

Trade Mark (Competition) Issues

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L'Oréal SA v eBay International AG

Case C-324/09, *L'Oréal SA v eBay International AG*, 12 July 2011

The judgment of the Court of Justice (Court) considered (i) the liability of eBay for the sale by third parties, on eBay's online auction platforms, of perfumes, which have not been put on the market in the EU by the trade mark owners; and (ii) the liability of eBay for the advertising through Google Adwords and other similar media of such sales.

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Private v Business Sellers

It noted (par. 54) that: “the exclusive rights conferred by trade marks may, as a rule, be relied on only as against economic operators. Indeed, for the proprietor of a trade mark to be entitled to prevent a third party from using a sign identical with or similar to his trade mark, the use must take place in the course of trade (see, inter alia, Case C-245/02 *Anheuser-Busch* [2004] ECR I-10989, paragraph 62, and Case C-487/07 *L'Oréal and Others* [2009] ECR I-5185, paragraph 57).”

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This brings outside the scope of protection use by an individual consumer who is reselling the product s/he bought (par. 55): “... when an individual sells a product bearing a trade mark through an online marketplace and the transaction does not take place in the context of a commercial activity, the proprietor of the trade mark cannot rely on his exclusive right”. Albeit, this does not cover business activity that is disguised as private (par. 55): “If, however, owing to their volume, their frequency or other characteristics, the sales made on such a marketplace go beyond the realms of a private activity, the seller will be acting ‘in the course of trade’ within the meaning of those provisions”.

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Following a common sense approach it accepted that the mere fact that a website is accessible from the territory where the trade mark is protected is not sufficient for concluding that the offers for sale targeted consumers in that territory; otherwise websites and advertisements not targeting the EU but technically accessible from the EU “would wrongly be subject to EU law” (par. 64).

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The Court cited by analogy its consumer protection case law in Joined Cases C-585/08 and C-144/09 *Pammer and Hotel Alpenhof*. It is for the national court to assess the relevant factors on a case by case basis.

For example, it would be particularly important to look at whether the offer is accompanied by details of the geographic areas to which the seller is willing to dispatch the product. In the absence of any evidence to the contrary a “co.uk” site appears to be targeting consumers in the UK.

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Boxed and Unboxed Goods

The Court looked at the question from a broader perspective, accepting that the question must be examined on a case-by-case basis. In some cases displaying perfumes or cosmetics without packaging may strengthen their prestige. In others it could have the opposite effect: first, when the packaging is as important as the container in terms of the image of the product and the reputation of the trade mark; second, the essential function of a trade mark as an indication of origin may be affected when information required as a matter of law; third, it may constitute a criminal offence, according to Article 6(1) of Directive 76/768.

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Measures against Online Marketplace Operators:

Effective,

Proportionate,

Dissuasive,

and Must Not Create Barriers to Legitimate Trade

Viking Gas A/S v. Kosan Gas A/S

Viking Gas A/S v. Kosan Gas A/S, formerly BP Gas A/S, Case C-46/10,

“2 The reference has been made in proceedings between Viking Gas A/S (‘Viking Gas’), the applicant in the main proceedings, and Kosan Gas A/S, formerly BP Gas A/S (‘Kosan Gas’), concerning Viking Gas’ practice of selling gas by refilling composite bottles of gas, the shape of which is protected as a three-dimensional trade mark, and exchanging them, in return for payment, for bottles previously purchased by consumers from Kosan Gas, which holds an exclusive license for their use and has affixed to the bottles its name and logo, which are protected as word and figurative marks.”

Viking Gas A/S v. Kosan Gas A/S

“9 The composite bottles are used by Kosan Gas in accordance with a sole distribution agreement entered into with the Norwegian producer of the bottle, which confers on Kosan Gas an exclusive licence to use those bottles as a shape trade mark in Denmark and the right to take legal proceedings against infringements of the mark. Kosan Gas affixes to those bottles its name and logo, which are registered both as Community word and figurative marks inter alia for gas.

