

## THE USE OF A MARK IDENTICAL OF SIMILAR TO WELL KNOWN TRADEMARK WITH AND WITHOUT "DUE CAUSE"

### *Abstract*

*Protection of trade mark is available for any sign which is capable of distinguishing the goods and services of one enterprise from others. These signs include, inter alia, words, personal names, letters and numerals, figurative signs, colors and color combinations, three dimensional shapes, including the shape of goods or their packaging. They are essential in market economies, fostering market transparency, permitting their owners to create a direct link with consumers, allowing consumers to identify and memorize the products and services they prefer, thus contributing to a system of fair and undistorted competition. However, with the growth of globalization, e-commerce consumers and advertising, reputation and distinctiveness of trade marks are particularly vulnerable to attack by those who wish to take advantage of them, for profits and enhance their financial gain (using a sign, identical or similar, to an earlier trade mark). The damage and exploitation of distinctiveness as well as the damage and the exploitation of the reputation of the well-known trademark can be discussed only in the event when there are no specific "due causes" coming from the side of a potential infringer. This means that the lack of "due cause" is the requirement for the protection of well-known trademarks.*

*In this paper, we analyzed the BGH and the ECJ judgments whose subject was to determine the existence of "due causes". Since this reason can be based on the regulations of trademark rights, but also on the basis of more general rules of legal order, such as constitutional provisions protecting freedom of thought, freedom of artistic creativity, as well as the communitarian regulations on freedom of transport and services in the single market, establishing a valid reason is based on all the circumstances of specific cases, which is why judicial decisions often come to opposite conclusion. "Due cause" limits the scope of protection of well known trademark. In*

<sup>1</sup> Associate at Rectorate, University of Kragujevac, mail: ksenija@kg.ac.rs

*terms of peacock sting, the limit should be reduced to the suitable measure, mainly in the sense that new competitors, with the use of additional features, must be distinguished from the already well known trademark.*

**Keywords:** *using in good faith, coordination of interests, freedom of expression, commercial use, imitation products.*

## 1. Introduction

Doing business in good faith in the unique market is based on the principle of striking a balance between the interests of the trade mark proprietor and those of the proprietor's competitors, consumers and a social community as a whole. One of the most common ways of disrupting the balance established in such a manner is the use of a sign in bad faith without "due cause".<sup>2</sup> In other words, infringing acts occur only if they are done in bad faith. By default, bad faith is always assumed while confirming the facts related to damaging or exploiting someone else's trade mark. When acting in bad faith, which is a condition for the protection of well-known trade marks, one can refer to the unity of trade marks rights and the rights of their competitors.<sup>3</sup> The facts related to the sign being used in bad faith are confirmed based on the overall evaluation defined in the area of competition law.<sup>4</sup>

The fact that there is no due cause is recognized as an independent condition for the protection of well known trademarks, to which a slight meaning can be attributed in practice, considering the "fact that in majority of the cases infringing acts are performed without due cause".<sup>5</sup> It means that only in specific cases can protection of well known trademarks be restricted due to the existence of "due cause" which may be based, for instance, on the constitutional provisions on freedom of expression,

<sup>2</sup> Article 5 (2) First Council Directive 89/104/EEC to approximate the laws of the Member States relating to trade marks contains provision, which read as follows: "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." First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks, *Official Journal L 040, 11/02/1989, 0001 - 0007*.

<sup>3</sup> A. Baumbach, W. Hefermehl, *Warenzeichengesetz*, Münche 1985<sup>12</sup>, 439.

<sup>4</sup> M. Harald, „Die Rufausnutzung als Unlauterkeitstatbestand in den neueren Rechtsprechung des BGH - der wettbewerbsrechtlich verankerte Schutz „bekannter“ und „exklusiver“ Marken ein gangbarer Weg?“, *Gewerblicher Rechtsschutz und Urheberrecht* 9/1986, 836. Also see: A. Winkhaus, *Der Begriff der Zeichenähnlichkeit beim Sonderschutz bekannter Marken*, Peter Lang GmbH, Frankfurt am Main 2010, 30.

<sup>5</sup> K. H. Fezer, *Markenrecht*, München 2001<sup>3</sup>, 428.

freedom in artistic creativity or free movement of goods and services in the unique market.<sup>6</sup> This paper, from the legal point of view, represents the opinion of the German Federal Supreme Court and European Court of Justice on the matter of distinguishing the aforementioned forms of the use of signs in context the concept of „due cause”.

## 2. Due cause in decisions of the German Federal Supreme Court of Justice

What was being resolved in the German Federal Supreme Court's decision "POST/Die Neue Post" – was the claim submitted by Deutsche Post AG, as the proprietor of a trade mark POST registered for postal services related to the delivery of goods, letters and parcels. Namely, the abovementioned company was the proprietor of a majority of the trade marks containing the word POST, complete with a trade mark represented using pictures, graphics or images due to which a post horn is being reproduced in black in the background with the specific nuance of yellow. The defendant is an enterprise providing the same services and doing business as *Die Neue Post*.<sup>7</sup>

According to Article 6 of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (hereinafter: Directive 89/104/EEC),<sup>8</sup> the trade mark shall not entitle the proprietor to prohibit a third party 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 or the characteristics of the services which are not similar to those for which the trade mark is registered, provided he

<sup>6</sup> Judgment of the General Court (Sixth Chamber), 27. 9. 2012, T-373/09 - *El Corte Inglés v OHMI - Pucci International (Emidio Tucci)*, Application for Community figurative mark Emidio Tucci, Earlier Community figurative and national word and figurative mark EMILIO PUCCI, Unfair advantage taken of the distinctive character or the repute of the earlier mark.

