 11.

⁴⁷ Case 16/74, *Centrafarm BV v Winthrop BV* [1974] ECR P-01147 paras. 9–11.

⁴⁸ Joined cases 55/80 and 57/80, *Musik-Vertrieb Membran GmbH v GEMA* [1981] ECR P-00147 para. 15.

⁴⁹ *Ibid* [44] para. 12.

⁵⁰ Case C-16/03, *Peak Holding AB v. Axolin-Elinor AB*, [2004] I-11313 para. 40.44.

exhaustion only relates to the individual items which have been placed on the market by the trader or with its consent as it was held in *Sebago v. Unic*.⁵¹ However, as was clarified in *Silhouette*⁵² the principle of global exhaustion (which was available under the rules before the enactment of the European trademark framework) cannot be employed anymore. This means that the exhaustion principle is narrower and is only applicable in the territory of the EU (and the EEA), and not in respect of products placed on the market of non-member countries. As a matter of principle, exhaustion also means that legitimate resellers are free to use the mark in order to bring to the public's attention the further commercialisation of those goods.⁵³ However, an exception from the rule is done where the use in advertising or selling announcements is such that it would seriously damage the reputation of the sign.⁵⁴

The principle of exhaustion of rights is equally applicable to well-known marks and trademarks that were not afforded the extended protection. Therefore, once the first sale of a good bearing a trademark has been made in the internal market, the trademark owner cannot prevent further sale of the good and consequently further commercialisation of the well-known trademark.

This remedy curtails the property and trade justification of the trademark, because once you sell the product, you can no longer claim any rights on that same product (rights of reproduction and further trade). It can be employed by an interested third party, as a counterclaim in infringement proceedings brought by the trademark owner.

3. The EU Competition law perspective

In the analysis of the competition law ratifications of extended protection afforded to well-known trademarks three factors need to be taken into account. The first one is the meaning of a word embedded in a trademark and how it affects the consumer, in order to explain how monopolisation of it serves as a detriment to competition, secondly, the competition law concerns and lastly, how can one access monopolised meaning.

3.1 The consumers perspective- embedded meaning of the trademark and how it is formed in the eyes of the beholder. Well-known marks embody inherent two conflicts. Firstly, is the conflict of protection, beyond the scope of primary registration, and secondly is the conflict that questions how names and descriptions achieve their functions of denoting and referring to things in the world in the sphere of well-known marks.⁵⁵ Therefore, when analysing the meaning of a trademark, linguistic issues must be taken into consideration. These linguistic considerations deal with linguistic formulation of the word mark that comes into play

⁵¹ Case C-173/98, *Sebago v. Unic*, [1999] ECR I-4103, para. 19.

⁵² Case C-355/96, *Silhouette International v. Hartlauer*, [1998] ECR I-4799 para. 26.

⁵³ See: Cases C-337/95, *Christian Dior v. Evora*, [1997] ECR I-6013, para. 38; Case C-63/97, *BMW v. Deenik*, [1999] ECR I-905, para. 48 and C-558/08, *Portakabin v. Primakabin*, [2010] ECR I-06963, para. 77.

⁵⁴ Case C-337/95, *Christian Dior v. Evora*, [1997] ECR I-6013, para. 38.

under the terms of eligibility for registration and as regards enforcement of trademark rights.

Durant⁵⁶ rightly points out that commercial signs require trademark protection when used in particular discourse contexts (or when contested by others because of use in a given context), rather than in the abstract. What they mean, what effects they have, and how far they infringe particular rights, all depend on how they are used as much as on the inherent meaning potential of the signs themselves. However, when the potential meaning shifts to meaning in use, the significance of the word mark becomes different. This difference in understanding on how word marks affect the market, arise out of difference how one observes the balance between interests of trademark owner and public rights in language and communication.

This is more evident in the event that trademark owner registers a common word, which is on the descriptive/distinctive border, such as 'CANDY' (in the example of King). In this case, King, not only acquired a commercial identifier, but also a name, by which it gained additional rights, through a cluster of features of descriptiveness from general usage. This is beneficial to King, because additionally to the origin function of the trademark, its rights are enriched by other, value-adding evocative functions; a rich, affective means of expression embedded in the word 'CANDY' becomes to some extent King's monopoly.