10 On first purchase of a composite bottle filled with gas from one of Kosan Gas’ dealers, the consumer also pays for the bottle, which thus becomes the consumer’s property. Kosan Gas also refills empty composite bottles. A consumer may therefore exchange, at one of Kosan Gas’ dealers, an empty composite bottle for a new composite bottle filled by Kosan Gas and will pay only the price of the gas purchased.”

Viking Gas A/S v. Kosan Gas A/S

“11 Viking Gas, which sells but does not itself produce gas, has one filling station in Denmark, from which composite bottles are dispatched, after being filled with gas, to independent dealers. Viking Gas attaches to those bottles an adhesive label bearing its name and the filling station number together with a further adhesive label providing inter alia information as required by law on the filling station and the contents of the bottles. The word and figurative marks of Kosan Gas on those bottles are neither removed nor covered. A consumer can go to a dealer cooperating with Viking Gas and, on payment for the gas, get an empty gas bottle exchanged for a similar one filled by Viking Gas.”

Viking Gas A/S v. Kosan Gas A/S

Reference from the Højesteret (Denmark), re-interpreted by the Court:

“15 By its questions, which should be dealt with together, the national court asks, in essence, whether and, if so, in which circumstances, the holder of an exclusive licence for the use of composite gas bottles intended for re-use, the shape of which is protected as a three-dimensional mark and to which the holder has affixed its own name and logo that are registered as word and figurative marks, may prevent, pursuant to Articles 5 and 7 of Directive 89/104, those bottles, after consumers have purchased them and consumed the gas initially contained in them, from being exchanged by a third party, on payment, for composite bottles filled with gas which does not come from the holder of that licence.”

Viking Gas A/S v. Kosan Gas A/S

Articles 5 to 7 of Directive 89/104 effect a complete harmonisation (Case C-127/09 *Coty Prestige Lancaster Group* [2010] ECR I-0000)

Article 7(1): contains an exception to Article 5 “26 ... in that it provides that the trade mark proprietor’s rights are exhausted where the goods have been put on the market in the European Economic Area (EEA) by the proprietor himself or with his consent (see, inter alia, Case C-324/08 *Makro Zelfbedieningsgroothandel and Others* [2009] ECR I-10019)”.

Viking Gas A/S v. Kosan Gas A/S

“30 ... it must be pointed out that the composite bottles, which are intended for re-use a number of times, **do not constitute mere packaging of the original product, but have an independent economic value and must be regarded as goods in themselves.** When the consumer first purchases such a bottle filled with gas from one of Kosan Gas’ dealers, he must pay not only for that gas, but also for the composite bottle, the price of which is higher than that of standard steel gas canisters, in particular on account of their specific technical characteristics, and than the price of the gas which they contain.”

Viking Gas A/S v. Kosan Gas A/S

The Rights of the Proprietor and the Licensee

“32 As regards the interest of that licensee and proprietor ... a sale which allows the realisation of the economic value of a mark exhausts the exclusive rights conferred by Directive 89/104 (see, inter alia, Case C-16/03 *Peak Holding* [2004] ECR I-11313, paragraph 40).

Viking Gas A/S v. Kosan Gas A/S

The Rights of the Consumer

33 As regards the interests of purchasers of composite bottles ... As the Advocate General stated at point 66 of her Opinion, those purchasers would no longer be free to exercise [their] property rights, but would be tied to a single gas supplier for the subsequent refilling of those bottles.

Viking Gas A/S v. Kosan Gas A/S

The “Rights” of the Market

34 Lastly, to allow the licensee of the trade mark ... to prevent ... the bottles from being refilled would unduly reduce competition on the downstream market for the refilling of gas bottles, and would even create the risk of that market's being closed off if the licensee and proprietor were to succeed in imposing its bottle because of its specific technical characteristics, the protection of which is not the purpose of trade mark law. That risk is, moreover, increased by virtue of the fact that the cost of the composite bottle is much more than the gas and that the purchaser, in order to regain a free choice of gas supplier, would have to forgo the initial outlay made in purchasing the bottle, the recouping of which requires the bottle to be reused a sufficient number of times.”