<sup>7</sup> The German Federal Supreme Court's decision, *POST v. Die Neue Post* - I ZR 169/05, made on June 5, 2008, *Gewerblicher Rechtsschutz und Urheberrecht* 9/2008, 798.

<sup>8</sup> The trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade, his own name or address; indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of goods or services; the trade mark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts; provided he uses them in accordance with honest practices in industrial or commercial matters. Also, the trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade, an earlier right which only applies in a particular locality if that right is recognized by the laws of the Member State in question and within the limits of the territory in which it is recognized. Article 6, First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks, *Official Journal L* 040, 11/02/1989, 0001 - 0007.

uses them in accordance with honest practices in industrial or commercial matters. Accordingly, the German Federal Supreme Court denied the defendant's claim providing the following explanation: "(...) due to honest practices in industrial or commercial matters third parties are obliged not to act in a disloyal manner against the rightful interests of the trade mark proprietor. The risk of its replacement in terms of the trade mark rights does not automatically mean that there will be an infringement regarding the honest practices in industrial or commercial matters. Otherwise, Article 6 of Directive 89/104/EEC would not make any sense."<sup>9</sup>

Therefore, in the concrete case one cannot claim that there is an infringement regarding the honest practices in industrial or commercial matters, for the court precedent of the defendant was German federal post office, that is, the enterprise holding a monopoly of the market, having the exclusive right to perform the abovementioned services in Germany.<sup>10</sup> Additionally, in the 1990s the postal services market was partly opened for private enterprises in whose special interest was to use the term POST for the purpose of designating their services. However, private enterprises were not entitled to use this particular term, and the only remaining possibility was only to use the signs of a fantastic character.<sup>11</sup>

By placing an emphasis on the fact that the concrete aim of Article 6 of the Directive 89/104/EEC is to reconcile the fundamental interests of trade-mark protection with those of free movement of goods and services, the German Federal Supreme Court indicates that there is an evident need to provide competitors, occurring later on the previously monopolized market, with a possibility to use another descriptive term, even in the case that it could induce the risk of its replacement with the already known trade mark containing a word. In such cases, reconciling interests of competitors consequently leads to limitations on the scope of trademark protection. However, limitations on the scope of trademark protection have to be reduced to appropriate degree – which means that new competitors have to be distinguished in relation to the previously used trademark.<sup>12</sup> At the same time, they must not increase the risk of its replacement during the movement of goods by relying on other signs used by the trademark holder such as the black post horn or the background with the specific nuance of yellow in this particular case.

<sup>9</sup> The German Federal Supreme Court's decision, *POST v. Die Neue Post* - I ZR 169/05, 799.

<sup>10</sup> *Ibid.*, 780.

<sup>11</sup> U. Sternberg, „Anmerkung zum Urteil des BGH made on June 5, 2008 - Az. I ZR 108/05 and I ZR 169/05 (Post)“, *MarkenR* 7/2008, 364.

<sup>12</sup> The same viewpoint is confirmed in the German Federal Court's decision I ZR 44/07 - OFFROAD, made on December 2, 2009, *Gewerblicher Rechtsschutz und Urheberrecht* 7/2010, 646.

The German Federal Supreme Court overruled the defendant's claim, that is the claim of the POST trademark proprietor, on the grounds of specific protection of well-known registered trademarks – with the explanation that the abovementioned protection is provided only in the case of the defendant's use of the sign at issue in bad faith, without having due cause. However, the previous presentation makes it clear that the defendant has used a well-known trademark with due cause and that it is not done in a manner contrary to honest practices in industrial or commercial matters.<sup>13</sup>

The German Federal Supreme Court contemplated the issue of the use of a trade name and well-known trademark in bad faith in the decision *TÜV II*. The defendant in the case of the dispute at issue is the TÜV Süd Aktiengesellschaft Company, established in the year of 1995 and created from the merger of several technical inspection agencies. It is the proprietor of a trademark containing a word TÜV, complete with a combined trademark containing a word and image TÜV SÜD. Trademarks are registered for the purpose of providing engineering, examination, research, testing and monitoring services in the field of technology, particularly from the aspect of safety. The plaintiff does business using the D. A. GmbH. sign, offering services in the areas of the health protection at work, health and safety at work, hazardous materials, contaminated locations and environmental protection, technical monitoring of equipment, fire protection, explosion protection, design and construction of architectural objects, engineering and quality management. The plaintiff offered the abovementioned services on the Internet, using the following signs: Privater TÜV, Erster privater TÜV and TÜV - Dienstleistungen. The plaintiff disputed the use of the aforementioned signs because of their containing the word TÜV, which was identical with the defendant's trade name and trademark, placing an emphasis on the fact that it was a well-known trademark highly reputed in the field of monitoring, evaluation of technical systems complete with certificate issuance for the aforementioned services. Contrary to the given statement, the plaintiff claimed that the TÜV sign had become a synonyme for technical performance monitoring and certificate issuance, for instance, during the control inspection of motor vehicles. Additionally, the plaintiff claimed that it was the reason of the justified use of the aforementioned sign as a generic name while advertising the services via the Internet.<sup>14</sup>

