

**PUTTING CONFUSION IN CONTEXT:  
THE NATURE OF THE COMPARISON  
IN TRADE MARK INFRINGEMENT**

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# ABSTRACT

## PUTTING CONFUSION IN CONTEXT:

### THE NATURE OF THE COMPARISON IN TRADE MARK INFRINGEMENT

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The role of context is generally underplayed in a registration-based system. Determination of confusion is confined to the information set out on the register, and any external matter promptly excluded from infringement assessment. Such an abstract assessment following a mark for mark comparison can be contrasted with the more factually-driven approach available in unfair competition. This comparison also unveils the possible methodological choices between an analysis framed as a formal reassurance of property rights and another centred on the perception of the consumer inhabiting the marketplace. Recently, the CJEU decisions in *O2 Holdings* and *Specsavers* drew attention to the role of context in determination of confusion and, furthermore, the effect of different notions of context on outcomes of infringement analysis. The European Court is seemingly leaning towards a contextual assessment calling for empirical evidence in infringement. The actual use of the trade mark by the claimant, the circumstances in which the sign is used by the defendant, consumer understandings and market practices are all factors taken into account in determination of confusion. This work seeks to examine the CJEU doctrinal developments of the notion of context and their effect on the previously established boundaries of the multifactor test for infringement applied by national courts taking UK law as a case study. I argue that while a paper-based approach still has a well-deserved place operating at the registration level, the manner in which infringement has been dealt with in adjudication needs rethinking; a paper-based approach to infringement focusing on the visual comparison of isolated marks is no longer able to account for a reality that has become increasingly complex. Rather, a methodology assimilating a broader notion of context to infringement, one working with pliable layers of factual review reflecting market reality and consumer understandings, could be a means of achieving balance in a system that is often criticised for overreaching itself.

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American Economic Review.....	AmEconRev
Arizona State Law Journal.....	ArizStLJ
Berkeley Technology Law Journal.....	BerkeleyTechLJ
Boston University Law Review.....	BULRev
Brooklyn Law Review.....	BrookLRev
Duke Law Journal.....	DukeLJ
European Intellectual Property Review.....	EIPR
Houston Law Review.....	HousLRev
International Review of Intellectual Property and Competition Law.....	IIC
Intellectual Property Quarterly.....	IPQ
Iowa Law Review.....	IowaLRev
Journal of Behavioral Decision Making.....	JBehavDecisMaking
Journal of Business.....	JBus
Journal of Consumer Behaviour.....	JConsBehav
Journal of Consumer Research.....	JConsumRes
Journal of Intellectual Property Law & Practice.....	JIPLP
Journal of International Marketing.....	JIntMarketing
Lewis & Clark Law Review.....	Lewis&ClarkLRev
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North Carolina Law Review.....	NCLRev
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Notre Dame Law Review.....	NotreDameLRev
Oxford University Press	OUP
Psychological Bulletin.....	PsycholBull
Quarterly Journal of Economics.....	QJEcon
Stanford Law Review.....	StanLRev
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## 1. INTRODUCTION

Trade mark law is a field of law which responds to consumer perceptions in order to promote economic efficiency.<sup>1</sup> It performs a market regulation function initially grounded on the notion that consumers should not be misled by potentially confusing marks in the marketplace.

It can be also said that it is about ‘ensuring consumers get what they want’.<sup>2</sup> And the reach of trade mark law is tethered to specific causes of action that allow for the intervention in market practices to address situations of infringement.<sup>3</sup> This means, for example, that the assessment of likelihood of confusion has a real impact on how markets function: false positives are liable to enjoin the use of a non-infringing sign or to allow the existence of a confusing one.

While many aspects of trade mark law have been extensively debated throughout the years, the CJEU decisions in *O2 Holdings*<sup>4</sup> and *Specsavers*<sup>5</sup> drew

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<sup>1</sup> See, for an account of traditional economic-based justifications, William M Landes and Richard A Posner, ‘The Economics of Trademark Law’ (1988) 78 *TrademarkRep* 267; Andrew Griffiths, ‘A Law-and-Economics Perspective on Trade Marks’ in Lionel Bently, Jennifer Davis and Jane C Ginsburg (eds), *Trade Marks and Brands: An Interdisciplinary Critique* (Cambridge University Press 2014).

<sup>2</sup> Graeme B Dinwoodie, ‘Ensuring Consumers "Get What They Want": The Role of Trademark Law’ <<http://ssrn.com/abstract=2613160>>.

<sup>3</sup> Directive 2008/95/EC of 22 October 2008 of the European Parliament to approximate the laws of the Member States relating to trade marks [2008] OJ L299/05 (TMD), Articles 5(1) and 5(2); Council Regulation (EC) 207/2009 of 26 February 2009 on the Community Trade Mark [2009] OJ L78/1 (CTMR), Article 9(1).

<sup>4</sup> Case C-533/06 *O2 Holdings Ltd v Hutchinson 3G UK Ltd* [2008] ECR I-4231, [2008] 3 CMLR 14.

<sup>5</sup> Case C-252/12 *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2013] ETMR 46 (CJEU).

attention to the role of context in determination of confusion and, furthermore, the effect of different notions of context on outcomes of infringement assessment.

As a commentator once said, 'in the commercial marketplace, context is king'.<sup>6</sup> Whether making purchase choices, sharing their own experiences with others, or joining an everyday conversation, consumers have resort to context in determining the meaning of words, symbols, smells or shapes. Context tells us whether the word FORD refers to a car manufacturing company, a model agency or simply a surname. To be sure, trade mark law has always relied on context at some level. The protection against confusion is triggered when a sign is applied or used for products identical or similar to those claimed in the trade mark registration;<sup>7</sup> trade marks might be deemed inherently distinctive depending on the category of products of products or services they seek to distinguish.<sup>8</sup>

But the role of context is generally underplayed in a registration-based system. The reason for this is to have the so-called register's informational function working as a trade-off, by relying on the assumption that restricting analysis to the matter claimed in the registration would afford legal certainty to economic operators.<sup>9</sup> Consequently, infringement assessment – determination of confusion, in

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<sup>6</sup> Mark P McKenna, 'A Consumer Decision-Making Theory of Trademark Law' (2012) 98 VaLRev 67, 110.

