

Marca Mode CV v. Adidas AG: An End to the “Confusion”?

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I. INTRODUCTION

Adidas AG is the proprietor in the Benelux countries of a registered figurative trademark comprised of three parallel stripes running longitudinally. Together with its exclusive licensee in the Netherlands, Adidas Benelux BV (Adidas) commenced an action under article 13A(1)(b) of the Uniform Benelux Trade Mark Act (BTA) in the Netherlands before the President of the Rechtbank te Breda (Breda District Court) alleging infringement of its figurative trademark by Marca Mode CV (Marca), a retail clothing merchant.¹ Marca had been marketing a line of athletic clothing at its store in Breda, the Netherlands.

1. *Marca Mode v. Adidas*, 2 C.M.L.R. 1061, 1078, 1080 (2000). Article 13A(1)(b) of the BTA was designed to implement article 5(1)(b) of Council Directive 89/104 to approximate the laws of the member states relating to trademarks. *Id.* at 1079; *see also* Council Directive 89/104, art. 16, 1989 O.J. (L 40) 1 [hereinafter Directive or First Trade Mark Directive] (requiring that laws, regulations, and administrative provisions be adopted by the individual member states to comply with the Directive). Article 5 of the Directive defines the rights conferred by a trademark, where there has been an application for or registration of a trademark in a member state or the Benelux Trademark Office, or where there is international registration of a trademark that has effect in a member state. *See* Directive, *supra*, art. 1 (limiting the scope of the Directive to registered trademarks). The rights of a trademark owner are

1. The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

(a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered;

(b) any sign where, because of its identity with, or similarity to, the trade mark and the identity and similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark.

2. Any Member state may also provide that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered, where the latter has the 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.

Id.

Within this line were a number of items bearing two parallel stripes running longitudinally; also marketed was a T-shirt with three vertical stripes running down the middle, with an ornamental medallion reading "TIM" in the center.² On July 17, 1996, the Breda District Court granted Adidas an interlocutory order and enjoined Marca from marketing eight articles of clothing, including the "TIM" shirt, within the Benelux countries. The court found the Marca double-stripe design was too similar to Adidas' triple-striped trademark.³ Marca appealed to the regional court of appeals, but on April 14, 1997, the *Gerechtshof te's-Hertogenbosch* (Regional Court of Appeals) upheld the Breda District Court order.⁴ The following month, Marca appealed to the *Hoge Raad der Nederlanden* (Supreme Court of the Netherlands).⁵ The Supreme Court reasoned that when an earlier trademark has a particularly distinctive character, i.e., one that is well-known or famous, either as a matter per se or by a reputation it has acquired, and when a sign⁶ of a third party that covers identical or similar goods corresponds so intimately to the earlier mark that there arises a possibility of associating the sign with the earlier mark, a likelihood of confusion can be presumed.⁷ Rather than affirm the Regional Court of Appeals' decision,

2. *Marca Mode*, 2 C.M.L.R. at 1079.

3. *Id.* at 1080.

4. *Id.* Marca argued that under the BTA, Adidas had to prove something more than a likelihood that the relevant public could associate the Marca sign (the double-stripe) with Adidas' trademark (the triple-stripe) to support its claim of infringement; rather, there must exist a likelihood of confusion between the Marca sign and the Adidas trademark for infringement to exist. *Id.* The Regional Court of Appeals held: (1) that the impression of the Marca clothing line created a real possibility that an association could be made by the relevant public concerning the Marca double-stripe design and Adidas triple-stripe trademark, (2) that there was a possibility that the "TIM" shirt with the triple-stripe design could be associated by purchasers with the Adidas triple-stripe trademark, and (3) that the Adidas triple-stripe trademark was generally known. *Id.* at 1066. Based on these grounds, the Regional Court of Appeals, without a finding that there was a likelihood of confusion between the Marca design and Adidas trademark, upheld the Breda District Court's injunction. *See id.*

5. *Id.* Before the Hoge Raad, Marca maintained that the Regional Court of Appeals misapplied the BTA. *See supra* note 4 and accompanying text. Marca reiterated the argument made on its first appeal that the existence of a risk of association between both Marca's double-stripe design and triple-stripe "TIM" design and Adidas' triple-stripe trademark cannot serve as the necessary predicate for a cause of action for infringement, because a likelihood of confusion has to exist for there to be infringement. *See Marca Mode*, 2 C.M.L.R. at 1080.

6. The term "sign" describes those words, images, or designs that form a particular trademark. As defined by the Directive, a trademark can be composed of "any sign capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings." Directive, *supra* note 1, art. 2.

7. *Marca Mode*, 2 C.M.L.R. at 1082. Under this reasoning, a risk of association between a third party's sign and a trademark owner's registered trademark is sufficient to permit an injunction against the third party from using their sign. *Id.* at 1080-81.

the Supreme Court of the Netherlands decided to stay the proceeding and refer the question to the European Court of Justice (ECJ) under article 234 (former article 177) of the Treaty Establishing the European Community (EC Treaty) concerning the interpretation of article 5(1)(b) of the First Trade Mark Directive.⁸ The question posed by the Supreme Court of the Netherlands was:

Where: (a) a trade mark has a particularly distinctive character, either per se or because of the reputation it enjoys with the public, and (b) a third party, without the consent of the proprietor of the mark, uses, in the course of trade in goods or services which are identical with, or similar to, those for which so closely corresponds to the mark as to give rise to the possibility of its being associated with that mark, must Article 5(1)(b) of First Trade Mark Directive be interpreted as meaning that the exclusive right enjoyed by the proprietor entitles him to prevent the use of the sign by that third party if the distinctive character of the mark is such that the possibility of such association giving rise to confusion cannot be ruled out?⁹