<sup>13</sup> The same reasoning upon which a court ruling was based is given in the decision of the Court of Appeals of Hamburg 3 U 10/05: Bedeutung des Monopoleinwands bei einer Benutzungsmarke OPOSTSEE - POST, made on April 4, 2006, *Gewerblicher Rechtsschutz und Urheberrecht - RR* 5/2007, 149.

<sup>14</sup> The German Federal Supreme Court's decision, I ZR 108/09 TÜV II, made on August 17, 2011, *Gewerblicher Rechtsschutz und Urheberrecht* 11/2011, 1043.

The German Federal Supreme Court believed that exploitation of distinctive power or reputation of TÜV and TÜV SÜD trademarks was done in bad faith and that it was done without due cause whereas its final decision was based on the overall evaluation of interests. Taking into account that the use of the aforementioned sign, which is identical with, or similar to, a well-known trade mark previously registered for similar or identical goods or services for the purpose of exploitation of distinctive power or reputation, by default, always means that there is some form of bad faith, the court emphasizes that “(...) due cause cannot be considered in respect of the fact that the disputed sign cannot be replaced by the well-known trademark, for the protection against the potential risk of signs replacement is inherent to each trademark, in particular to well-known trademarks enjoying extended protection as well.”<sup>15</sup> In addition, the use of the D. A. GmbH sign – used by the plaintiff while doing business for more than 30 years – cannot justify the use of the TÜV sign for a description of services provided by the defendant, that is, the plaintiff has no legitimate interest in such use. The TÜV word has no specific meaning and the fact that it is well-known is neither based on its previous use nor its monopolistic character as in the case of the POST trademark noted above. In other words, the plaintiff did not choose an originally descriptive sign. Therefore, the plaintiff is not obliged to be affected by the limitations related to the scope of trademark protection.<sup>16</sup>

The case *Marlboro/Mordoro* was being resolved upon the request of the plaintiff who was selling Marlboro cigarettes after having advertised the aforementioned cigarettes for years using images portraying the life of a cowboy and advertising slogans as well. The plaintiff announced the award competition for self-promotional purposes, at the same time advertising it by using a coloured placate with the following words written on it: “Great Marlboro - Poker!”<sup>17</sup> There was an image of a cowboy reproduced on the poster. The cowboy presented in the picture was holding a pack of cards in one hand and a cigarette in another hand. In addition, a substantial part of the given poster contained some words signifying three prizes. This placate was replaced by a medical practitioner via the photo montage. The

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<sup>15</sup> O. Teplitzky, „Der Streitgegenstand der schutz- und lauterkeitsrechtlichen Unterlassungsklage vor und nach den TÜV - Entscheidungen des BGH“, *Gewerblicher Rechtsschutz und Urheberrecht* 12/2011, 1091.

<sup>16</sup> See the decisions of the German Federal Court: I ZR 149/96 - BIG PACK, para 27, made on January 14, 1999, *Gewerblicher Rechtsschutz und Urheberrecht* 11/ 1999, 994 and I ZR 211/98 - Tagesschau, made on March 1, 2001, para 56 and 67, *Gewerblicher Rechtsschutz und Urheberrecht* 10-11/2001, 1050 and I ZR 279/02 - Telefonische Gewinnauskunft, made on June 9, 2005, para 32 and 47, *Gewerblicher Rechtsschutz und Urheberrecht* 12/2005, 1064.

<sup>17</sup> In the German language: “Großes Marlboro - Poker!”



advertising title was replaced by the following words: “A big Mordoro – Poker!”<sup>18</sup> while the first, second and third award had already been written. The aforementioned awards signified the most common diseases caused by smoking cigarettes, while the awards (complete with the advertising slogan) stated by the plaintiff had been deleted.<sup>19</sup>

The plaintiff believed that the trademark at issue was subjected to mockery in this manner, which consequently led to its discrimination and underestimation. Therefore, the plaintiff stood against the alienated review of the reputation and dilution of the commercial value or “selling power” of the trademark at issue.<sup>20</sup>

The German Federal Supreme Court confirmed the standpoint that the defendant was able to refer to the constitutional right to freedom of expression,<sup>21</sup> because a dispute in respect of any matter of the health risks of smoking was in the public interest. Namely, the tobacco industry had to tolerate all the activities the purpose of which was to point out such hazards, even in the case when negative effects of smoking were believed to be overly accentuated and presented from one point of view, causing a steady decline in tobacco products sales. However, it still did not mean that the defendant could initiate an anti-smoking advertising campaign in public, without taking into account the plaintiff’s interests. Namely, under no circumstances was the defendant allowed to focus the criticism on the plaintiff in such a manner so that the latter was discriminated in public, nor was the defendant allowed to use his/her criticism, which was primarily directed against cigarette smoking, as a basis for personification of the plaintiff’s enterprise for the purposes of exploitation of fame and advertising power incorporated in the plaintiff’s trademark.