Viking Gas A/S v. Kosan Gas A/S

35 “... the sale of the composite bottle exhausts the rights [of] ... the licensee of the right to the trade mark constituted by the shape of the composite bottle and proprietor of the marks affixed to that bottle ... [it] ... transfers to the purchaser the right to use that bottle freely, including the right to exchange it or have it refilled, once the original gas has been consumed, by an undertaking of his choice, ... The corollary of that right on the part of the purchaser is the right of those competitors, within the limits set out in Article 7(2) of Directive 89/104, to refill and exchange the empty bottles.”

Viking Gas A/S v. Kosan Gas A/S

“36 [Regarding limits] ... the use of the adverb ‘especially’ in Article 7(2) of the directive indicates that alteration or impairment of the condition of goods bearing a mark is given only as an example of what may constitute legitimate reasons (see, inter alia, Case C-59/08 *Copad* [2009] ECR I-3421)”.

Viking Gas A/S v. Kosan Gas A/S

“... a legitimate reason also exists when the use by a third party of a sign identical with, or similar to, a trade mark seriously damages the reputation of that mark or when that use is carried out in such a way as to give the impression that there is a commercial connection between the trade mark proprietor and that third party, and in particular that the third party is affiliated to the proprietor’s distribution network or that there is a special relationship between those two persons (see, to that effect, Case C-558/08 *Portakabin and Portakabin* [2010] ECR I-0000, paragraphs 79 and 80 and the case-law cited).”

Viking Gas A/S v. Kosan Gas A/S

“40 The labelling of the composite bottles and the circumstances in which they are exchanged must not lead the average consumer ... to consider that there is a connection between the two undertakings at issue in the main proceedings or that the gas used to refill those bottles comes from Kosan Gas. In order to assess whether such an erroneous impression is precluded, it is necessary to take into account the practices in that sector and, in particular, whether consumers are accustomed to the gas bottles being filled by other dealers. Furthermore, it appears to be reasonable to assume that a consumer who goes directly to Viking Gas either to exchange his empty gas bottle for a full bottle or to have his own bottle refilled is more readily in a position to be aware that there is no connection between Viking Gas and Kosan Gas.

Viking Gas A/S v. Kosan Gas A/S

41 As regards the fact that the composite bottles bear word and figurative marks made up of the name and logo of Kosan Gas which remain, according to the findings of the national court, visible in spite of the labelling affixed by Viking Gas to those bottles, it must be pointed out that this constitutes a relevant factor in so far as it seems to rule out that labelling from altering the condition of the bottles by masking their origin.”

<http://www.bbc.co.uk/newsbeat/14563980>

“Abercrombie and Fitch wants the Jersey Shore cast to stop wearing its clothes

Abercrombie and Fitch is offering to pay Mike 'The Situation' Sorrentino and his fellow Jersey Shore cast members to stop wearing the brand on the show.

The clothing company believes any connection to the cast of the American reality show could cause "significant damage" to its "aspirational" image.

Abercrombie and Fitch says it has offered a "substantial payment" so that they will wear other brands.

The fourth series of Jersey Shore was filmed in Florence, Italy.

Abercrombie and Fitch meanwhile announced an increase in sales but warned that it was entering a period of greater uncertainty in a difficult market.”

CHRISTIAN LOUBOUTIN S.A. v. YVES SAINT LAURENT AMERICA, INC.

S.D. New York, CHRISTIAN LOUBOUTIN S.A. v. YVES SAINT LAURENT AMERICA, INC.

The “bright” idea: coloring glossy vivid red the outsoles of high fashion women's shoes.

The origin? King Louis XIV's red-heeled dancing shoes, or Dorothy's ruby slippers in “The Wizard of Oz,” or other styles long available in the contemporary market—including those sold by YSL?

CHRISTIAN LOUBOUTIN S.A. v. YVES SAINT LAURENT AMERICA, INC.

“When Hollywood starlets cross red carpets and high fashion models strut down runways, and heads turn and eyes drop to the celebrities' feet, lacquered red outsoles on high-heeled, black shoes flaunt a glamorous statement that pops out at once. For those in the know, cognitive bulbs instantly flash to associate: “Louboutin.” This recognition is acknowledged, for instance, at least by a clientele of the well-heeled, in the words of a lyrical stylist of modern times: Boy, watch me walk it out ... Walk this right up out the house I'm throwin' on my Louboutins”

CHRISTIAN LOUBOUTIN S.A. v. YVES SAINT LAURENT AMERICA, INC.