<sup>7</sup> This is one of the factors of the likelihood of confusion test. See Case C-39/97 *Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc* [1998] ECR I-5507, [1999] 1 CMLR 77.

<sup>8</sup> Joined Cases C-108 and 109/97 *Windsurfing Chiemsee Produktions- und Vertriebs GmbH v Boots- und Segelzubehör Walter Huber* [1999] ECR I-2779, [2000] 2 WLR 205, [2000] Ch 523. Cf. Jennifer Davis, 'Locating the Average Consumer: his Judicial Origins, Intellectual Influences and Current Role in European Trade Mark Law' [2005] IPQ 183, 184-185, arguing that this is generally dictated by the characteristics of the products rather than consumer perceptions of them.

<sup>9</sup> See Case C-273/00 *Sieckmann v Deutsches Patent- und Markenamt* [2002] ECR I-11737, [2005] 1 CMLR 40, para 51; Case C-307/10 *Chartered Institute of Patent Attorneys v Registrar of Trade Marks* [2012] ETMR 42 (CJEU) (IP Translator). See also Ansgar Ohly,

particular – is confined to the registration, and any external matter, like actual use of both the mark and the sign complained of or consumer perceptions in the marketplace, is often considered extraneous.<sup>10</sup> This process of insulating trade mark law decision-making through a paper-based approach is deeply linked to an abstract concept of fair and notional use of the registered mark.

Such an abstract assessment of trade mark law focusing on the comparison of an isolated sign with information set out on the register can be contrasted with the more factually-driven approach available in unfair competition.<sup>11</sup> This comparison also unveils the possible methodological choices between an analysis framed as a formal reassurance of property rights and another centred on the perception of the consumer inhabiting the marketplace.

While the traditional trade mark law approach had been generally accepted for many decades,<sup>12</sup> recent CJEU jurisprudence seems to be now pushing the boundaries of the registration system by favouring the use of empirical evidence in infringement. The actual use of the trade mark by the claimant,<sup>13</sup> the circumstances in which the sign is used by the defendant,<sup>14</sup> consumer understandings and market

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‘Interfaces between Trade Mark Protection and Unfair Competition Law: Confusion about Confusion and Misconceptions about Misappropriation?’ in Nari Lee and others (eds), *Intellectual Property, Unfair Competition and Publicity: Convergences and Development* (Edward Elgar 2014) 46 (‘Other traders must respect the defensive perimeter which is drawn around the mark, even if actual confusion can be avoided under the concrete circumstances.’).

<sup>10</sup> See James Mellor and others (eds), *Kerly's Law of Trade Marks and Trade Names* (15 edn, Sweet & Maxweel 2011), paras 14-073, 14-088; Ohly, ‘Interfaces’ (n 9) 41.

<sup>11</sup> Ohly, ‘Interfaces’ (n 9).

<sup>12</sup> *Origins Natural Resources Inc v Origin Clothing Limited* [1995] FSR 280 (EWHC) [284]. See also *Compass Publishing BV v Compass Logistics Ltd* [2004] EWHC 520 (Ch) [22]; *The European Ltd v The Economist Newspaper Ltd* [1998] ETMR 307 (EWCA) 317.

<sup>13</sup> *Specsavers (CJEU)* (n 5).

<sup>14</sup> *O2 Holdings (CJEU)* (n 4).

practices<sup>15</sup> are all factors taken into account in determining whether the use of a sign is liable to adversely affect one of the functions of the trade mark.<sup>16</sup> And this poses the question of whether this paper-based approach still yields the right kind of context.

This work seeks to address this question by drawing on the CJEU doctrinal developments and their effect on the previously established boundaries of the multifactor test for infringement applied by national courts. I argue that while a paper-based approach still has a well-deserved place operating at the registration level, the manner in which infringement has been dealt with in adjudication needs rethinking; a paper-based approach to infringement focusing on the visual comparison of isolated marks is no longer able to account for a reality that has become increasingly complex. Rather, a methodology assimilating a broader notion of context to infringement, one working with pliable layers of factual review reflecting market reality and consumer understandings, could be a means of achieving balance in a system that is often criticised for overreaching itself.<sup>17</sup>

In general, the traditional paper-based approach to infringement and the underlying features of the registration system itself are being studied in current

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<sup>15</sup> Case C-48/05 *Adam Opel AG v Autec AG* [2007] ECR I-1017, [2007] ETMR 33; more recently, Case C-46/10 *Viking Gas A/S v Kosan Gas A/S* [2011] ETMR 58 (CJEU).

<sup>16</sup> See, for an account of the functions theory, Case C-206/01 *Arsenal Football Club Plc v Reed* [2002] ECR I-10273, [2003] 1 CMLR 12; Case C-487/07 *L'Oréal SA v Bellure NV* [2009] ECR I-5185, [2009] ETMR 55 and Case C-323/09 *Interflora Inc v Marks & Spencer Plc* [2012] BusLR 1440 (CJEU).