With this monopolisation of the word, trademark protection, curbs the pool of expressive resource available in the language at large, because the risk is created of infringement claims against users who include it. This is not only directed to commercial competitors, but also in the case of well-known marks to traders in other areas.

The formation of the meaning in the mind of a consumer with word marks is created in a manner that when a word is used, other associated words are activated in a sort of domino effect. Then in the perspective of the consumer, they are filtered out through relevance by constraints of collocation and context. This means that one word will make other words and concepts around it more accessible. This in turn makes the mental thought process easier for the consumer to acquire association of several words and concepts and create a picture what does this word mean to her or him. However, where a trademark sign simultaneously is, a descriptive term, then related words, concepts and images are more likely to be retrieved and used in thought, alongside the name, than for signs that are mentally stored with fewer or no established connections. This means that the formation of the meaning is shorter, both in the thought process of the consumer, and in the employment of words and images consumer needs to use to create the meaning. This is more so with idioms and echoic phrases, which are allusive to social values, attitudes and everyday ways of speaking. The

⁵⁵ Alan Durant: *'How can I tell the trade mark on a piece of gingerbread from all the other marks on it?'* *Naming and meaning in verbal trade mark signs*, Chapter 5 in Lionel Bently, Jennifer Davis, Jane C. Ginsburg: *Trade Marks and Brands: An Interdisciplinary Critique* Cambridge University Press, 2008 p. 107.

⁵⁶ *Ibid* [55] p. 109.

descriptive or near-descriptive sign has accordingly a kind of condensed power; it triggers mental effects that, if suitably guided, significantly enrich its resonance and make it more effective as a means of communication.⁵⁷

With the creation of this meaning, the trademarks are embedded in the conceptions of the consumer. Through trademark law, they are granted a monopolistic position on the word market. Well-known marks are granted a special monopolistic position, because they are protected across the board.

3.2. *Competition law concerns in extended protection.* There are two types of competition law concerns that can be distinguished in regards of the extended protection for well-known marks. The first one is the limitations to the principle of exhaustion of rights, the second one is the embedded protection for the suggestive function in the well-known mark status.

Firstly, in regards of the principle of exhaustion of rights, from a competition law perspective, this principle faces a risk of dilution to the advantage of trademark owners, especially the well-known marks owners. This problem of dilution can be attributed to the progressive benevolence of antitrust law on vertical agreements between producers and distributors aimed at delimiting the form and scope of distribution. This behaviour of competition policy is the product of a rule of reason, that is founded on two concepts. The first one is the market recognition of the need of selective distribution, that is capable of guaranteeing both a commercial environment in keeping with the prestige of the branded products and levels of customer care, higher than the norm. This guarantee usually entails the charging of appropriate prices and the exclusion of mass distribution. The second concept is embedded in the notion that the competition, which needs to be defended, is between different brands/producers (*inter-brand*) as opposed to between distributors of the same brands (*intra-brand*). This view is founded on the conviction that the greater commercial value of single brands (through selective distribution) heightens and increases competition between various products.⁵⁸

The most obvious example for this is the distribution of iPhones by Apple in European countries. Firstly, the phones are distributed by region and/or country and are available in limited stocks. This was most evident in the period when the product was firstly launched in Europe, and the scarcity of the product made it more appealing to the consumer, thus driving the prices up. The consumer was not buying only the product, it was also buying a status symbol. The prevailing opinion is that, a greater tolerance of vertical restrictions is just a small sacrifice for the sake of more dynamic competition in the relevant market. However, in order for this sacrifice to make sense is in the event that it generates effective and concrete advantages for consumers: a concrete benefit that is rationally appreciable in terms of service at an appropriate but not exorbitant

⁵⁷ Ibid [55] p. 131.

⁵⁸ Gustavo Ghidini: *Innovation, Competition and Consumer Welfare in Intellectual Property Law*, Edward Elgar Publishing Limited, 2010 pp. 176–177.

price. Were such a condition or proportion is not satisfied, the whole construction would collapse and reveal just a pro-monopolistic structure aimed at protecting high pricing policies. The example of iPhones could raise such questions, due to the fact that the same marketing scheme is applied anytime a new model is launched. However, when we observe new economy products, a more detailed analysis of Apples behaviour should be made, to come to a conclusion that their marketing behaviour does not hinder consumer welfare.