“According to YSL, red outsoles have appeared occasionally in YSL collections dating back to the 1970s.”

“Louboutin now seeks a preliminary injunction preventing YSL from marketing during the pendency of this action any shoes that use the same or a confusingly similar shade of red as that protected by the Red Sole Mark Because in the fashion industry color serves ornamental and aesthetic functions vital to robust competition, the Court finds that Louboutin is unlikely to be able to prove that its red outsole brand is entitled to trademark protection, even if it has gained enough public recognition in the market to have acquired secondary meaning.”

CHRISTIAN LOUBOUTIN S.A. v. YVES SAINT LAURENT AMERICA, INC.

“... color in turn elementally performs a creative function; it aims to please or be useful, not to identify and advertise a commercial source.”

“The law should not countenance restraints that would interfere with creativity and stifle competition by one designer, while granting another a monopoly invested with the right to exclude use of an ornamental or functional medium necessary for freest and most productive artistic expression by all engaged in the same enterprise.”

CHRISTIAN LOUBOUTIN S.A. v. YVES SAINT LAURENT AMERICA, INC.

“... “[a]esthetic appeal *can* be functional; often we value products for their looks.” *Eco Mfg. LLC v. Honeywell Int'l Inc.*, 357 F.3d 649, 653 (7th Cir.2003)”

“Louboutin himself has acknowledged significant, nontrademark functions for choosing red for his outsoles ... to give his shoe styles “energy” and because it is “engaging” ... red is “sexy” and “attracts men to the women who wear my shoes.”

The shoes also coordinate with clothing items offered in the same collection.

CHRISTIAN LOUBOUTIN S.A. v. YVES SAINT LAURENT AMERICA, INC.

It also makes the shoe more expensive, “Yet for high fashion designers such as Louboutin and YSL, the higher cost of production is desirable because it makes the final creation that much more exclusive, and costly.”

“Because the use of red outsoles serves nontrademark functions other than as a source identifier, and affects the cost and quality of the shoe, the Court must examine whether granting trademark rights for Louboutin's use of the color red as a brand would “significantly hinder competition,” that is, “permit one competitor (or a group) to interfere with legitimate (nontrademark-related) competition through actual or potential exclusive use of an important product ingredient.”

Aesthetic Functionality: The European Concept

Bang & Olufsen a/s



Aesthetic Functionality: The European Concept

“73 In the present case, with regard to the application of Article 7(1)(e)(iii) of Regulation No 40/94, it must be noted that, for the goods at issue, the design is an element which will be very important in the consumer’s choice even if the consumer also takes other characteristics of the goods at issue into account.

74 Indeed, the shape for which registration was sought reveals a very specific design and the applicant itself admits, at paragraph 92 of the application in particular, that that design is an essential element of its branding and increases the appeal of the product at issue, that is to say, its value.

Aesthetic Functionality: The European Concept

75 Furthermore, it is apparent from the evidence referred to at point 33 of the contested decision, namely extracts from distributors' websites and on-line auction or second-hand websites, that the aesthetic characteristics of that shape are emphasised first and that the shape is perceived as a kind of pure, slender, timeless sculpture for music reproduction, which makes it an important selling point.

Taking a Step Back?

Joined Cases C-344/10 P and C-345/10 P, *Freixenet SA v. OHIM*



Maniatis 2012

Taking a Step Back?

Appeals against the judgments of the General Court in Case T-109/08 *Freixenet v OHIM* (Frosted white bottle) and in Case T-110/08 *Freixenet v OHIM* (Frosted black matt bottle).

The applications claimed the colours ‘golden matt’, described as a ‘white polished bottle which when filled with sparkling wine takes on a golden matt appearance similar to a frosted bottle’, and the colour ‘black matt’, described as a ‘frosted black matt bottle’. A declaration accompanying the applications stated that the applicant did not want "to obtain restrictive and exclusive protection for the shape of the packaging but for the specific appearance of its surface" (par. 7).

Taking a Step Back?