According to the German Federal Supreme Court, the defendant’s criticism did not give the plaintiff cause for feeling discriminated nor underestimated. Namely, from the aspect of an observer, the content of the criticism noted above did not refer to the trademark on packaging for Marlboro cigarettes. On the contrary, it was directed against the tobacco consumption in general. It was true that criticism relied on the advertising effects of Marlboro cigarettes, which were related to the notions of freedom, manhood and adventure particularly with younger smokers. By means of satirical conversion of the suggested notions into the notions

<sup>18</sup> In the German language: “Großes Mordoro - Poker!”

<sup>19</sup> The German Federal Supreme Court’s decision Marlboro/Mordoro - VI ZR 246/82, made on 17. 4. 1984, *Gewerblicher Rechtsschutz und Urheberrecht* 9/1984, 684.

<sup>20</sup> K. Vlašković, „Nova koncepcija zaštite od opasnosti razvodnjavanja žiga“, *Pravo i privreda* 7 – 9/ 2014, 104.

<sup>21</sup> See: K. Vlašković, „Sloboda izražavanja mišljenja i sloboda umetničkog stvaralaštva kao ograničenje delovanja poznatog žiga u nemačkom pravu“, *Pravni život* 11/2015, 541.

related to the health risks of smoking, a consumer was redirected from the Marlboro trademark to the fantastic Mordoro trademark. The defendant's intention was clear – to unmask the advertising power of the Marlboro trademark exclusively as the representative type of all cigarettes, so that criticism could not be mistaken for the one directed against the plaintiff as the producer of Marlboro cigarettes. By acting in such a manner the defendant's criticism did not place an emphasis on the Marlboro trademark. In addition, by all means it was possible that smokers consuming the Marlboro cigarettes were reminded of its' trademark and health risks of smoking in a much more stronger manner – based on the connection between a consumer's mind and the attached commodity – as opposed to smokers consuming other cigarette brands. However, it had to be primarily attributed to a specific advertising effect of the trademark at issue. A cigarette producer, advertising his/her products in such a manner, had to tolerate a much more serious criticism directed by his/her opponents of smoking actively engaged in the campaign of such a kind, so that one could not speak about any kind of discrimination. Namely, the point was not that the defendant was supposed to criticize any kind of a 'criminal action' on the part of the plaintiff. Instead, the defendant was supposed to point out health risks of smoking, although he/she was doing the same in a drastic form. The further aim of the defendant relating to health itself was to point out risks of cigarette advertising which was considered as a completely adequate application of a so-called anti-advertising method. A common reason based on which protection in case of risks of its replacement was provided was not applicable in case of the anti-advertisement. Any kind of infliction of damage upon the plaintiff could result from the plaintiff's sign being burdened by the reverse effect of an anti-advertisement. However, it was the burden itself that was the means by which criticism was expressed and directed at the plaintiff's advertising methods. The intensity of the reverse effects of an anti-advertisement was based on the degree of fame of the Marlboro trademark and its advertising effects as well.<sup>22</sup>

However, the same court took the very opposite standpoint in the decision *Markenverunglimpfung I*, which demonstrates that in the concrete case there is a very delicate line between the unauthorized use of a trademark causing trademark infringement and the use of a trademark in case that there is a justifying reason in terms of the freedom of expression or art criticism. In the aforementioned dispute, the plaintiff was a producer of chocolate and related products who achieved particular success with

<sup>22</sup> W. Sakulin, *Trademark protection and freedom of expression: an inquiry into the conflict between trademark rights and freedom of expression under European, German and Dutch law*, Kluwer Law International, Rotterdam 2011, 179.



the production of ribbed molded chocolate bars, marketed under the MARS trademark designation.<sup>23</sup> Additionally, the plaintiff registered the following slogan as a trademark: “MARS macht mobil bei Arbeit, Sport und Spiel”.<sup>24</sup> The plaintiff was producing and offering for sale some articles made with humorous intent as well, such as a preservative condom individually packed in a box similar to the one used for packing promotional matches, with the picture of MARS ribbed molded chocolate bar presented on the front side of the packaging itself whereas the words “macht mobil”<sup>25</sup> were printed beneath the aforementioned picture. The continuation of the phrase given was evident when opening the box. Being placed on its interior side, the following words were written: “bei Sex, Sport und Spiel.”<sup>26</sup> The visual image matched the image of a simple box of matches, commonly used as a promotional gift with the company’s logo or trademark printed on it.