In answering this question, the ECJ found that the presumption of a likelihood of confusion cannot be made based on a particular reputation a mark may have, and that the finding of a likelihood of confusion is the sole condition upon which protection of the registered trademark may be granted pursuant to article 5(1)(b).¹⁰ The ECJ *held* that article 5(1)(b) of the First Trade Mark Directive does not confer to an owner of a well-known registered trademark the right to prohibit a third party from using a sign in relation to goods and services which are identical with, or similar to, those covered by the registered trademark simply because the trademark and sign may be associated with one another. *Marca Mode v. Adidas*, 2 C.M.L.R. 1061 (2000).

8. *Id.* at 1078. Disputes between private parties that involve European Community law are not initially brought before the ECJ; rather, such cases commence before the national courts of the member states and are most often resolved there. L. NEVILLE BROWN & TOM KENNEDY, *THE COURT OF JUSTICE OF THE EUROPEAN COMMUNITIES* 204 (2000). However, a national court may make a request to the ECJ for a “preliminary ruling,” and the ECJ has jurisdiction to rule on both the validity and interpretation of Community law raised in a particular case. *Id.* In the instant matter, the Community law at issue is the First Trade Mark Directive, as the BTA was designed to implement the features of the Directive into Benelux law. The request for a preliminary ruling is made during the course of the proceeding in that national court, and the national proceeding is usually adjourned pending the outcome of the reference by the ECJ. *Id.* at 206. The ruling of the ECJ is binding upon the referring national court in that “interpretation or validity of the Community law in question has been authoritatively and finally determined.” *Id.* at 233.

9. *Marca Mode*, 2 C.M.L.R. at 1081. The Supreme Court of the Netherlands also referred several questions to the Benelux Court of Justice for a preliminary ruling, which were suspended pending the decision of the European Court of Justice. *Id.*

10. *Id.* at 1084.

II. BACKGROUND

The First Trade Mark Directive resulted from the European Commission's decision to implement a Community Trademark.¹¹ One of the rationales behind the creation of a Community-wide Trademark was to facilitate the free movement of goods between the member states.¹² However, the Commission recognized that once a Community Trademark was established, it would exist alongside the national trademark laws which were potential obstacles for the actual free movement of goods between the member states.¹³ This problem arises because the owner of a trademark has a type of monopoly, whose exclusive rights to use that mark encroach upon the Community's aim of creating a common market, within which goods could move freely.¹⁴ In order to reduce the differences between the national trademark systems within the European Community, a harmonization process began with the adoption of the First Trade Mark Directive.¹⁵ This Directive was not intended to be exhaustive, but sought "to harmonise those provisions of national trademark law which most directly affect the functioning of the internal market."¹⁶ One need only look at the title of the Directive itself—"First Council Directive"—and at the third recital of the First Trade Mark Directive—"Whereas it does not appear to be necessary at

11. GUY TRITTON, *INTELLECTUAL PROPERTY IN EUROPE* 160 (1996).

12. *Id.*; see also PETER GROVES ET AL., *INTELLECTUAL PROPERTY AND THE INTERNAL MARKET OF THE EUROPEAN COMMUNITY* 1 (1993) (noting that the goal of the Treaty of Rome in 1957, which created the European Economic Community, was a large free trade area within which goods, persons, and capital could move freely).

13. TRITTON, *supra* note 11, at 160; see also GROVES ET AL., *supra* note 12, at 1 ("Intellectual property rights, such as trade marks, . . . are both exclusive and territorial in their application. As the European Court has found on a number of occasions, they have the potential for dividing markets."); TERENCE PRIME, *EUROPEAN INTELLECTUAL PROPERTY LAW* 5 (2000) (stating that intellectual property rights are national rights, as they are created by national legislatures, and have a "natural tendency to fragment and divide markets on a purely national basis, to the detriment of the principles which caused the creation of the Community in the first place").

14. GROVES ET AL., *supra* note 12, at 1.

15. *Id.* at 56. The First Trade Mark Directive was adopted by the European Commission on Dec. 21, 1988, and was to be implemented by all the member states through national legislation by Dec. 28, 1991, but this was later extended to Dec. 31, 1992. See Directive, *supra* note 1, art. 16. Under the European Community directive system, a particular directive is binding upon each member state in relation to the result or social policy that is sought to be achieved. P.J.G. KAPTEYN & P. VERLOREN VAN THEMAAT, *INTRODUCTION TO THE LAW OF THE EUROPEAN COMMUNITY* 326 (Laurence W. Gormley ed., 3d ed. 1998). The First Trade Mark Directive represents the European Community policy on trademarks. See Directive, *supra* note 1 (first recital). However, implementation of this policy is left to the individual member states, who on their own take the requisite steps, depending on their national legal system, to enact within their own national law the requirements of a particular directive. See KAPTEYN & VAN THEMAAT, *supra*, at 328-30.