Secondly, in regards of the suggestive function, or the allure of the well-known marks, the recent decades, introduced the mass consumption era, boosted by the refinement and intensification of advertising and marketing techniques. This has highlighted an unquestionable fact that the trademark is a modern form of communication incorporating a 'message' designed to appeal to consumers, thanks to the substantial reputation of the product and/or the advertising campaigns supporting it, which obviously focus on the sign. This embedded message has a tendency to generate consumer attraction and loyalty and, therefore, commercial lock-in. To refer to the previous example of iPhones, it is evident that there currently exists a trend of people who use Apple products and people who use Samsung products. They become loyal to one brand, and tend to buy products from that same brand. For example, people who use iPhones usually own a MacBook and an iPad, and with this they are locked-in for other traders (such as Samsung or Sony or HTC) to access them as a consumer base. With this, the promotional value, or the selling power of the brand translates into a tool of competitive advantage, which may even lead to the trademark owner enjoying a dominant position. This can also occur in vertical situations, when agreements between the manufacturer/owner and distributors which, having regard to the type and segment of consumers served, 'cannot afford not to stock' certain branded products. Said distributors therefore become 'captive customers' that need to stock the branded product. This is evident with cell phone markets, because no distributor or a seller of this product can afford not to stock an iPhone.

However, it should be noted that the exploitation of this promotional value accrues to the owner first in the sector for which the mark is registered and traditionally used, and similar sectors. With time when the consumer base expands, and the trademark becomes well-known mark, the market power and market share expands. The obvious example is Aspirin that through its well-known status allowed Bayern to remain dominant in the pharmaceutical sector, after the expiry of the patent, solely based on its notoriety. This particular, case of enhancement of trademarks selling power, when the owner holds an invention power, is particularly problematic, because the combination of two intellectual property rights, could contribute to creating, and prolonging, a position of market power for the trademark owner. On the one hand, the sales monopoly most likely strengthens the image of uniqueness of the branded product, which in turn increases the mark's renown.⁵⁹ Another pharmaceutical example

⁵⁹ Ibid [58] p. 178.

is Viagra, which also holds its market share and dominance, although the patent for the pharmaceutical drug has expired.

With the emergence of the suggestive function, the traditional origin function paradigm was challenged. This stems from the fact that the origin function can be deemed as a constraint on the increasingly evident potential of well-known marks to express an independent and exploitable, promotional and selling power. That power turns into a trademark's own commercial and financial value. With the extended protection for well-known marks came the problem of the 'extramural' protection. Although it should be noted that this extended protection is based on the demonstration of the notoriety of the well-known marks by the trademarks owners. However, the problem, from the competition law perspective, comes into play with the scope of protection of the well-known marks under the European trademark framework. Under the TMD and CTMR, the scope of protection for well-known marks is granted against use of a well-known mark for dissimilar goods or services, if without cause, it takes unfair advantage of, or is detrimental to, the repute or distinctive character of the trademark. The CJEU expanded the scope, also for the protection against abuse or deterioration by use of trademarks *for identical or similar products* in the cases of *Davidoff*⁶⁰ and *Adidas v. Fitnessworld*.⁶¹ The CJEU, observed that this was justified by the need for systemic consistency, stating that if renowned trademarks are afforded strong protection for distant goods sectors then *a fortiori* protection must be afforded to the same trademark for similar products, if the rival trademark, mirroring some formal elements of the renowned one, creates an association with the latter, including one that is not likely to generate confusion.⁶²

Ghini,⁶³ points out that this position can be criticised on two grounds. Firstly, it is contradictory in itself, when evoking the concept of association, which the TMD expressly defines as a *species* in order to justify a broadening of the protection in the absence of such confusion. By enforcing non-confusing associations, the CJEU implicitly accepted the request, long advanced by many business circles, for exclusive protection against so-called 'look-alikes', a protection that neither European trademark framework nor unfair competition rules on passing-off would allow. Its ruling, objectively aims, at granting a legal protection to the suggestive value of the trademark, even in the area of registration. Additionally, the more renowned a trademark is, the more clearly and precisely it is embedded in the consumer's mind, so a simple imitation will be perceived as just an imitation, and not be confused with the original product. Therefore, in the case of 'SOLVO',⁶⁴ the consumer would never be confused that

⁶⁰ Ibid [9] paras. 24 and 25.