The German Federal Supreme Court found that the plaintiff’s allegation that in this particular case it was all about the freedom of expression and satirical thoughts was not grounded. In the concrete case the matter of a decision did not depend on the defendant’s opinion of the plaintiff, the products at issue or advertising methods used nor did it depend on the manners of expression of such an opinion, but it was strictly related to the commercial use of someone else’s reputable trade mark for the purpose of marketing his/her own product, marked with a notable low rate of sale prior to the use of the trade mark at issue. By using the sign in such a manner the plaintiff exclusively increased the sale of the products whereas the aim was not to have a satirical dispute on the reputation or advertising methods of the plaintiff.<sup>27</sup>

In the decision of the German Federal Supreme Court *OTTO CAP*, a meaning of the term of due cause was being considered among other terms. The standpoint of the Court referred to the fact that a circumstance of the intervener having the Otto International Inc company in the

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<sup>23</sup> The German Federal Court’s decision, *Markenverunglimpfung I* – I ZR 79/92, made on 10 February 1994, *Gewerblicher Rechtsschutz und Urheberrecht* 11/1994, 808.

<sup>24</sup> A translation of this advertising slogan is the following: “Mars enables you to feel mobile at work, in sports and games.”

<sup>25</sup> Translation: “enables you to feel mobile.”

<sup>26</sup> Translation: “for sex, sport and games.”

<sup>27</sup> The following decisions are similar to the ones given above: *Bumms mal wieder* - VI ZR 102/85, made on 3 June 1986, *Gewerblicher Rechtsschutz und Urheberrecht* 10/1985, 759; *Markenverunglimpfung II* - I ZR 130/92, made on 19 October 1994, *Gewerblicher Rechtsschutz und Urheberrecht* 1/1995, 57.

USA could not be considered as due cause.<sup>28</sup> The Court of Appeal did not confirm that the intervener's company was protected in Germany, and without such a protection one could not claim that there was due cause for the exploitation of distinctive selling power of the plaintiff's trademark. The exploitation of the distinctive selling power of the plaintiff's trademark, without using of a sign in bad faith and without due cause, was not conditioned by the subjective element. Therefore, it was not necessary for the plaintiff to use the sign in order to exploit the distinctive selling power of a well-known trademark.<sup>29</sup>

### 3. Due cause in decisions of the European Court of Justice

The national courts of the Member States have frequently referred to the European Court of Justice with the question of whether specific factors were sufficient in order to confirm or deny the existence of the use of a sign in bad faith. In that context, the Advocate General, Sharpston emphasizes the following: "Bad faith is no doubt easier to recognise than to define. It is a concept with which not merely lawyers but philosophers and theologians have grappled without quite achieving mastery. It is likely, indeed, that bad faith cannot be defined at all in the sense of determining its precise limits."<sup>30</sup> Accordingly, only a few specific viewpoints on this matter, presented in the decisions of the European Court of Justice, will be given at this point.

One of forms of bad faith is related to offering a mere imitation of the goods or services of the proprietor of the well-known trade mark. Namely, in the *Interflora* decision, the European Court of Justice has emphasized that it cannot be disputed that a competitor thereby takes unfair advantage of the distinctive character or repute of the trade mark (free-riding) whereas an Internet user purchases the goods of a competitor after seeing the competitor's advertisement, instead of the goods or services of the proprietor of a trademark that he/she has initially searched for. In addition, it is important to emphasize that the competitor does not pay the proprietor of the trade mark any compensation in respect of that use.<sup>31</sup>

The second, even more obvious form of taking unfair advantage of a sign was the subject matter of the dispute *Portakabin BV vs.*

<sup>28</sup> The German Federal Court's decision, I ZR 49/12: Unlautere Ausnutzung der Unterscheidungskraft einer bekannten Marke - OTTO CAP, made on 31.10.2013, *Gewerblicher Rechtsschutz und Urheberrecht* 4/2014, 378.

<sup>29</sup> *Ibid.*, 379.

<sup>30</sup> The opinion of the Advocate General, Sharpston, delivered in the case C-529/07, made on 12 March 2009, [curia.europa.eu/juris/liste.jsf?num=C-529/07](http://curia.europa.eu/juris/liste.jsf?num=C-529/07), last visited 8 July 2014.

<sup>31</sup> See: K. Vlašković, „Zaštita poznatih žigova po direktivi broj 89/104/EEZ“, *Analiz Pravnog fakulteta u Beogradu* 1/2013, 277.

*Primakabin* in front of the Supreme Court in Amsterdam, and later in front of the European Court of Justice as well. Namely, the *Portokabin BV Ltd* was the proprietor of the Benelux trade mark *PORTAKABIN*, registered in respect of goods in Classes 6 (metal buildings, parts and building materials) and 19 (non-metal buildings, parts and building materials). *Primakabin* was selling and leasing new and second-hand mobile buildings. *Primakabin* was also engaged in selling and leasing used units, including those manufactured by *Portakabin BV*. The dispute arose after *Primakabin* chose the keywords “portakabin”, “portacabin”, “portokabin” and “portocabin” for the “AdWords” referencing service.<sup>32</sup> The aforementioned legal proceeding was brought before the Supreme Court of Amsterdam which emphasized that without the consent of the proprietor of the trademark the reseller cannot be prohibited from using the trade mark in the context of advertising for its resale activities, including the sale of the second-hand goods while using the keywords which were identical or similar to the proprietor’s well-known trade mark, unless if there is a legitimate reason for such a use. The same court defines the concept of a “legitimate reason” on the part of the proprietor of that trade mark by providing an example of an advertiser who has removed reference to that trade mark from the goods, manufactured and placed on the market by that proprietor, and replaced it with a label bearing the reseller’s name, thereby concealing the trade mark.<sup>33</sup>