16. TRITTON, *supra* note 11, at 161; see also GROVES ET AL., *supra* note 12, at 56.

present to under take full-scale approximation of the trade mark laws”—to realize it is not an attempt to harmonize every part of member states’ trademark laws.¹⁷

Before the First Trade Mark Directive was adopted and implemented by the member states, two different understandings of the function of trademark had evolved which produced two different systems of trademark protection.¹⁸ These approaches provided the foundation for the development of the First Trade Mark Directive and play a part in its current interpretation.¹⁹ The two divergent trademark systems are best exemplified by the traditional approach adopted by the United Kingdom and the more modern and progressive approach adopted by the Benelux countries.²⁰

Although trademarks serve a myriad of functions, under the two systems actual recognition of the function of trademark and the actual protection of these trademark functions differ.²¹ One function of a trademark is to denote and distinguish one business and/or its goods and services from another business; this is seen as a trademark’s origin function.²² This origin function is recognized as the traditional purpose of a trademark.²³ In today’s consumer society and with the advent of mass advertising, a trademark’s function is no longer limited to signifying the origin and identity of the goods or services to which the trademark is attached. Its function has expanded to indicate the quality of goods and services, as well as to promote those goods and services to potential consumers.²⁴ Trademarks perform this quality or guarantee function because “they symbolize qualities associated by consumers with certain goods or services and guarantee that the goods or services measure up to expectations.”²⁵ An additional function of a trademark has

17. Directive, *supra* note 1 (emphasis added).

18. See Annett Wagner, *Infringing Trade Marks: Function, Association and Confusion of Signs According to the E.C. Trade Marks Directive*, 3 EUR. INTELL. PROP. REV. 127, 130 (1999) (“The function assigned to a trade mark conditions the rights of the trade mark owner since these rights are an immediate expression of the former.”).

19. *Id.* at 127.

20. See *id.* at 127-29; see also Mark Wing & Matthew Elsmore, Note, *Sabel BV v. Puma AG—Confusion Is King*, 7 J. BUS. L. 485, 485 (1998).

21. See W.R. CORNISH, *INTELLECTUAL PROPERTY: PATENTS, COPYRIGHT, TRADE MARKS AND ALLIED RIGHTS* 527, 529-30 (3d ed. 1996); see also Wagner, *supra* note 18, at 128.

22. CORNISH, *supra* note 21, at 527.

23. See Wing & Elsmore, *supra* note 20, at 485.

24. PRIME, *supra* note 13, at 76 (“The modern consumer is less concerned with the reality of origin than in perceived quality.”); see also CORNISH, *supra* note 21, at 527 (Consumer issues about origin of goods or services are “only a means toward an end: [a consumer’s] main concern is in the quality of what they are buying”).

25. CORNISH, *supra* note 21, at 527. Cornish notes that while performing this quality function, the trademark “enable[s] the purchaser to link goods or services to a range of personal

been recognized, called its investment function, which is derived from the trademark's place within a consumer/advertising society, where it serves as a "cypher[]" around which investment in the promotion of a product is built."²⁶

The U.K. approach recognizes the origin function of a trademark and, accordingly, only protects a trademark to the extent necessary to ensure that the public knows where the goods or services have come from.²⁷ Under this approach, an owner has the ability to prevent the registration or use of an identical or similar mark when actual confusion existed between a registered trademark and an identical or similar mark; otherwise, a consumer might be led to believe that the goods or services connected to the trademark and those connected to the alternative mark were from the same source or connected sources.²⁸ Consistent with this objective, the U.K. approach to trademark protection is characterized by its concern for consumers, specifically protecting them against confusion as to the origin of goods and services they purchase.²⁹ A trademark owner's right to prohibit the use by a third party of an identical or similar sign as to identical or similar goods or services is referred to as "classic infringement."³⁰ In cases of classic infringement, British courts were asked to "determine whether, as a result of similarities between marks, goods or services bearing the alleged infringer's mark were likely to be thought to be derived from or connected with the proprietor of the registered mark."³¹

In contraposition to this traditional approach, the Benelux countries have a system that not only recognizes and protects the origin feature of a trademark, but extends both recognition and protection to the quality and investment features of a trademark.³² This approach accepts the fact in today's society that the key feature to a trademark is its "selling power," and takes into account the change in character of a trademark

expectations about quality which derive from previous dealings, recommendations of others, attractive advertising and so on." *Id.* at 528; *see also* TRITTON, *supra* note 11, at 324 (stating that trademarks, although not legal guarantees as to the quality of goods or services, have become a *de facto* guarantee).

26. CORNISH, *supra* note 21, at 527. An example of this investment function can be seen in the recent general practice of placing a value on the brand names that a business owns and including these values on the corporate balance sheets. *See* PRIME, *supra* note 13, at 4. The value of these trademarks often constitute the major assets of a business—"Marlboro" and "Coca-Cola" have estimated values of nearly \$40 and \$34 billion dollars respectively. *Id.*

27. *See* Wagner, *supra* note 18, at 127.

28. *Id.*

29. *Id.* at 127-28.

30. Wagamama, Ltd. v. City Ctr. Rests., 1995 F.S.R. 713, 721 (internal quotation marks omitted).

31. *Id.* at 720.

32. *See* Wagner, *supra* note 18, at 128.

from “the rational and physical to the emotional and psychological.”³³ This progressive approach provides for a broad scope of protection of a trademark that goes beyond origin; this degree of protection beyond origin is referred to as “non-origin association.”³⁴ Under the BTA, a trademark owner is granted the ability to prevent a third party from any use of a mark identical or similar to a registered mark for the same or similar goods; similarity is key, and similarity, rather than confusion, is enough to prevent the use of a trademark.³⁵ The test for whether two marks are similar is based on the concept of association, and what is evaluated is “whether the ideas underlying the mark and the registered mark are similar.”³⁶ They must be similar enough that a person who knows of the registered mark could make a connection with the two marks when he or she confronts them.³⁷ This position originates from Dutch trademark law.³⁸ Whether or not there is actual confusion as to the

33. *Id.* (citation omitted).