<sup>17</sup> See Martin Senftleben, 'Bringing EU Trademark Protection Back into Shape – Lessons to Learn from Keyword Advertising' (6th Annual Conference of the EPIP Association: Fine-Tuning IPR Debates, Brussels, 8 September 2011); Christine Greenhalgh and others, 'Have Trademarks Become Deceptive?' (2015) 6 WIPOJ 109; Mark A Lemley, 'Modern Lanham Act and the Death of Common Sense, The Symposium: Ralph Sharp Brown, Intellectual Property, and the Public Interest' (1998) 108 YaleLJ 1687.

literature in many different ways. Some scholars criticise the overarching assumption of the registration system as a source of accurate information;<sup>18</sup> others suggest that, now following CJEU guidance, trade mark law might be bridging the gap with unfair competition.<sup>19</sup> Similarly, the notion of an average consumer as the archetype of a person guided by rational choices whose actions therefore could be easily predicted that is so encroached on trade mark law is also put in question.<sup>20</sup> Indeed, some UK decisions are seemingly departing from such a rational model towards an increasing use of empirical evidence reflecting an array of consumer perceptions,<sup>21</sup> and ‘courts should be willing to admit evidence that allows them to consider context’.<sup>22</sup>

Yet there has been little attempt to investigate in depth to which extent CJEU guidance has effectively changed the methodology applied by national courts for finding infringement. I intend to fill this gap in the literature by looking into recent UK case law on the likelihood of confusion cause of action as a case study. This analysis indicates that the assessment of likelihood confusion conducted under relative grounds for refusal and infringement are growing apart from each other. I then propose that such a methodological divide between registration and infringement assessments of confusion is desirable. Furthermore, a methodology

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<sup>18</sup> Robert Burrell and Michael Handler, ‘Making Sense of Trade Mark Law’ [2003] IPQ 388; Robert Burrell, ‘Trade Mark Bureaucracies’ in Graeme B Dinwoodie and Mark Janis (eds), *Trademark Law & Theory: A Handbook of Contemporary Research* (Edward Elgar 2007) <<http://ssrn.com/abstract=1027504>>.

<sup>19</sup> Annette Kur, ‘Trademarks Function, Don’t They? CJEU Jurisprudence and Unfair Competition Principles’ (2014) 45 IIC 434; Ohly, ‘Interfaces’ (n 9).

<sup>20</sup> Davis, ‘Locating’ (n 8) 184.

<sup>21</sup> Jennifer Davis, ‘Revisiting the Average Consumer: An Uncertain Presence in European Trade Mark Law’ [2015] IPQ 15.

<sup>22</sup> Graeme B Dinwoodie and Dev S Gangjee, ‘The Image of the Consumer in European Trade Mark Law’ in Leczykiewicz and Weatherill (eds), *The Image(s) of the Consumer in EU Law* (Hart Publishing 2014) <[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2518986](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2518986)>.

assimilating a broader notion of context in infringement is more likely to achieve balance in the trade mark system and best address the core objectives pursued by European trade mark law.

There is much to gain from putting confusion in context. I take the view that the process of delineating the boundaries of context taken to infringement is a methodological choice with policy ramifications; a choice having actual impact on the functioning of the trade mark system that has to be made consciously. For this reason, the task of legally defining context must also be placed in wider context. I also argue that higher levels of transparency in decision-making are unlikely to result from a change of standard alone. The introduction of a substantive test for infringement based on notions of fairness or a balancing of competing interests exercise would not bring about transparency if the assessment were still conducted in a legal formalist fashion.<sup>23</sup> It is known that heuristics developed by courts – that is, tentative predictions of how consumers behave on the market, the way they are supposed to perceive products – may not accurately reflect reality.<sup>24</sup> The problem is that when this happens every so often, trade mark law fails to promote economic efficiency. Rather, it risks stifling competition by increasing the number of false positives for infringement.

Put differently, a methodology accommodating a broader notion of context and applied to infringement – that is, consumer perceptions and circumstances

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<sup>23</sup> See ch IV(2).

<sup>24</sup> See, in US law, William E Gallagher and Ronald C Goodstein, 'Inference Versus Speculation in Trademark Infringement Litigation: Abandoning the Fiction of the Vulcan Mind Meld' (2004) 94 TrademarkRep 1229; Graeme W Austin, 'Trademarks and the Burdened Imagination' (2004) 69 BrookLRev 827, 874.

surrounding actual use of both the registered mark and the sign complained of in the marketplace – is less prone to error. Context is therefore key in reconciling core objectives and policy concerns of trade mark law; it gives more legal certainty because empirical evidence is arguably more accurate than assumptions of behaviour made by judges based on their own perceptions and biases.<sup>25</sup> Thus, it is not a change in the substantive standard for infringement alone, but empiricism, that would allow for more transparent trade-offs. And while this level of empiricism might be indeed closer to the manner that infringement is assessed in unfair competition, the model I propose for trade mark law could potentially yield additional benefits. It has the potential for discounting consumer biases and addressing cognitive restraints that are widely known in behavioural sciences but remain largely ignored in a rational choice model.<sup>26</sup> It also allows that cultural differences and language barriers are weighed in assessing community-wide effects.<sup>27</sup>

Although an increasing role of context is also noticeable in the case law relating to acquisition<sup>28</sup> (distinctiveness) and maintenance<sup>29</sup> (genuine use) of trade

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<sup>25</sup> See, for instance, Davis, ‘Locating’ (n 8) 189-196, accounting for the bias of judges in early 20<sup>th</sup> century England and their often-misguided assumptions of consumer behaviour.

<sup>26</sup> See, more generally, Christine Jolls, Cass R Sunstein and Richard Thaler, ‘A Behavioral Approach to Law and Economics’ (1998) 50 *StanLRev* 1471. This is also in line with current policy documents produced at the European level. See René Van Bavel and others, *Applying Behavioural Sciences to EU Policy-Making* (JCR Scientific & Policy Reports, 2013).

<sup>27</sup> This is the single market integration rationale followed by the CJEU. See, more generally, Case C-220/98 *Estée Lauder Cosmetics GmbH & Co OHG v Lancaster Group GmbH* [2000] ECR I-117, [2000] 1 CMLR 515, para 29; and in trade mark law, Case C-235/09 *DHL Express France SAS v Chronopost SA* [2011] ETMR 33; [2011] FSR 38 (CJEU), para 48.

<sup>28</sup> CJEU case law suggests that the use of a separate sign in conjunction with a registered trade mark might be sufficient to establish acquired distinctiveness of the former. See Case C-353/03 *Société des Produits Nestlé v Mars UK Ltd* [2005] ECR I-6135, [2005] 3 CMLR 12, paras 27-30.