The European Court of Justice in its preliminary decision confirmed that an internet search engine provider is responsible for allowing the *Primakabin* company to seriously damage the image (by using that mark to advertise to the public its resale activities which include the sale of second-hand goods under that mark), which the proprietor *Portokabin BV* has succeeded in creating for its well-known trademark. By contrast, “(...) where the advertisement displayed on the internet on the basis of a keyword corresponding to a trademark with a reputation puts forward – without offering a mere imitation of the goods or services of the proprietor of that trademark, without causing dilution or tarnishment and without, moreover, adversely affecting the functions of the trademark concerned –

<sup>32</sup> Case C-558/08 *Portakabin Ltd and Portakabin BV. v. Primakabin BV*. (Reference for a preliminary ruling from the Hoge Raad der Nederlanden). [curia.europa.eu/juris/liste.jsf?num=C-558/08](http://curia.europa.eu/juris/liste.jsf?num=C-558/08), last visited 11 July 2014. In assessing whether or not such a legitimate reason exists, the ECJ provides the following guidelines: (1) The national court cannot find that the ad gives the impression that the reseller and the trademark owner are economically linked, or that the ad is seriously detrimental to the reputation of that mark, merely on the basis that an advertiser uses another person’s trademark with additional wording indicating that the goods in question are being resold, such as “used” or “second-hand”.

<sup>33</sup> D. Breuer, *Leitfaden Markenschutz in Google-AdWords-Marken als Keywords*, *Markenrecht und Markenschutz in der Praxis*, 2010, [www.markenmagazin.de](http://www.markenmagazin.de), last visited 16 April 2014.

an alternative to the goods or services of the proprietor of the trademark with a reputation, it must be concluded that such use falls, as a rule, within the ambit of fair competition in the sector for the goods or services concerned and is thus not without due cause.”<sup>34</sup>

In the *Red Bull/Bulldog* decision, the European Court of Justice defined for the first time the term due cause.<sup>35</sup> In the present dispute, the plaintiff is the Red Bull company. Red Bull is the proprietor of the word/figurative mark Red Bull Krating-Daeng, which was registered on 11 July 1983 for Class 32 (non-alcoholic drinks) in the Benelux countries. This undertaking's best known product is the energy drink of the same name. The subject matter of the lawsuit filed against the Leidseplein Beheer BV company and its owner Mr De Vries was related to the registration of the Bulldog mark. (Long) before Red Bull filed its trade mark in 1983, Mr de Vries was using this sign for “hotel, restaurant and café services involving the sale of drinks” and for various merchandising activities, namely, according to information provided by him, since 1975 inter alia for so-called “Coffeeshops”, but also for cafés, a hotel, a bicycle-hire business, a chain of stores and, since 1997, for an energy drink. Only a few days after the registration of the plaintiff's trademark, or to be more exact: on 14 July 1983 Mr de Vries registered the word/figurative mark The Bulldog also for Class 32 (non-alcoholic drinks). The plaintiff disputed the aforementioned registration, stating that the use of the Bulldog sign for the non-alcoholic energy drink had lead to the infringement of the well-known trademark of his/her own, taking into account one part of the nominal phrase Bulldog – Bull.

The Supreme Court of the Netherlands postponed its decision on the relevant ground of Mr de Vries' appeal in order first to ask the European Court of Justice whether there can also be due cause, within the meaning of Article 5(2) of the Directive 89/104/EEC, in the case where the sign that is identical or similar to the trade mark with a reputation was already being used in good faith by the third party or parties before that trade mark was filed.<sup>36</sup>

In its preliminary decision, the European Court of Justice initially confirms that the concept of 'due cause' is not defined within the meaning of the Directive 89/104/EEC. Therefore, when interpreting the decision the systematic approach complete with the objective of the regulations have

<sup>34</sup> K. Vlašković, „Oblici odgovornosti za upotrebu poznatih žigova kao ključnih reči u on-line uslugama“, in *Zbornik referata sa Međunarodnog naučnog skupa „Uslužni poslovi” održanog 9. maja 2014. na Pravnom fakultetu u Kragujevcu* (ed. M. Mićović), Kragujevac 2014, 546.

<sup>35</sup> The decision of the European Court of Justice C 65/12 – Leidseplein Beheer u. De Vries/Red Bull (Red Bull/Bulldog), Begriff des rechtfertigenden Grundes, from 6. 2. 2014, *Gewerblicher Rechtsschutz und Urheberrecht Int* 3/2014, 248.