34. *Wagamama*, 1995 F.S.R. at 723.

35. Paul L.C. Torremans, *The Likelihood of Association of Trade Marks: An Assessment in the Light of the Recent Case Law of the Court of Justice*, 3 INTELL. PROP. Q. 295, 295 (1998). In the Benelux case, *Claeryn/Klarein*, the court stopped the use by a third party of the mark “Klarein” on detergent because its pronunciation was the same as “Claeryn,” an earlier mark for jenever (Dutch gin), on the basis of association rather than concluding whether a consumer would actually be confused as to the detergent’s origin. See *PRIME*, *supra* note 13, at 100 (citing *Colgate-Palmolive BV v. NV Koninklijke Distilleerderijen Gruen Lucas Bols*, BCJ, 1 Mark 1975, 1975 N.J. 472).

36. *Colgate-Palmolive*, 1 Mark at 296.

37. *Id.* (noting that the association between the mark and registered mark is created in an individual’s mind and is not limited to the origin of the product). An example of this protection based on the concept of similarity and association was explained in testimony by Professor Charles Gielen in *Wagamama, Ltd. v. City Centre Restaurants*:

Q. . . . [I]f Company A has a register trademark, and Company B comes on to the market with another trademark where the marks have similarities, but no member of the public would be confused as to origin, but some members of the public say: “Well that has a passing similarity. It brings to mind the company A’s mark, but I know that they are nothing to do with each other.” Would that be infringement?

A. That is an infringement, yes.

. . . .

A. . . . [H]is actual trade [is protected], because if the relevant part of the public thinks of trademark A when seeing trademark B, the effect of that is, in fact, loss of exclusivity and dilution.

Wagamama, 1995 F.S.R. at 724. Professor Gielen is Professor of Intellectual Property Law at the University of Gronongen, the Netherlands, and a partner who specializes in trademark law for a Dutch law firm, Nauta Dutilh, in Amsterdam.

38. See W. MAK & H. MOLIJN, *INTRODUCTION TO TRADE MARK LAW IN THE BENELUX* 52 (1982). Under Dutch law, a trademark owner could bring an action for infringement in three instances: First, if the older and younger trademarks “conflicted completely or in the main and the goods were of the same sort,” or second, the older and younger trademarks “conflicted in such a way that the public could in consequence be confused over the origin of the goods.” *Id.* Third, an infringement cause of action against the younger trademark was possible where there was no actual confusion. This action was permitted, not as a means of protecting the consumer as to the

origin on the marks is immaterial; it is sufficient that there is association.³⁹ In this sense “the goodwill attached to a mark and the image connected with it . . . are taken seriously and [are] protected by a broad exclusivity for the mark.”⁴⁰

Articles 4 and 5 of the First Trade Mark Directive, which relate to the grounds for refusal or invalidity concerning conflicts with earlier rights and the rights conferred by a trademark respectively, have been influenced by these divergent approaches to trademark protections and their ability to safeguard the various functions of a trademark.⁴¹ At the heart of these two articles is a common, two-part structure. This structure first recognizes that a trademark can be refused for registration or that a trademark owner can prevent a third party from using a mark if the new mark is identical to the previously registered mark, and the goods or services covered by the new mark are identical to those protected by the earlier trademark.⁴² The second feature does not require that the trademarks be identical, but denies registration or allows a registered trademark owner to prevent a third party from using

any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark.⁴³

It is generally accepted by commentators that the final text of articles 4 and 5 of the First Trade Mark Directive was influenced by Benelux trademark law.⁴⁴ They often cite to the statements made at the European Council meeting when the First Trade Mark Directive was adopted; these statements were later entered into the minutes of the meeting.⁴⁵ Notwithstanding the agreement among numerous commenta-

origin of goods or services, but as recognizing “the other side of trade mark protection [] that is the importance to the trade mark owner of being able to maintain his rights to the trade mark unabridged.” *Id.*

39. See Torremans, *supra* note 35, at 296.

40. Wagner, *supra* note 18, at 128.

41. See Directive, *supra* note 1. These articles are recognized as constituting the heart of the First Trade Mark Directive; in particular, article 5 has been called the *raison d'être* of the Directive. See Alain Brun, *History of the Directive: How Must It Be Implemented?*, in 7 HARMONISATION OF TRADE MARK LAWS IN THE EUROPEAN COMMUNITIES 1, 23 (1990).

42. See Directive, *supra* note 1, art. 4(1)(a), 5(1)(b).

43. *Id.* art. 5(1)(b).

44. See *Wagamama, Ltd. v. City Ctr. Rests.*, 1995 F.S.R. 713, 723, 726; Anna Carboni, Note, *Confusion Clarified: Sabel BV v. Puma AG*, 3 EUR. INTEL. PROP. REV. 107, 108 (1998); CORNISH, *supra* note 21, at 620; TRITTON, *supra* note 11, at 167; Wagner, *supra* note 18, at 128; Wing & Elsmore, *supra* note 20, at 486.