<sup>29</sup> Following the same rationale under distinctiveness. See Case C-12/12 *Colloseum Holding AG v Levi Strauss & Co* [2013] ETMR 34 (CJEU), paras 28 and 36. The genuine use assessment itself has become more flexible in view of the specification of goods claimed in the registration. See Case C-40/01 *Ansul BV v Ajax Brandbeveiliging BV* [2003] ECR I-2439, [2005] 2 CMLR 36, paras 41-42.

mark rights, I will focus on the likelihood of confusion cause of action for infringement. And my reasons for doing so are twofold. First, the issue of context has appeared more prominently in likelihood of confusion cases. There is an identifiable line of UK decisions interpreting CJEU guidance that however led to different interpretations of context, and such inconsistencies need to be addressed. Secondly, the likelihood of confusion cause of action deals only with the origin function of the trade mark. So this choice enables us to focus on the discussion of context as a means of introducing external matter while avoiding other issues intertwined with double identity and dilution. It also facilitates the devise of a workable model that could be later expanded to other cause of actions for infringement.

This dissertation unfolds as follows. **Chapter II** begins with a descriptive account of how the role of context in infringement is being developed in at the pan-European level. **Chapter III** examines UK case law following CJEU guidance for noticeable methodological changes in assessing likelihood of confusion in infringement. This analysis will particularly focus on the influence of context in the operation of the average consumer construct based on different perceptions associated with the circumstances surrounding the use of the sign by the defendant in the marketplace. It also identifies inconsistencies in interpretation of CJEU case law like an excessive reliance on a notional fair use of the registered mark and the outright rejection of matter extraneous to the registration. **Chapter IV** normatively evaluates the potential benefits of a contextual model for infringement. It addresses methodological issues faced by a traditional model centred on a registration system that is deeply flawed, and suggests a coherent reading for the CJEU jurisprudence focused on the figure of the consumer. **Chapter V** illustrates possible applications

of a contextual model drawing attention to common concerns with litigation costs and complexity, and how it could be potentially used to tailor scope of protection of the registered mark. **Chapter VI** concludes.

## II. CONTEXT DEVELOPED BY THE CJEU

In this chapter, I will examine how the notion of context was doctrinally developed in the CJEU jurisprudence. This analysis indicates that the incorporation of external matter in infringement was initially motivated by normative considerations; context was introduced in instances where the court felt a need for balancing competing interests. It also suggests that the methodological change driven by context was made possible by the operation of the average consumer together with the functions theory. The average consumer has been the instrument of such a change, the conduit through which external matter was formally introduced in infringement. And the origin function added a materiality requirement; rather than focusing on the question of whether the marks taken in isolation are confusingly similar, the CJEU seems to be anchoring infringement to a finding of confusion as to the source of the actual products on the market.

The issue of context pervaded UK law after *Specsavers*,<sup>30</sup> when the EWCA expressly endorsed the methodological distinction between the assessments of likelihood of confusion in relative grounds for refusal and infringement.<sup>31</sup> However, I take the view that incorporation of external matter through the lens of the average consumer is a more intricate process tracing back to prior CJEU judgments. Rather, the decision in *Specsavers* can be seen as a doctrinal development of the rationale underlying *Adam Opel*<sup>32</sup> and *O2 Holdings*;<sup>33</sup> both relying on a level of detail in

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<sup>30</sup> *Specsavers* (n 5).

<sup>31</sup> Text to n 137.

<sup>32</sup> *Adam Opel* (n 15).

<sup>33</sup> *O2 Holdings (CJEU)* (n 4).

market practices and consumer understandings that already crossed the boundaries of a mark for mark comparison normally conducted under infringement assessment.

### 1. Adam Opel: context introduced through the average consumer

*Adam Opel*, while not resolving a likelihood of confusion question, holds great significance in the process of infusing an otherwise abstract infringement assessment with contextual matter. Following a line of controversial decisions introducing a broader reading of the trade mark use requirement,<sup>34</sup> it is known for shaping the functions theory as a limiting doctrine.<sup>35</sup> I argue that the operation of the origin function to delineate the boundaries of scope of protection was made possible by having resort to the context of market practices and consumer understandings often neglected in infringement assessment. This laid the foundations for the doctrinal development of a contextual assessment that is arguably promoting a sweeping change in determination of confusion in European trade mark law.

*Adam Opel* was more than a simple double identity case dealing with the reproduction of the mark of the original car in replica toy models. It showed that because the CJEU had been extending the scope of European trade mark law, an infringement assessment foreclosing market reality could produce undesirable

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<sup>34</sup> Case C-63/97 *Bayerische Motorenwerke AG v Ronald Karel Deenik* [1999] ECR I-905, [1999] 1 CMLR 1099; *Arsenal (CJEU)*; Case C-408/01 *Adidas-Salomon AG v Fitnessworld Trading Ltd* [2003] ECR I-12537, [2004] 1 CMLR 14. See also Andrew Griffiths, 'The Trade Mark Monopoly: An Analysis of the Core Zone of Absolute Protection under Art.5(1)(a)' [2007] IPQ 312, 333-347. One possible explanation is that the CJEU pushed for further harmonisation by reducing the scope of Article 5(5) TMD. See, for instance, *Arsenal (CJEU)*, para 45, stating that the term *use* in Article 5(1) TMD must have a uniform interpretation 'in order to prevent the protection afforded to the proprietor varying from one State to another'.

<sup>35</sup> Kur (n 19) 435.

results. Indeed, the underlying facts suggest this was a merchandise case concealing the normative question of whether trade mark law should allow for intervention in long-established market practices, or whether the so-called absolute protection under double identity overrides actual consumer understandings in the marketplace.<sup>36</sup>

In Germany, there was a longstanding independent market for nearly perfect replica toy cars where the reproduction of the sign of the original car manufacturer was commonplace. Specifically, ‘a model car without the sign of the respective manufacturer would lose the character of a model car; it would be any toy car and not a model car’.<sup>37</sup> It was only in the late 1990s, after ‘the car industry ha[d] perceived the economic potential of these objects through merchandising’,<sup>38</sup> that the practice of licensing trade marks for such products began. In this context, Opel emerged as a latecomer trying to clean up this independent market by asserting trade mark rights against independent manufacturers of replica toy cars.