⁶¹ Ibid [10].

⁶² Ibid [58] p. 184.

⁶³ Ibid [58] pp. 184–185.

⁶⁴ Case T-394/10, *Elena Grebenshikova v OHIM, Volvo Trademark Holding AB intervening* [2013], ECR I-0000.

‘SOLVO’ for computer programs is in any relation with the trademark ‘VOLVO’ for cars.

Secondly, in the case of two synergic intellectual property rights on the same product, such as trademark and patent, the trademark owner normally enjoys, the sign’s attractive or suggestive value, primarily in the business area of registration. Once licences can be granted on a non-exclusive basis, the mark can be traded as an independent asset. Due to the European trademark framework, allowing a trademark to be an independent asset, a well-known mark will attract, in its own sector, many requests for a licence, and the offer of high fees, and high sale price. Therefore, this was unnecessary expansion of protection, because a value of the well-known mark would anyway and naturally accrue to the owner in the area of registration. The consideration of the privileged legal status granted to well-known marks, reaching out beyond the area of confusion, essentially amounts to protection of the commercial goodwill as such with absolute exclusive rights. Moreover, there is no time limit, taking rather unfair advantage of a rule, which is only justified by protection of the origin function. Especially if we take into consideration that the CJEU accepted the fact that the origin function is the one, from which all other functions derive or are an addition to the origin function in *Interflora*⁶⁵ and *Google France*.⁶⁶

This protection of the suggestive function of the trademark raises a strong barrier to entry for the new market entrants. This is so, because it points to a break with the system of intellectual property. The break occurs in the grant of protection of exclusive rights to a suggestive ability, whereas the intellectual property system grants exclusive protection (in the form of a patent or copyright) only to tangible new technological or aesthetic results of intellectual effort. Neither patents nor copyright protects the author’s ability to suggest, or their commercial reputation. Thus, a mere commercial value, usually increased and often created by advertising, receives more protection than the objective expressions of human creativity.

3.3 Relief that could be sought under competition law. The sole purpose of intellectual property rights is to give their owners monopoly rights for a certain period as a reward for their creative endeavour or in the case of trademarks, acquired goodwill in their product. Intellectual property rights are therefore necessary to encourage investment of time and money in this endeavour. A certain balance should be stricken between recognition of the subject matter of intellectual property rights and prevention of their use that might undermine the internal market objectives, which *inter alia* include an effective competition law policy. This is even more important in the event of well-known marks, due to the fact

⁶⁵ Ibid [14] paras. 62–64.

⁶⁶ Joined cases C-236/08 to C-238/08, *Google France SARL and Google Inc. v Louis Vuitton Malletier SA* (C-236/08), *Google France SARL v Viaticum SA and Luteciel SARL* (C-237/08) and *Google France SARL v Centre national de recherche en relations humaines (CNRRH) SARL and Others* (C-238/08) [2010] ECR I-02417 paras. 91 and 92.

that they have a possibility of a ‘perpetual’ life span. In this sense, they can monopolise a word *ad perpetuum*.

The first thing one needs to bear in mind, is that trademark protection is in its nature a monopolistic protection. Therefore, when observing the use of this protection that runs contrary to competition law, one must recognise that the misuse usually is done through contractual law, namely licences. Be it in form that the trader uses its well-known mark status in order to create more favourable conditions on the market for itself and its product or service distributor, or uses the well-known mark status to create favourable conditions on the market for itself. The situations described above would be considered as a prohibited agreement under Article 101 of the TFEU, and as an abuse of dominant position under Article 102 of the TFEU.