45. In reference to articles 4(1)(b) and 5(1)(b), the minutes state that “[t]he Council and the Commission note that ‘likelihood of association’ is a concept which in particular has been

tors as to the provenance of articles 4 and 5, and in particular the concept of likelihood of association, the ECJ has been reluctant to advance protection of a trademark outside the realm of classical infringement.⁴⁶ This level of protection by the ECJ corresponds to its understanding of a trademark's function. In *SA CNL-SUCAL v. HAG GF*, the ECJ ruled that

the specific subject-matter of trade marks is in particular to guarantee to the proprietor of the trade mark that he has the right to use that trade mark for the purpose of putting a product into circulation for the first time and therefore to protect him against competitors In order to determine the exact scope of this right . . . regard must be had to the *essential function of the trade mark, which is to guarantee the identity of the origin* of the marked product to the consumer . . . without any possibility of confusion to distinguish that product from products which have another origin.⁴⁷

This understanding has been reaffirmed in later cases which followed the implementation of the First Trade Mark Directive in the member states.⁴⁸ The ECJ has cited to the Directive itself for support of its understanding of a trademark's function, in particular the tenth recital of the First Trade Mark Directive, which provides that "the protection afforded by the registered trademark [is] the function of which is in particular to guarantee the trade mark as an indication of origin."⁴⁹

Two ECJ cases that relate to the understanding of the concept "likelihood of confusion" under the First Trade Mark Directive appear to comport with the traditional view of trademark function and protection.⁵⁰ In *SABEL v. Puma*, the ECJ held that the mere likelihood of association by the public between two trademarks is not by itself sufficient grounds to conclude that there was the likelihood of confusion that is required under article 4 of the First Trade Mark Directive.⁵¹ Puma, a registered owner of a trademark depicting a bounding/running puma, opposed registration of a mark by SABEL that consisted of a bounding/running cheetah.⁵² The question referred to the ECJ by the German court was whether or not article 4(1)(b) of the First Trade Mark Directive incorporated the Benelux tradition of denying registration of a trademark

developed by Benelux case-law." *Wagamama*, 1995 F.S.R. at 724-25 (citing to the alleged copy of the Council minutes); see also TRITTON, *supra* note 11, at 168-69.

46. See Case C-251/95, *SABEL v. Puma*, 1997 E.C.R. I-6191, I-6224 ¶ 22.

47. Case C-10/89, *SA CNL-SUCAL v. HAG GF*, 1990 E.C.R. 3711, I-3758 ¶ 14 (emphasis added).

48. See Case C-39/97, *Canon Kabushiki Kaisha v. Metro-Goldwyn-Mayer, Inc.*, 1998 E.C.R. I-5507, I-5534 ¶ 28; Case C-349/95, *Frits Loendersloot v. George Ballantine & Son, Ltd.*, 1997 E.C.R. I-6227, I-6253-54 ¶¶ 24-25.

49. Directive, *supra* note 1; see also *Canon*, 1998 E.C.R. at I-5531 ¶ 15.

50. *SABEL*, 1997 E.C.R. at I-6191; *Canon* 1998 E.C.R. at I-5507.

51. *SABEL*, 1997 E.C.R. at I-6225 ¶ 26.

52. *Carboni*, *supra* note 44, at 107.

to a third party where an association between the third party mark and the prior mark exists and there is no direct or indirect confusion.⁵³ The Bundesgerichtshof (Supreme Court of Germany) inquired

whether the criterion of “likelihood of confusion . . . which includes the likelihood of association with the earlier mark” contained in Article 4(1)(b) of the Directive is to be interpreted as meaning that the mere association which the public might make between the two marks as a result of a resemblance in their semantic content, is a sufficient ground for concluding that there exists a likelihood of confusion within the meaning of that provision⁵⁴

The ECJ noted that under a Benelux interpretation of article 4(1)(b) the likelihood of association can arise in three sets of circumstances: (1) when the public confuses the third party mark with the earlier registered mark (direct confusion); (2) when the public makes a connection between the owner of the registered mark and the third party, and confuses them (likelihood of indirect association or confusion); or (3) when the public thinks the third party mark is similar to the earlier mark and the thought of the third party mark calls to mind the perception of the earlier mark, although the public is not confused (strict likelihood of association).⁵⁵ Although it recognizes that article 4(1)(b) covers situations where there is direct and indirect confusion, the ECJ does not accept that the likelihood of association in the strict sense is covered by the First Trade Mark Directive. In beginning its analysis, the ECJ looked at the language and structure of article 4(1)(b). It deduced from the wording of the article “that the concept of likelihood of association is not an alternative to that of likelihood of confusion, but serves to define its scope.”⁵⁶ It noted further that article 4(1)(b) has “no application where there is no likelihood of confusion on the part of the public.”⁵⁷ The ECJ also pointed to the tenth recital of the First Trade Mark Directive which states that “the likelihood of confusion . . . constitutes the specific condition for protection.”⁵⁸ Nevertheless, the ECJ held that the likelihood of association could not be a separate basis for refusal of a

53. Article 4 of the First Trade Mark Directive covers the conflicts that arise between a mark seeking to be registered and an earlier registered mark. It prohibits the registration of a mark covering identical goods or services that is identical to an earlier registered mark, and prohibits registration of a mark covering similar goods or services, that is similar to an earlier registered mark where a likelihood of confusion is possible. See Directive, *supra* note 1, art. 4(1)(a), (b).

54. *SABEL*, 1997 E.C.R. at I-6221 ¶ 11.

55. *Id.* at I-6222 ¶ 16.

56. *Id.* at I-6223 ¶ 18.