An argument can be made here that the reproduction of Opel’s mark in replica toy cars was a matter of commercial necessity. It consisted of a feature of the product not only desired but also required by consumers. Were the enforcement of the registered mark allowed under these circumstances (Opel had registered the same mark for toys), independent manufacturers would be forbidden from producing the nearly perfect replica models consumers longed for. It follows that if the sign were to be stripped from the products, consumers would be driven to purchasing licensed

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<sup>36</sup> A question also reflecting Dinwoodie’s distinction between proactive and reactive trade mark law making. See, for instance, Graeme B Dinwoodie and Mark D Janis, ‘Confusion over Use: Contextualism in Trademark Law’ (2006) 92 IowaLRev 1597, 1604.

<sup>37</sup> *Adam Opel GmbH v Autec* [2010] ETMR 50 (Bundesgerichtshof, Germany) [12].

<sup>38</sup> *Adam Opel* (n 15), AG Opinion, para AG40.

products only.<sup>39</sup> In this context, the enforcement of the mark would have a foreclosure effect of driving independent producers away from the market.<sup>40</sup>

In fact, a finding for infringement under double identity would not come out as surprising; on paper, this case involved the reproduction of an identical mark in car models and toys that were nominally the same products claimed in Opel's registration. The CJEU jurisprudence indicated that the sign had been used in the course of trade,<sup>41</sup> and the Regional Court in Germany leaned towards an infringement finding at the time the order of reference was made.<sup>42</sup>

However, the factual context of the case would tell a different story. Because sales of miniature model cars were commonplace in Germany since the year of 1898,<sup>43</sup> consumers were not inclined to believe that any product bearing the mark had to be a licenced product. Indeed, it was a feature of the market that models were nearly perfect miniature replicas of the original real car:

If, at the outset, the objective was to reproduce reality in miniature for a very specific group, children, in order to bring the adult world within their reach, a target group has little by little widened, to include also adult collectors. This latter group has probably increased the demands in the quality of the reproduction, requiring the greatest possible accuracy in the model. The design of this type of article does not

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<sup>39</sup> *ibid*, AG Opinion, para AG41. See also *Adam Opel (BGH)* (n 37) [12].

<sup>40</sup> This is arguably different from a case where consumer understandings had developed to the extent that all products bearing a mark are assumedly licenced. Cf. *Hearst Holdings Inc v AVELA Inc* [2014] EWHC 439 (Ch).

<sup>41</sup> Text to n 34.

<sup>42</sup> *Adam Opel* (n 32), para 12.

<sup>43</sup> *ibid*, AG Opinion, para AG37.

therefore rely on copying the most significant characteristics, but also in replicating even the tiniest ones.<sup>44</sup>

So the CJEU dealt with such a monopoly threat to the miniatures market, as the Commission defined it,<sup>45</sup> by assimilating into infringement the context that evidence reflecting market practices and consumer understandings had provided. Here the rationale in so doing was twofold. First, the infringement assessment should be gauged by the perceptions of the average consumer. Instead of simply relying on a comparison between mark and sign on paper, the average consumer should be infused with perceptions of the relevant public in the marketplace. Second, a finding for infringement would still depend upon harm to the origin function. In this view, a paper-based comparison becomes unsuitable because it fails to address whether the origin function has been impaired in the perception of the average consumer. It does not ask, let alone answer, the question of whether consumers buying the replicas were actually thinking they are purchasing replicas made or licenced by Opel. Such a distinction became apparent when the dispute was decided back in Germany. According to the Bundesgerichtshof:

Where the defendant affixed the Opel Blitz logo to the radiator grille, the consumer would understand this as a faithful reproduction of the original vehicle and associate it—if at all—with a trade mark for vehicles rather than a trade mark for toy cars.<sup>46</sup>

The incorporation of context dictated that the economic link under double identity had to be established by reference to the perceptions of real consumers in relation to the origin of the *products* claimed in the registration. This arguably enabled the

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<sup>44</sup> *ibid*, AG Opinion, para AG38.

<sup>45</sup> *ibid*, para AG41.

<sup>46</sup> *Adam Opel (BGH)* (n 37) [11].

operation of the functions theory as a defence against the otherwise absolute protection of double identity. A connection should be established with the origin of the car models as such, where consumers think the toy products covered by the registration were being produced or licenced by the car manufacturer (i.e. the registrant) rather than merely recall the actual Opel car, namely:

... it is irrelevant whether the relevant consumers regard the mark affixed on the model car as being the claimant's trade mark registered and used for motor vehicles. Rather, it is essential that the consumers regard the mark as an indication of origin of the model cars as such.<sup>47</sup>

This also suggests that the functions theory was used to anchor trade mark law to market reality by establishing a threshold of harm to the origin function that seemingly worked as a materiality requirement.<sup>48</sup> It can be said that a finding for infringement depends on a risk of trade diversion, the mere notion of confusion between signs taken in isolation being insufficient to that end.

## 2. How functions called for context

Because of the outcome of dismissing infringement under double identity, which was thought to provide absolute protection, *Adam Opel* has been generally seen as a *use as a trade mark* decision.<sup>49</sup> However, I contend that this is an incomplete

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<sup>47</sup> *ibid* [21].

<sup>48</sup> See Ohly, 'Interfaces' (n 9), equating this notion of confusion gauged by the origin function with the concept of misleading in unfair commercial practices law. See also Mark A Lemley and Mark McKenna, 'Irrelevant Confusion' (2009) 62 *StanLRev* 413, 447, proposing that more controversial forms of confusion 'should only be actionable when they can be proven material to consumers' decisions in particular cases'.