The CJEU distinguished early on in its case law, namely *Consten vs. Grunding*⁶⁷ and *Parke, Davis & Co. v Probel*⁶⁸ between the existence of an intellectual property right (and trademark respectively) and its exercise. It said that, following Article 345 (previous Article 295), Community law did not affect the existence of an intellectual property right recognized by the law of a Member State, but it did regulate its exercise. Essentially, the mere existence of an intellectual property rights does not infringe Articles 101 and 102 of the TFEU, however an improper or abusive exercise of these rights, can. The exploitation or the exercise of trademark rights, will be improper if the rights afforded to the trademark owner are used in a manner that run contrary to the EU law on restrictive practices.⁶⁹ Any concerted attempt or attempt by a dominant undertaking to use these rights to partition markets, or to maintain artificial price levels, or to impose discriminatory or unfair conditions on trading partners is liable to be in the breach of Articles 101 and 102.

When we discuss the remedies available under competition law for interested third parties that want to access the word of a well-known mark, two avenues can be detected, one being public enforcement and the other being private enforcement of competition rules. There are two legal basis one can use in this enforcement, one being Article 101 of the TFEU and the other being Article 102 of the TFEU. The proceedings in competition law matters on an EU level, entail Commission as the first tier adjudicating body with the right of an appeal to the General Court, which has limited jurisdiction on points of fact and full jurisdiction on points of law. The decision of the General Court can be appealed on the points of law (limited jurisdiction) and amount of fines (full jurisdiction) to the CJEU. In the context of the implementation of the *ex post* control of Articles 101 and 102 TFEU, Article 7 of Regulation 1/2003⁷⁰ makes an

⁶⁷ Joined Cases 56 and 58–64, *Établissements Consten S.à.R.L. and Grunding-Verkaufs-GmbH v Commission of the European Economic Community*, [1966] ECR French edition 00429 p. 349.

⁶⁸ Case 24–67, *Parke, Davis and Co. v Probel, Reese, Beintema-Interpharm and Centrafarm* [1968] ECR 00055.

⁶⁹ *Ibid* [67] p. 343.

⁷⁰ Council Regulation 1/2003 on the Implementation of the Rules of Competition in Articles 81 and 82 of the Treaty (Modernisation Regulation) [2003] OJ L1 (the ‘1/2003 Regulation’).

explicit provision of the Commission's power to impose 'remedies' to undertakings having been found to infringe Articles 101 and 102 in order to bring the infringement to an end.

There are two ways for an interested third party to gain access to the word embedded in the trademark in the event of the two competition law concerns; the limitations to the principle of exhaustion of rights, and the embedded protection for the suggestive function in the well-known mark status. The first one is the declaratory judgement that the prohibited agreement is null and void under Article 101 of the TFEU and the second one is to seek a compulsory licence under Article 102 of the TFEU. Regarding Article 101 of the TFEU, it should be noted that the prohibition of anti-competitive agreements covers both *horizontal* agreements (between actual or potential competitors operating at the same level of the supply chain) and vertical agreements (between firms operating at different levels, i.e. agreement between a manufacturer and its distributor). Article 102 of the TFEU prohibits *firms holding a dominant position on a determined market to abuse that position*, for example by charging unfair prices, by limiting production, or by refusing to innovate to the prejudice of consumers.⁷¹ In regards of the burden of proof for anti-competitive behaviour of an infringement of Article 101 (1) or of Article 102 TFEU in any national or EU proceedings rests on the party or the authority alleging the infringement. If, however, the undertaking or association of undertakings claims the benefit of Article 101 (3) TFEU (a block exemption), it then bears the burden of proving that the conditions of that paragraph are fulfilled as stipulated in Article 2 of the Regulation 1/2003.

The proceedings in front of Commission in the event of breach of Article 101 and 102 of the TFEU can originate in a form of a complaint, opening of an own-initiative investigation, or a leniency application from one of the participants to a cartel. In the event of well-known marks, this means that the injured party, after it notified the Commission, does not participate in the proceedings. The right to initiate proceedings is with the Commission. The injured party, in the event that the Commission finds an infringement, can receive relief in the form of nullity of agreement under Article 101 (2) and a compulsory licence under Article 102 to access the well-known mark. Additionally, any citizen or business which suffers harm as a result of a breach of the EU competition rules is entitled to claim compensation from the party who caused it. This means that the injured parties of competition law infringements can bring an action for damages before the national courts. It should be noted, that regarding the nullity of the agreement under Article 101 (2) of the TFEU the CJEU in *Keurkoop*⁷² established the principle that if an intellectual property right has been acquired by an agreement in violation of competition law, both the agreement and the subsequent exercise of the intellectual property right on the basis

⁷¹ DG COMP http://ec.europa.eu/competition/antitrust/overview_en.html, accessed on 20 May 2014.