57. *Id.*

58. *Id.* at I-6223 ¶ 19; see also *supra* note 42 and accompanying text.

trademark, but that likelihood of confusion needed to exist.⁵⁹ It further held that the mere similar semantic content between the two marks at issue that leads to an association is not sufficient to assume that likelihood of confusion exists.⁶⁰ Although the opinion disallowed using likelihood of association by itself as a means to oppose registration, it appeared that owners of trademarks with a distinctive character could oppose registration based on the similarity of the two marks alone.⁶¹

While the ECJ's analysis primarily focused on the wording of article 4(1)(b), the Advocate General's opinion suggested that several other factors should be examined as to why the First Trade Mark Directive should not be interpreted to include likelihood of association as a basis for either refusing a trademark or recognizing a cause of action for infringement by a registered trademark owner.⁶² One prong of his analysis held that allowing likelihood of association as a ground for refusal of registration would be against public policy, because too much protection of trademarks based on such an assertion would make it very difficult for trademarks to become registered at the Community-wide level.⁶³ This is due to the fact that the language of the Council Regulation on the Community Trade Mark mirrors the language of the First Trade Mark Directive.⁶⁴ In order to facilitate the orderly operation of the Community-wide mark, Advocate General Jacobs reasons that "it seems essential that marks should be registrable in the absence of a genuine and properly substantiated risk of confusion."⁶⁵ Continuing in this vein, Advocate General Jacobs argues that to extend the trademark

59. *SABEL*, 1997 E.C.R. at I-6224 ¶ 22.

60. *Id.* at I-6225 ¶ 26.

61. *Id.* at I-6224 ¶ 24; see also Gert Würtenberger, *A Risk of Confusion in Community Trade Mark Law: First Contours in Case Law of the European Court of Justice and the Harmonisation Office*, 10 EUR. INTELL. PROP. REV. 508, 511 (1999) (positing that the ECJ "restricted [its opinion] by pointing out that it may not be impossible that the conceptual similarity may give rise to a likelihood of confusion, if the earlier mark has a particularly distinctive character . . . it enjoys among the public"); Carboni, *supra* note 44, at 109 (asserting that paragraph 24 of *SABEL* "seem[s] to leave the door open a crack to owners of famous or otherwise very distinctive marks to rely on 'resemblance' or 'recognition' alone in asserting a likelihood of confusion which in fact goes little further than mere association").

62. See Wing & Elsmore, *supra* note 20, at 487-91. Within the organization of the ECJ is the position of Advocate General, who is given the responsibility to write opinions on cases brought before the ECJ in order to assist the court in its decisions. See BROWN & KENNEDY, *supra* note 8, at 65. The Advocate General's opinions are delivered after a case has been heard and gives the judges his or her view on the case at bar. *Id.*

63. See BROWN & KENNEDY, *supra* note 8, at 65.

64. See *SABEL*, 1997 E.C.R. at I-6209-10 ¶ 52 (Opinion of Mr. Advocate General Jacobs); see also Directive, *supra* note 1.

65. *SABEL*, 1997 E.C.R. at I-6209-10 ¶ 52 (Opinion of Mr. Advocate General Jacobs).

monopoly to the degree allowed by accepting likelihood of association as a separate basis of refusal would have the effect of restricting trade.⁶⁶

The ECJ in *SABEL* did not “provide a comprehensive guideline regarding the determination of confusion and likelihood of association, but rather limited its judgment to a negative clearance of the problem.”⁶⁷ However, the ECJ did have the chance in *Canon v. Metro-Goldwyn-Mayer, Inc.* to “give guidance on the assessment of similarity of goods as an element necessary to confirm or deny risk of confusion.”⁶⁸ MGM had applied for registration of the mark “Canon” for goods and services, including films that were recorded on videocassettes, production, distribution, and projection of films for movie and television organizations.⁶⁹ Canon had an earlier registered trademark “Canon” that covered both “still and motion-picture cameras and projectors, television retransmission devices, television receiving and reproduction devices, including tape and disc devices for television recording and reproduction.”⁷⁰ The Supreme Court of Germany asked the ECJ

whether, on a proper construction of Article 4(1)(b) of the Directive, the distinctive character of the earlier trade mark, and in particular its reputation, must be taken into account when determining whether the similarity between the goods or services covered by the two trade marks is sufficient to give rise to the likelihood of confusion.⁷¹

As in *SABEL*, the ECJ analysis began by quoting the tenth recital of the First Trade Mark Directive.⁷² This recital stressed the importance of interpreting the concept “similarity” in relation to “likelihood of confusion,” where likelihood of confusion is dependent upon many factors, inter alia, the recognition of the trademark by the public as well as the extent of similarity between both the earlier mark, the third party mark, and the goods covered.⁷³ When examining whether the public is likely to be confused, such “likelihood” has to be “appreciated globally

66. *Id.* at I-6209 ¶ 50. The Advocate General’s view of monopolies seems to follow the view expressed by Judge Laddie in *Wagamama*. Judge Laddie argues that if “the broader scope were to be adopted, the Directive . . . would be creating a new type of monopoly . . . in the trade mark itself. Such a monopoly could be likened to a quasi-copyright in the mark. However, unlike copyright, there would be no fixed duration.” *Wagamama, Ltd. v. City Ctr. Rests.*, 1995 F.S.R. 713, 730-31.

67. Württenberger, *supra* note 61, at 509.

68. *Id.*

69. Rachael Montagnon, Comment, “Strong” Marks Make More Goods “Similar”, 11 EUR. INTELL. PROP. REV. 401, 401 (1998).

70. *Id.*

71. Case C-39/97, *Canon Kabushiki Kaisha v. Metro-Goldwyn-Mayer, Inc.* 1998 E.C.R. I-5507, I-5531 ¶ 12.

72. *Id.* at I-5531 ¶ 15; see also Case C-251/95, *SABEL v. Puma*, 1997 E.C.R. I-6191, I-6223 ¶ 19.