<sup>49</sup> See, for instance, Po Jen Yap, 'Essential Function of a Trade Mark: from BMW to O2' (2009) 31 *EIPR* 81; Tobias Cohen Jehoram and Maarten Santman, 'Opel/Autec: Does the ECJ Realize What It Has Done?' (2008) 3 *JIPLP* 507. See also *L'Oreal SA v eBay International AG* [2009] EWHC 1094 (Ch), [2009] ETMR 53 [300]-[306].

characterisation. Rather, it is a decision about context in infringement. And a coherent reading of the CJEU jurisprudence can be drawn on the theoretical distinction between the trade mark use doctrine, as a defensive theory of immunisation, and the functions theory operating through a contextual assessment. I further argue that both are present in European trade mark law and have been applied on different occasions.

Briefly explained, the trade mark use doctrine is a theory grounded on legal formalism. It attempts to build a general defence on the rationale that some categories of use of a sign, abstractly considered, should be immunised from liability.<sup>50</sup> According to Graeme Dinwoodie and Mark Janis:

For example, in the context of keyword-triggered advertising, trademark use theorists reach their conclusion about the effect of search engine activity on search costs not by any empirical analysis of that activity, but rather simply by labeling the type of use. As a result, their conclusion rests heavily on conjecture.<sup>51</sup>

To put it another way, use as a trade mark underscores a categorisation process conducted at the abstract level as opposed to a finding inferred from empirical evidence. Through this abstract process, courts establish *a priori* that some pre-determined categories of use of a sign, like referential or nominative use, are non-infringing. In European law, for example, the CJEU applied the doctrine in *Google France* in order to insulate search engines from liability for selling keywords to economic operators other than brand owners.<sup>52</sup> This finding was irrespective of any

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<sup>50</sup> Stacey L Dogan and Mark A Lemley, 'A Search-Costs Theory of Limiting Doctrines in Trademark Law' (2007) 97 TrademarkRep 1223.

<sup>51</sup> Dinwoodie and Janis (n 36) 1636.

<sup>52</sup> Joined Cases C-236/08 to 238/08 *Google France SARL v Louis Vuitton Malletier SA* [2010] ECR I-2417, [2011] BusLR 1, paras 55-59.

actual evidence or inference on the possible harm to the trade mark functions under Article 5(1)(a) TMD. It was pure legal formalist reasoning; the European Court dismissed infringement by holding there is no use of the mark in relation to goods or services. This is an abstract finding that now applies to every service provider engaging the same activity of selling keywords throughout the Community; infringement is automatically dismissed without any need of undertaking an assessment under the functions theory. *Holterhoff* is another case fitting the trade mark use box.<sup>53</sup>

Conversely, *Adam Opel* suggests a different approach where the functions theory operates through a methodology resorting to empirical evidence. Instead of working rules of thumb, a finding of harm to the origin function derives from a contextual assessment that is standard-based, thus requiring some level of factual inquiry conducted at an *ad hoc* basis. Infringement is determined *ex post* rather than *ex ante*.<sup>54</sup>

Again, the finding that the origin function had not been affected in *Adam Opel* was inferred from the empirical evidence produced in national court proceedings. The German Association of Toy Industry had joined the infringement claim in favour of the defendant,<sup>55</sup> and survey evidence established that only a small proportion of the public interviewed regarded the sign reproduced in the model cars

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<sup>53</sup> Case C-2/00 *Hölterhoff v Freiesleben* [2002] ECR I-4187, [2002] ETMR 79. See also *L'Oréal v Bellure (CJEU)* (n 16), paras 61-63.

<sup>54</sup> This relates to the definition of rules and standards based on whether the content of the law is determined *ex ante* or *ex post*. See, for instance, Louis Kaplow, 'Rules versus Standards: An Economic Analysis' (1992) 42 *DukeLJ* 557.

<sup>55</sup> *Adam Opel (BGH)* (n 37) [5].

as a linking factor to the car manufacturer being responsible for such model cars.<sup>56</sup> Indeed, the evidence indicated that consumers relied on matter other than Opel's mark, like the defendant's marks 'Cartronic' and 'Autec' used on product packaging and instruction manuals, when making purchase decisions.<sup>57</sup> Following CJEU guidance, the assessment conducted by the national court then incorporated the context of the market for model cars through the perceived views of the average consumer. Here the evidence established that, in this particular sector, consumers were accustomed to the reproduction of the mark of the original car in toys. Specifically, 'the notions with regard to origin held by the customers are tied up to the use of the relevant trade marks for motor vehicles rather than for toys'.<sup>58</sup> As a result, the same mark, while denoting the original car manufactured by Opel, did not perform an origin function for toys. Infringement was therefore dismissed after an assessment was conducted under the functions theory, which had no bearing in the question of use of the mark in relation to goods and services.

The CJEU attempted to draw this distinction between the trade mark use doctrine and the functions theory in *L'Oréal v Bellure*, as follows:

61 Thus, the Court has already held that certain uses for purely descriptive purposes are excluded from the scope of application of art.5(1) of Directive 89/104, because they do not affect any of the interests which that provision is intended to protect and accordingly do not constitute "use" within the meaning of that provision (see, to that effect, *Hölterhoff* (C-2/00) [2002] E.C.R. I-4187 at [16]).

62 It must, however, be made clear that the situation described in the main proceedings is fundamentally different from that which gave rise to the judgment in *Hölterhoff*, in that the word marks belonging

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<sup>56</sup> *ibid* [12].

<sup>57</sup> *Adam Opel* (n 5), AG Opinion, para AG11; *Adam Opel (BGH)* (n 37) [3].

<sup>58</sup> *Adam Opel (BGH)* (n 37) [24].

to L'Oréal and Others are used in the comparison lists distributed by Malaika and Starion not for purely descriptive purposes, but for the purpose of advertising.