⁷² Case 144/81, *Keurkoop v. Nancy Kean Gifts*, [1982] ECR 2853.

of that agreement are in violation of Article 101 (1) TFEU. This means, that if a use of a well-known mark has been acquired through anti-competitive agreement, this right ceases even if the underlying agreement has already expired or otherwise ceased to be in force at the time of the alleged anti-competitive conduct as stated by the CJEU in *EMI Records*.⁷³

Regarding the compulsory licence under Article 102, it should be noted that it usually will come into play where two intellectual property rights overlap, such as trademarks and patents, where the principal abuse is done through patent, and the trademark is connected with the abuse or the patented product. A compulsory license is generally ordered by the executive or judicial branch of a government as a remedy when intellectual property law itself does not afford a remedy. It is usually created when the governmental mandate requires an owner of intellectual property to provide at least one other firm or a government with a right to import, reproduce, and/or sell the intellectual property.⁷⁴ In addition, the Commission and the governmental body likely to mandate a compulsory license in the European system (a court or the national competition authority for example), can issue an injunction against the non-competitive and abusive behaviour of an intellectual property owner and/or can assess financial penalties. Furthermore, the CJEU has been careful in limiting each of the compulsory licenses to a particular set of limiting conditions. By this, the exclusivity is kept intact, but at the same time the scope of an intellectual property rights holder's rights are curtailed by subjecting it, under particular circumstances to a duty to contract.⁷⁵ The enforcement of decisions made under Article 101 and 102 of the TFEU are done through either the Commission or national competition authorities.

Private enforcement of competition rules can be summarised in two basic avenues of action. The first one is action for damages, and the second is an anti-competitive claim and counterclaim in front of national courts, in trademark infringement, invalidation and revocation proceedings.

Regarding the damages, every injured party has a right to seek damages in front of national courts, on the basis of a decision made by the Commission or national competition authority regarding the infringement of Article 101 and 102 of the TFEU. In order to harmonise this right, the Commission proposed a Directive on antitrust damages actions, which was approved on 17 April 2014, by the European Parliament. The agreed text of the Directive has been sent to the EU Council of Ministers for final approval.⁷⁶ In regards of the anti-competitive claim or counterclaim it can be employed by any interested or injured

⁷³ Case 51/75, *EMI Records v. CBS*, [1976] ECR 811.

⁷⁴ Jarrod Tudor: *Compulsory licensing in the European Union*, GEO. MASON J. INT'L COM. LAW [VOL. 4:2] p. 222.

⁷⁵ See: Joined Cases C-241/91 and C-242/91, *RTE and ITP v. Commission* (Magill), [1995] ECR I-743; Case C-418/01, *IMS Health v. Commission*, [2004] ECR I-503; Case T-201/04, *Microsoft v. Commission*, [2007] ECR II-3601; Joined Cases 60/81 and 190/81 R, *IBM v. Commission*, [1981] ECR 2639.

⁷⁶ DG COMP http://ec.europa.eu/competition/antitrust/actionsdamages/proposed_directive_en.html, accessed on 20 May 2014.

party, as a *sui generis* ground for an invalidity or revocation proceedings, which brings a claim in front of the national court, or as a counterclaim in the infringement proceedings brought by a trademark owner against another trader that uses its sign in the course of trade. *In instance that the trader or any interested third party is not satisfied by the decision, they have a right to appeal it to its national court. In the event that the national court has doubts on the interpretation of the application of Article 101 or 102 of the TFEU, the national court may refer this question to the CJEU, based on Article 267 TFEU, whereas if this issue is before the court against whose decisions there is no judicial remedy under national law, then the national court must refer the matter to the CJEU. The latter does not need to be done in instances of acte éclairé (the issue is settled case law) and acte clair (the referring national court knows how to properly employ the principle of EU law) situation.*