73. Directive, *supra* note 1.

taking into account all factors relevant.”⁷⁴ Following the proposition espoused in *SABEL*, namely that the “more distinctive the earlier mark, the greater the risk of confusion,” the ECJ concluded that if there is a lesser degree of similarity between the goods or services covered, and if the marks have a high degree of similarity and the earlier mark has a distinctive character, registration may be refused.⁷⁵ This determination by the ECJ answered the Bundesgerichtshof’s question affirmatively, recognizing that the distinctive character of an earlier trademark, e.g., its reputation, can be taken into account when determining the similarity between the goods or services covered by the rival trademarks, and can be sufficient to give rise to the likelihood of confusion.⁷⁶

III. NOTED CASE

In the noted case, the ECJ addresses the provisions of the First Trade Mark Directive, in particular article 5(1)(b) which sets forth the rights conferred upon a trademark proprietor. The provisions of article 5(1) are obligatory in the sense that all member states must adopt a provision within their national law that grants the same rights to a proprietor of a trademark. Under article 5(1)(b), a proprietor can prohibit the use of similar or identical marks on similar or identical goods or services.⁷⁷ For the proprietor to exercise the right conferred, there must be a determination as to the degree of similarity between the owner’s mark and the offending one, or between the goods and services for which the proprietor’s mark is registered and those on which the offending mark is used. The similarity has to be so great that there is a likelihood of confusion, or actual confusion, on the part of the public, which “includes the likelihood of association between” the offending sign and the registered mark.⁷⁸

In the prior Dutch proceedings, the Supreme Court of the Netherlands ruled that the possibility of confusing the Adidas registered trademark and the Marca sign could be presumed because of the distinctive character of the Adidas mark, in particular its reputation. When Marca’s sign was used to cover identical or similar goods that corresponded closely to Adidas’ trademark, there was a possibility of a likelihood of association.⁷⁹ When it referred its question to the ECJ, the

74. *Canon*, 1998 E.C.R. at I-5532 ¶ 16 (1998) (citing *SABEL*, 1997 E.C.R. at I-6191 ¶ 22). Conducting this “global assessment” involves a consideration of the relationship between the relevant factors, such that a lesser degree of similarity between the trademarks may be offset by a greater degree of similarity between the goods or services, and vice versa. *Id.* ¶ 17.

75. *Id.* at I-5532-33 ¶¶ 18, 19 (citing *SABEL*, 1997 E.C.R. at I-6224-25 ¶ 24).

76. *See supra* note 71 and accompanying text.

77. Directive, *supra* note 1; *see also supra* note 1 and accompanying text.

78. *See supra* note 1 and accompanying text.

79. *Marca Mode v. Adidas*, 2 C.M.L.R. 1061, 1082 (2000).

Supreme Court asked whether Adidas could prevent Marca from using a sign if the distinctive character of the Adidas mark creates a possibility that the public would associate the two marks, which would preclude a court from ruling out the possibility of a finding of confusion.⁸⁰

In the beginning of its analysis of this question, the ECJ notes that articles 4(1)(b) and 5(1)(b) are in “substantially identical terms[,]” and as such, interpretation of article 5(1)(b) is bound by the prior interpretation of article 4(1)(b) in *SABEL*.⁸¹ Following its rationale set forth in *SABEL*, the ECJ states that article 5(1)(b) is only applicable where, due to the identity or similarity both of the marks and of the goods or services they cover, “there exists a likelihood of confusion, which includes the likelihood of association between the sign and the trade mark.”⁸² Citing the tenth recital of the First Trade Mark Directive, the court reaffirms its interpretation, as determined in *SABEL* and *Canon*, that confusion alone, and not association, constitutes the sole condition for protection.⁸³

The ECJ dismisses Adidas’ contention that paragraph 24 of *SABEL* supported the proposition that “in respect of well-known marks, the likelihood of association is sufficient to justify a prohibition where a likelihood of confusion cannot be ruled out.”⁸⁴ Rather than permit a court to imply a presumption of a likelihood of confusion, the ECJ finds that the disputed paragraph simply recognizes “the possibility that a likelihood may arise from the conjunction of the two factors analyzed.”⁸⁵ The court further states that the national court is not excused from finding a likelihood of confusion because confusion is the matter to be proven.⁸⁶ In assessing the likelihood of confusion, the court follows its reasoning established in *Canon* and *SABEL* by stating that a national court must assess the level of confusion globally by examining all of the

80. *Id.*

81. *Id.*; see also *supra* note 1 (giving the text of article 5(1) of First Trade Mark Directive).

82. *Marca Mode*, 2 C.M.L.R. at 1083; see also Case C-251/95, *SABEL v. Puma*, 1997 E.C.R. I-6191, I-6224 ¶ 22 (1997).

83. *Marca Mode*, 2 C.M.L.R. at 1083 (citing Directive, *supra* note 1); see also Case C-39/97 *Canon Kabushiki Kaisha v. Metro-Goldwyn-Mayer, Inc.*, 1998 E.C.R. I-5507, I-5532-33 ¶ 18 (1998); *SABEL*, 1997 E.C.R. at I-6223 ¶ 19.