63 It is for the referring court to determine whether, in a situation such as that which arises in the main proceedings, the use which is made of the marks belonging to L'Oréal and Others is liable to affect one of the functions of those marks, such as, in particular, their functions of communication, investment or advertising.<sup>59</sup>

To put it another way, it is one thing to fall within the scope of Article 5(1); another is to find infringement under the same provision. To say there is no trade mark use means only that analysis under Article 5(1) is not triggered. Where such use has been established, a finding for infringement will still require that the use complained of is liable to harm any of the functions. Annette Kur's commentary on *L'Oréal v Bellure* seems to follow a similar reasoning by claiming that:

While the CJEU did declare that the use made of the protected marks in the comparative chart juxtaposing precious perfume brands and cheap smell-alikes was not “purely descriptive” and was therefore captured by trade mark law, this only meant that the advertisement lay within the ambit of Art. 5 (1)(a) TMD and could thus not be discarded as per se irrelevant. The decisive question of whether the advertisement had a negative effect on the advertisement function was left to the national court to decide, and – in particular after *Google/Vuitton*, which was published two months before the UK decision in *L'Oréal* was rendered – it could validly have been denied.<sup>60</sup>

This also means that the functions theory, to which Arnold J refers to as the sixth condition for infringement, does add something to the fifth condition of in relation to goods or services.<sup>61</sup> It follows that European trade mark law adopts both the rule-

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<sup>59</sup> *L'Oréal v Bellure* (CJEU) (n 16), paras 61-63.

<sup>60</sup> Kur (n 19) 446.

<sup>61</sup> *L'Oreal v eBay* (EWHC) (n 49) [300]; *DataCard Corpn v Eagle Technologies Ltd* [2011] EWHC 244 (Pat) [254].

based trade mark use doctrine previously found in US law as the fifth condition, and a standard-based functions theory embracing a contextual assessment as the sixth condition. The fact that *Holterhoff*, as a typical trade mark use case, is seldom mentioned in the jurisprudence that ensued might indicate the CJEU's inclination towards the functions theory at the European level.

One possible explanation for such a preference is that the standard-based nature of the functions theory is more consistent with the CJEU jurisprudence on freedom of goods. It has the potential of promoting single market integration without stripping Member States from their regulatory autonomy. The main twist of the functions theory is that while the non-infringement finding in *Adam Opel* applied to Germany, it need not be the same in other countries.<sup>62</sup> A trade mark use approach would suggest a blanket rule of immunisation, that is, use of the sign fitting same conditions would be non-infringing in all territories throughout the Community. While a function-based approach is arguably less determinate,<sup>63</sup> it has the merit of allowing for consideration of cultural differences and language barriers in Member States. It is therefore coherent with the single market integration rationale in freedom of goods cases accounting for the same factors.<sup>64</sup> In *Fratelli Graffione*, for example, the European Court held that:

The possibility of allowing a prohibition of marketing on account of the misleading nature of a trade mark is not, in principle, precluded

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<sup>62</sup> See Birgit Clark, 'Bundesgerichtshof Decides in the Opel/Autec Toy Car Case' (2010) 5 JIPLP 212, 213, suggesting that the case could have been decided differently in countries where consumer perceptions and local customs differed.

<sup>63</sup> As a feature inherent in a standard-based doctrine. However a more abstract rule-based assessment does not necessarily render more predictable results either. See text to n 221.

<sup>64</sup> See, for instance, Case C-220/98 *Estee Lauder Cosmetics GmbH & Co OHG v Lancaster Group GmbH* [2000] 1 CMLR 515 (CJEU), para 29.

by the fact that the same trade mark is not considered to be misleading in other Member States. As the Advocate General has observed in paragraph 10 of his Opinion, it is possible that because of linguistic, cultural and social differences between the Member States a trade mark which is not liable to mislead a consumer in one Member State may be liable to do so in another.

However, as pointed out in paragraph [17] of this judgment, in order to be justified, the measure adopted to protect consumers must really be necessary for that purpose and proportionate to the objective pursued, which must not be capable of being achieved by measures which are less restrictive of intra-Community trade.<sup>65</sup>

This rationale was explicitly incorporated in trade mark law at a later moment in *DHL* to address the territorial scope of rights of a CTM under the functions theory.<sup>66</sup>

Conversely, the CJEU jurisprudence shows a trend towards a more expansive as opposed to restrictive reading of use in relation to goods or services. The trade mark use doctrine seems to be now reserved to exceptional cases like *Google France*,<sup>67</sup> where policy considerations are thought to be strong enough to justify plain immunisation of economic operators from trade mark liability throughout the Community. It assumes the role of a more purely normative rule-based device. But it is also a rather aggressive instrument of EU-wide negative law making that risks depriving trade mark law from much of its purpose.

Recently, the CJEU rephrased the double identity standard in the Internet keywords context to accommodate other normative considerations that have been defined as a duty of transparency common to consumer law.<sup>68</sup> But recourse to market

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<sup>65</sup> Case C-313/94 *Fratelli Graffione SNC v Ditta Fransa* [1996] ECR I-6039, [1997] 1 CMLR 925, paras 22-23.

<sup>66</sup> *DHL* (n 27), paras 46-48.

<sup>67</sup> *Google France* (n 52).

<sup>68</sup> Ansgar Ohly, 'Keyword Advertising or Why the ECJ's Functional Approach to Trade Mark Infringement Does Not Function' (2010) 41 IIC 879, 880. See also *Google France* (n 52),

practices and consumer understandings remains a viable defence for double identity.<sup>69</sup> In *Viking Gas*, for example, determination of whether the refilling of branded gas bottles by third parties infringed under double identity should ‘take into account the practices in that sector and, in particular, whether consumers are accustomed to the gas bottles being filled by other dealers’.<sup>70</sup>

I argue that this theoretical distinction can explain much of the doctrinal developments that ensued. Recourse to context, notably consumer perceptions, was born as a resource to accommodate common concerns of single market integration and national regulatory autonomy. The distinguishing feature of the functions theory is that it calls for a contextual assessment. The operation of functions without recourse to context of market practices and consumer understandings would be no different from mere application of the trade mark use doctrine. This also raises the question of to what extent the infringement assessment the CJEU developed conceals a proportionality test where the act has to be justified and empirical evidence brought under the guise of context allows for transparent policy choices. *O2 Holdings* is yet another example of how context can be brought to internalise other policy concerns

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paras 83-84; *Interflora (CJEU)* (n 16), para 44. Whether this standard developed in the context of Internet keywords extends to ‘real world’ situations is still unclear. See, for instance, *Supreme Petfoods Limited v Henry Bell & Co (Grantham) Limited* [2015] EWHC 256 (Ch) [158].