OHIM had rejected the applications on the ground that the marks were devoid of distinctive character and that there was not sufficient evidence of distinctiveness acquired through use. The Board of Appeal confirmed but the General Court in Case T-190/04 Freixenet v OHIM (Shape of a frosted white bottle) and Case T-188/04 Freixenet v OHIM (Shape of a frosted black matt bottle) annulled those decisions, holding that the Board of Appeal had infringed Article 73 of Regulation No 40/94 and the principle of the rights of defence, since it had based its decisions on evidence which had not been brought to Freixenet's attention. The case went back to the Board that did send to Freixenet the relevant evidence, Freixenet responded, and the Board dismissed the appeal.

In terms of substance the General Court accepted at paragraphs 79 and 78 of the judgments in T-109/08 and T-110/08 respectively, that the assessments by the Board of Appeal based (i) on the fact that no bottle was sold without a label or equivalent and (ii) on the fact that Freixenet itself used the mark FREIXENET on the bottles for which it sought registration as marks confirmed the idea drawn from practical experience that the colour and matting of the glass of the bottle could not 'function as a trade mark' for sparkling wine. The signs were original but did not function as trade marks.

Taking a Step Back?

The Court of Justice citing its earlier case law reconfirmed that when the distinctiveness criteria are applied "account must be taken of the fact that the perception of the average consumer is not necessarily the same in relation to a three-dimensional mark consisting of the appearance of the product itself as it is in relation to a word or figurative mark consisting of a sign which is independent of the appearance of the products it designates.

Average consumers are not in the habit of making assumptions about the origin of products on the basis of their shape or the shape of their packaging in the absence of any graphic or word element, and it could therefore prove more difficult to establish distinctive character in relation to such a three-dimensional mark than in relation to a word or figurative mark" (par. 46). Only a mark which departs significantly from the norm or customs of the sector and thereby fulfils its essential function of indicating origin is not devoid of any distinctive character for the purposes of Article 7(1)(b).

Absolute Grounds - Update

Turning to the judgment of the General Court it noted that

"[I]nstead of establishing whether the marks for which registration was sought varied significantly from the norm or customs of the sector, the General Court merely stated in a general manner that since no bottle had been sold without a label or an equivalent, only that word element could determine the origin of the sparkling wine in question, so that the colour and matting of the glass of the bottle could not 'function as a trade mark' for sparkling wine for the relevant public when they were not used in combination with a word element" (par. 50).

Taking a Step Back?

It went on to find that "[S]uch an assessment means that marks consisting of the appearance of the packaging of the product itself that do not contain an inscription or a word element would be excluded automatically from the protection that may be conferred by Regulation No 40/94" (par. 51).

Having set aside the decision of the General Court the Court of Justice decided to give itself final judgment in the matter and annulled the decisions of the Board of Appeal.

Louboutin: The European Version

Decision of the Second Board of Appeal
of 16 June 2011 in Case R 2272/2010-2
(FR).



Louboutin: The European Version

Louboutin accepted the Pappporteur's point and suggested limitation: the goods claimed, namely 'footwear (except orthopaedic footwear)', did not coincide exactly with the representation of the trade mark, which represented a woman's high-heeled shoe and suggested that the wording 'high-heeled footwear (except orthopaedic footwear)' would be more appropriate.

Louboutin: The European Version

As follows from generally acquired practical experience, the soles of high-heeled shoes are generally black, brown or beige, and not ‘an infinite number of colours’, as argued by the examiner.

Distinction made between sports shoes with a brightly coloured sole and high-heeled shoes.

Following the limitation the trade mark does not cover all types of shoes and soles but only the soles of high-heeled shoes.

Louboutin: The European Version

The trade mark departs significantly from the norm or customs of the sector. It will be perceived as imaginative, surprising and unexpected. It draws the attention to such an extent that it will be easily remembered.

The existence of such characteristics is not a necessary condition for establishing that a trade mark has distinctive character, however, as a rule, the presence of those characteristics is likely to endow distinctiveness.

Louboutin: The European Version

Note (i) the significance of international press cuttings as evidence of use and distinctiveness and (ii) the acceptance of the argument that protecting the red sole as a trade mark would enable the applicant to combat counterfeiting.