4. Conclusion

The problem of well-known marks and their interaction with market principles derives from a simple fact that the basis for their protection rests upon the suggestive function of the trademark. This function entails a suggestion to the consumer that the good or service is prestigious to own, and it derives from the trademarks owners investment and advertising of the trademark and the good or service affixed to it. It is this suggestive function that clashes with the origin function, which is the original purpose for trademark protection and this happens because the suggestive function aims to create consumer and brand loyalty. This is so, because unlike other forms of intellectual property, trademarks do not protect inventions of mind, or an expression of originality like patents, designs and copyright; they protect a link between a trademark owner and the goods or service, or a reservation of a meaning. Therefore, it is legitimate that this reservation of a meaning, once obtained, can be protected, beyond its original purpose of protection, that being the specification of origin of a good or service. However, the clash between these two functions can be felt through the fact that the suggestive function dilutes the origin function by both blurring its lines, as well as diminishing its character. Additionally it allows that the extended protection effectively monopolises a certain word or a phrase, thus allowing the trademark owner a legitimate right to prevent anyone using it in the course of trade. This suggestive function, needs to be curtailed in order for the proper functioning of the market to occur. Curtailment occurs through the boundaries to its protection, in the form of autonomous access points.

The European trademark framework provides for limitations in the protection of well-known marks. These limitations concern, fair use, acquiescence, and the notion of genuine use. The notion of genuine use is also intertwined with revocation and invalidation proceedings. Although, these access points are established in the European trademark framework, it is the autonomous access points developed through the case law of the CJEU that were more adaptable to rapid market changes.

The autonomous access points established under general principles of EU law and competition law provide us with the valuable insight on how trademark

protection rapidly changes and that legislator sometimes just cannot keep up with it. The analysed general principles of EU law, that form new autonomous access points, show us the fluidity of EU law. This fluidity is either in a form of concepts that derive from national law and then they are spilled over to EU law, such as *Freihaltebedürfnis*, or are established in another branch of law, such as *abuse of right*, and then used in trademark law. In addition, it is visible how certain legal concepts are developed in EU law, and then enacted by the EU legislator, such as *exhaustion of rights*. These principles, used as access points have a bigger goal to serve, and that is the creation of an internal market, and thus they curtail the protection afforded to trademark owners.

The access point of competition law can be applied in two situations that are problematic from a competition law viewpoint. The first one is the limitations to the principle of exhaustion of rights; the second one is the embedded protection for the suggestive function in the well-known mark status. The exhaustion of rights, from a competition law perspective risks dilution from the benevolence of antitrust law on vertical agreements between producers and distributors aimed at delimiting the form and scope of distribution. This can diminish consumer welfare and partition the market by confining different quantities of products to different territories while driving the prices of that same product up. The suggestive function is quite a sore spot for competition law concerns. It can create or strengthen a dominant position on the market, which in turn can be used in price fixing of products and foreclosure effects on new entrants and the distributors of the products. This problem was exacerbated with the expansion of scope of protection of the well-known marks under the European trademark framework, for infringement done for identical or similar products. The access points under competition rules, need to be distinguish into two avenues of action, public and private enforcement. Private enforcement enables for an anti-competitive behaviour to be used as a counterclaim in infringement proceedings, as well as the right of any injured party to seek damages. Regarding the public enforcement of competition rules by the Commission or the national competition authority, there are two other ways to access the word embedded in the well-known mark. These are a declaratory judgement that the prohibited agreement is null and void under Article 101 of the TFEU and to seek a compulsory licence under Article 102 of the TFEU.

The registration of trademark 'CANDY' exemplifies the new challenges for the curtailment of extended protection. King, the trademark owner, with the registration of this word, already reaped the benefit of a known word in the consumer perception and added on an additional meaning to the trademark, the meaning of video games. Because of that, King, has an opportunity to gain a well-known mark status more quickly. This in turn can foreclose other traders in non-related fields, such as Happy Socks and their socks line Candy, to use the word to sell their product. By this, Happy Socks, would not be able to provide the consumer with a product, which would as an effect have a diminishment of consumer welfare. The autonomous access points in this article, pro-

vide for a curtailment of this monopolistic view and access to the embedded meaning of a well-known mark to an interested third party.