<sup>36</sup> *Ibid.*, 250.

to be taken into account. First of all, one has to take into account the circumstances of the proprietor being guaranteed the exclusive rights by means of the registered trade mark. However, the restrictions when exercising this particular right, which the proprietor of that mark is recognised as having, are being constituted at the same time. It means that the concept of “due cause” is intended to strike a balance between the interests in question by taking account, in the specific context of Article 5(2) of Directive 89/104/ECC, of the interests of the proprietor in terms of maintaining the basic functions of the trade mark complete with the interests of other participants involved in the sales of goods or services who demonstrate the freedom when using the marks in order to label the sign similar to the well-known mark. The interests of third parties using that sign which is similar to the well-known trade mark have taken into account the specific context of Article 5(2) of Directive 89/104/ECC, so that the user of an earlier sign can refer to any “due cause”. It follows that the concept of “due cause” may not only include objectively overriding reasons but may also relate to the subjective interests of a third party using a sign which is identical or similar to the mark with a reputation in order to strike a balance between the interests in question.<sup>37</sup> In so doing, the claim by a third party that there is due cause for using a sign which is similar to a mark with a reputation cannot lead to the recognition, for the benefit of that third party, of the rights connected with a registered mark, but rather obliges the proprietor of the mark with a reputation to tolerate the use of the similar sign.<sup>38</sup> In the present case, it is not disputed that Mr De Vries uses The Bulldog sign for the goods or services which are not identical or similar to the goods or services for which the Red Bull trade mark is registered. The Bulldog was used for energy drinks before the mark Red Bull Krating-Daeng acquired its reputation. The Court emphasizes that there are two circumstances relevant for giving an answer to the question of whether the use of a similar sign, occurring prior to the registration of the trade mark with a reputation, can be considered as due cause within the meaning of Article 5(2) of the Directive 89/104/EEC. The first one refers to the examination due to which it is measured up to which extent the disputed sign has imposed itself within the sale of the goods or services and what kind of its reputation follows the sign in the valid sale circles. The second one is related to an evaluation by means of which the intention of that sign user is being detected. The following factors have to be taken into account when qualifying the use of a sign similar to the well-known trademark as ,the use in good faith: a)

<sup>37</sup> L. Bently, B. Sherman, *Intellectual Property-Law express*, Oxford 2014, 1011.

<sup>38</sup> *Ibid.*, 1014.

the degree of distinctive character of the mark and its reputation; b) the degree of similarity between the mark with earlier priority and the later well-known mark; c) the nature and degree of proximity of the goods or services concerned and marked with the opposite signs; d) date of first use of the sign for the goods or services identical with those for which the well-known trade mark is registered.

In the case that before the registration of the well-known trademark the sign has been used for the goods and services that can be associated with the goods for which the well-known trademark is registered, the use of this sign, in particular, for the aforementioned products as well can therefore be perceived, not as an attempt to take advantage of the repute of the mark Red Bull, but rather as a genuine extension of the range of goods and services offered by Mr de Vries, the ones displaying a sign which has already gained their own reputation in the valid turnover social circles. In the specific case, Mr de Vries used the sign The Bulldog in relation to hotel, restaurant and café goods and services which include the sale of drinks. The sale of energy drinks contained in packaging which displays that sign may therefore be perceived, not as an attempt to take advantage of the repute of the mark Red Bull, but rather as a genuine extension of the range of goods and services offered by Mr de Vries. This standpoint is substantiated with the fact that the sign The Bulldog was already used in relation to energy drinks even before the mark Red Bull had acquired its reputation. Taking the aforementioned analysis into consideration, the European Court of Justice believed that due cause was constituted if that third party was already using the sign (that was identical to the trademark) in good faith for other goods or services before the trade mark with a reputation was registered or gained a reputation.<sup>39</sup> The opinion given in front of the European Court of Justice by Juliane Kokott, the German Advocate General, is of a particular importance for the question at issue. She emphasizes the following: “The essential characteristic of taking unfair advantage is, however, that a third party attempts, through the use of a sign similar to a trade mark with a reputation, to ride on the coat-tails of that mark in order to benefit from its power of attraction, its reputation and its prestige accruing to the sign in the industrial turnover of goods, and to exploit, without paying any financial compensation and without being required to make efforts of his own in that regard, the marketing effort expended by the proprietor of the mark in order to create and maintain the mark’s image.”<sup>40</sup> However, in the present case

<sup>39</sup> A. Kur, „Convergence After All? A Comparative View on the U.S. and EU Trademark Systems in the Light of the ‘Trade Mark Study’“, *Journal of Intellectual Property Law* 2/2012, 523.

<sup>40</sup> The opinion of the Advocate General Kokott, delivered on 21 March 2013, in the case C-65/12 – *Leidseplein Beheer BV/H.J.M. de Vries*, Article 45, <http://curia.europa.eu/juris/liste.jsf?num=C-65/12>, last visited 11 July 2014.



the possibility that Mr de Vries may have begun to market energy drinks only after Red Bull had enjoyed great success with this product also does not negate his legitimate interest in employing a previously used sign. The purpose of trade mark law is not to prevent particular undertakings from participating in competition on particular markets. Rather, such competition within the internal market is considered desirable, as the Interflora judgment shows. Within the framework of this competition, undertakings should in principle also be entitled – subject to any likelihood of confusion – to use the sign under which they are known on the market.