84. *Marca Mode*, 2 C.M.L.R. at 1082. A similar analysis was part of the *SABEL* decision which commentators believed undercut the strict interpretation of likelihood of confusion, and possibly left the door open for protection of well-known marks. See Würtenberger, *supra* note 61, at 511. The *SABEL* court pronounced that “it is . . . not impossible that the conceptual similarity resulting from the fact that two marks use images with analogous semantic content may give rise to a likelihood of confusion where the earlier mark has a particularly distinctive character.” *SABEL*, 1997 E.C.R. at I-6224-25 ¶ 24.

85. *Marca Mode*, 2 C.M.L.R. at 1084.

86. *Id.*

relevant factors.⁸⁷ The reputation of a mark is only one of the factors to be considered in this global assessment process.⁸⁸ Although “it may be observed that marks with a highly distinctive character, in particular because of their reputation, enjoy broader protection[,]” a mark’s reputation cannot be the basis for a presumption of a likelihood of confusion simply because the strict sense of likelihood of association exists.⁸⁹ From this analysis the ECJ concludes that the Supreme Court of the Netherlands’ interpretation of article 5(1)(b) of the First Trade Mark Directive is misplaced. Accordingly, the ECJ confirms the narrow interpretation of the First Trade Mark Directive’s concept of likelihood of confusion already expressed in *SABEL*, when article 5(1)(b) applies only upon finding of a likelihood of confusion, but does not apply when such a finding merely cannot be ruled out.

IV. ANALYSIS

The question posed by the Supreme Court of the Netherlands is of vast importance because, if answered in the affirmative, it would provide protection to distinctive marks against dilution in the case of similar goods or services.⁹⁰ Dilution occurs when a number of more or less conflicting trademarks negatively affect the distinctive nature of the older trademark.⁹¹ An action to prevent dilution was previously available under Benelux trade law for identical or similar goods or services, but stemming from the ECJ opinion, such protection of a trademark is not allowed under article 5(1)(b). According to the First Trade Mark Directive, this sort of protection is only available in cases of dissimilar goods through an optional provision of the Directive under article 5(2).⁹²

With its decision, the ECJ effectively shuts the door left open in *SABEL*, as it refused to adopt a “broad concept of confusion” that would offer “far-reaching protection of reputed marks.”⁹³ The ECJ relied heavily on the traditional origin rationale for trademark protection,

87. *Id.* (citing *Canon*, 1998 E.C.R. at I-5532-33 ¶¶ 17, 19; *SABEL*, 1997 E.C.R. at I-6224 ¶ 22).

88. *Id.*

89. *Id.*; see also *SABEL*, 1997 E.C.R. at I-6222-23 ¶¶ 16, 17 (outlining the various types of likelihood of association).

90. See *supra* text accompanying note 9 (discussing the question posed by the Supreme Court of the Netherlands to the ECJ).

91. See *MAK & MOLIJN*, *supra* note 38, at 32-33. The protection against dilution was at the center of the Benelux approach, as it went beyond protecting the origin function of the trademark and protected the trademark from rival marks and from marks covering goods or services, so long as the relevant part of the public made an association between the two marks.

92. See *supra* note 1 (giving the text of article 5(2) of the First Trade Mark Directive).

93. Charles Gielen, Note, *A Benelux Perspective: SABEL v. Puma*, 3 EUR. INTELL. PROP. REV. 109, 111 (1998).

following the U.K. approach to trademark, in that it viewed the trademark solely as an indicator of origin and nothing more. However, in only assuring consumers that they will not be confused as to the origin of the goods or services they buy, the ECJ fails to protect the other side of this commercial interest. By focusing on the origin alone and not taking into consideration the commercial aspects of the trademark, such as the advertising and investment function, the ECJ refuses to accept the modern role of the trademark.⁹⁴ “[T]he old fashioned . . . idea that the trade mark’s function is to designate the origin of the goods or services for which it is used and that the basic aim of trade mark protection is to prevent the consumer from getting confused about this origin” remains within ECJ jurisprudence, even though “in modern times the trade mark has become the most important tool for marketing products and services.”⁹⁵ In both *Marca Mode* and *SABEL*, the ECJ cites to the tenth recital of the First Trade Mark Directive for the proposition that the recognized trademark function is to indicate origin, but the recital seems to disregard the reality that trademarks do much more than indicate source.⁹⁶ In formulating its approach to trademarks, the ECJ has chosen to rest its methodology on a “questionable key assumption which unnecessarily limits the interpretation [of article 5(1)(b)] at a very early stage of investigation.”⁹⁷ It has been noted that, under this approach, “any broader understanding which embraces the enhanced competitive importance of the trade mark is hindered immediately.”⁹⁸

V. CONCLUSION

By limiting the protection of a trademark to indication of origin, the ECJ has not appreciated the economic reality in which a trademark operates. Today, trademarks are billion dollar assets for corporations and serve as communicative devices to the public about the quality of goods or services. These functions are of greater importance in the modern advertising/consumer society, and accordingly, trademarks should

94. See *Würtenberger*, *supra* note 61, at 518.

95. Willem A. Hoyng, *Rights Conferred by the Trade Mark*, in 7 EUROPEAN COMMUNITIES TRADE MARK PRACTITIONER’S ASSOCIATION, HARMONISATION OF TRADE MARK LAWS IN THE EUROPEAN COMMUNITIES 27 (1990).

96. Directive, *supra* note 1; see also *Marca Mode v. Adidas*, 2 C.M.L.R. 1061, 1083 (2000); Case C-251/95 *SABEL v. Puma*, 1997 E.C.R. I-6191, I-6223 ¶ 19 (1997).

97. *Wagner*, *supra* note 18, at 131.

98. *Id.*

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receive greater protection against all activities which detract from its value to the owner and consumers.

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