#### 4. Conclusion

The damage and the exploitation of distinctiveness, as well as the damage and the exploitation of the reputation of the well-known trademark, can be discussed only in the case when the potential infringer does not have a specific “due cause”. In other words, the nonexistence of the “due cause” is a self-sufficient condition for the protection of the well-known trademarks. The primary rule is that the damage without a “due cause” will more likely occur in the case of specific distinctive power and the reputation of a trademark.

The determination of the trademark usage without “due cause” is presupposed by the overall evaluation of the market circumstances. It is possible that, when taking into consideration more common norms of legal order, there is a “due cause”, which can be based on constitutional regulations for the protection of the freedom of speech, freedom of artistic expression, or the freedom of traffic and services on a single market.

BGH practice stresses that the circumstance when a disputed mark is not replaceable with a well-known trademark cannot be considered as a “due cause”, because the protection from the replacement danger belongs to every trademark, especially to well-known trademarks, which also enjoy extended protection. The same court considers that a “due cause” limits the scope of protection of a well-known trademark in order to harmonize the interests of competitors. In terms of trademark rights, the limiting of protection scope should be reduced to a suitable extent, by distinguishing new competitors from the well-known trademark with the usage of additional characteristics. At the same time, they cannot increase the danger of replacement in traffic by leaning on other marks used by the holder of a well-known trademark.

ECJ practice considers two circumstances as essential for answering the question whether the usage of a similar mark, which preceded the registration of a well-known trademark, is a justified reason in terms of article 5 (2) of the Directive 89/104/EEC. The first circumstance relates

to the examination to which extent the disputed mark established itself in traffic and what is its reputation in authoritative traffic circles. The other relates to the examination of what is the intention of the mark user. In order to qualify the usage of a mark similar to a well-known trademark as usage in good faith, the following factors need to be taken into consideration: the level of distinctiveness and the reputation of a well-known trademark; the level of similarity between a younger mark and a well-known trademark; the nature, the type and mutual competition relation between the compared products and services labeled by the opposing marks; the timeline in which the mark was used for the first time for the products which are identical to those for which a well-known trademark was registered.

**Dr Ksenija Vlašković,**

saradnik Rektorata, Univerzitet u Kagujevcu

## **UPOTREBA OZNAKE IDENTIČNE ILI SLIČNE POZNATOM ŽIGU SA I BEZ OPRAVDAVAJUĆEG RAZLOGA**

### **Rezime**

Zaštita žigom je dostupna za znak koji je u stanju da razlikuje proizvode i usluge jednog preduzeća od drugog. Ovi znaci uključuju, između ostalog, reči, lična imena, slova i brojeve, figurativne znakova, boje i kombinacije boja, trodimenzionalne oblike, uključujući i oblik proizvoda ili njihove ambalaže. Oni su od suštinskog značaja u tržišnim ekonomijama, jer podstiču transparentnost tržišta, dozvoljavajući njihovim vlasnicima da stvore direktnu vezu sa potrošačima, ali i omogućavaju korisnicima da identifikuju proizvode i usluge koje žele, čime se doprinosi sistemu lojalne konkurencije. Međutim, sa porastom globalizacije, komercijalizacije i oglašavanja, ugled i distinktivnost žigova su posebno izloženi napadima od strane onih koji žele da ih iskoriste, za profit i povećanje svoje finansijske dobiti (koristeći znak, identični ili sličan ranijoj oznaci). O oštećenju i iskorišćavanju distinktivne moći, kao i o oštećenju i iskorišćavanju ugleda poznatog žiga može se govoriti samo u slučaju da na strani potencijalnog povredioca ne postoji određen opravdavajući razlog. To znači da je nepostojanje opravdavajućeg razloga samostalni uslov za zaštitu poznatih žigova.

U ovom radu, analizirane su presude BGH i ECJ čiji je predmet utvrđivanje postojanja opravdavajućeg razloga. S obzirom da se ovaj razlog može zasnivati na propisima prava žiga, ali i na osnovu opštijih normi pravnog poretka, kao što su ustavne odredbe kojima se štiti sloboda mišljenja, sloboda umetničkog stvaralaštva, kao i na komunitarnim propisima o slobodi prometa i usluga na jedinstvenom tržištu, utvrđivanje opravdanog razloga zasniva se na svim okolnostima konkretnih slučajeva, pa se u sudskim odlukama često dolazi do suprotnih zaključaka. Opravdavajućim razlogom se ograničava obim zaštite poznatog žiga. U smislu prava žiga, ograničenje se mora svesti na primerenu meru, najčešće u smislu da se novi konkurenti, upotrebom dodatnih obeležja, moraju razgraničiti u odnosu na već poznati žig.

**Ključne reči:** upotreba u dobroj veri, usklađivanje interesa, sloboda izražavanja, komercijalno korišćenje, podražavanje proizvoda.