<sup>69</sup> See, for instance, *Supreme Petfoods* (n 68).

<sup>70</sup> *Viking Gas* (n 15), para 40. See also Vlotina Liakatou and Spyros Maniatis, ‘Red Soles, Gas Bottles and Ethereal Market Places: Competition, Context and Trade Mark Law’ (2012) 34 EIPR 1.

conflicting with trade mark law. Again, the European Court chose to address the issue by operating the functions theory through a contextual assessment.

### **3. O2 Holdings: context is brought to likelihood of confusion**

A little more than one year after *Adam Opel*, the issue of circumstances underlying the use of the allegedly infringing sign resurfaced in *O2 Holdings*. This time, rephrased as a question of context under the global assessment of likelihood of confusion in infringement. Here a parallel can be drawn with the CJEU's prior experience of infusing the infringement assessment with external matter. While *Adam Opel* underscored the context of established market practices and consumer perceptions of a sign taken as a feature of a product rather than indicating origin, *O2 Holdings* called for consideration of context within comparative advertisement. Like *Adam Opel*, it also posed a normative consideration that Jacob LJ framed as 'how aggressively does EU law permit comparative advertising to go'.<sup>71</sup>

On the facts, Hutchison's advertisement did not convey misleading information and, furthermore, the average member of the public would perceive the sign as identifying the O2 brand.<sup>72</sup> This should be enough for avoiding infringement insofar as there was no likely confusion as to the origin: the sign used in the comparative advertisement, although consisting of a visual imitation by a competitor of a series of 'bubble' marks, made reference to the actual origin of the services.<sup>73</sup>

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<sup>71</sup> *O2 Holdings Ltd v Hutchison 3G Ltd* [2006] EWCA Civ 1656, [2007] 2 CMLR 15 [1].

<sup>72</sup> *ibid* [11]. See *O2 Holdings (CJEU)* (n 4), para 20.

<sup>73</sup> *O2 Holdings (EWCA)* (n 71) [33]-[38]. Although framing the CJEU question as one of 'trade mark use', Jacob LJ conceded there would still be no likelihood of confusion if Article 5(1)(b) TMD were applicable.

Indeed, consumers seeing the sign would think of the O2 brand rather than Hutchinson's.

In the course of the infringement proceedings, however, O2 proposed that, following the traditional approach under UK law,<sup>74</sup> the assessment should be limited to a 'straight comparison between the sign complained of and the registered mark'.<sup>75</sup> The analysis should therefore exclude the so-called external matter composing the advertisement and neglect the circumstance that the sign was used for comparing competing products.<sup>76</sup>

But the adoption of a more abstract test mirroring the assessment of likelihood of confusion conducted at the registration level,<sup>77</sup> as it used to be the practice in the UK, would favour a finding for infringement. Both mark and sign were actually similar. It was Hutchinson's intention all along to refer to O2 products as a benchmark for comparison that is the *raison d'être* of comparative advertising. The alternative option, which prevailed in the end, was to infuse the infringement assessment with context characterising the use of the sign. Specifically, the comparison would not be limited to confronting both the sign and the registered mark in isolation. It should be considered, as context, that the sign was being used in a comparative advertising piece including, *inter alia*, the accompanying voice-over,

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<sup>74</sup> ch III(1).

<sup>75</sup> *O2 Holdings (EWCA)* (n 71) [26]. This is the mark for mark comparison that will be addressed in ch III.

<sup>76</sup> *ibid* [107]-[110].

<sup>77</sup> The methodology for determination of confusion in infringement and at the registration level used to be substantially the same. Both mark and sign were compared in isolation without recourse to external matter like product get up or actual circumstances of use. See ch III.

the soundtrack, and the super. The CJEU framed this methodological conundrum as follows:

... whether consideration should be limited exclusively to a comparison between the trade mark and the disputed sign and between the goods or services for which the mark is registered and those for which the sign is used, or whether, on the other hand, it is appropriate to take account of the factual context in which the sign is used.<sup>78</sup>

By following an abstract assessment seizing the mark and sign to be compared in isolation, determination of confusion is reduced to a question of whether consumers think the bubbles used by Hutchinson belonged to O2 or not. It fails to consider whether the use of a visually similar sign, in the context of the advertisement, would lead consumers to believe that O2 products were from Hutchinson or that there was an economic link between the companies.<sup>79</sup>

In this sense, *O2 Holdings* suggests a parallel between the comparison standard that now informs likelihood of confusion and the rationale of incorporating context to infringement assessment as an escape route the CJEU had adopted in relation to double identity.<sup>80</sup> Context was once again brought to the assessment to address the question of infringement under the functions theory, that is, whether the origin function has been harmed.<sup>81</sup> It further indicates that determination of confusion in infringement is also tethered to source identification judgment through

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<sup>78</sup> *O2 Holdings (CJEU)* (n 4), para 25.

<sup>79</sup> See *O2 Holdings (EWCA)* (n 71) [34], qualifying this approach as artificial.

<sup>80</sup> *Adam Opel* (n 15) is referred to substantiate trade mark use and to set forth the general conditions for infringement. See *O2 Holdings (CJEU)* (n 4), paras 56-57.

<sup>81</sup> The CJEU rejected a trade mark use approach and, contrary to what Jacob LJ and AG Mengozzi had proposed, chose not to immunise comparative advertising from liability. Cf. *O2 Holdings (EWCA)* (n 71) [33]; *O2 Holdings (CJEU)* (n 4), AG Opinion, paras AG28-AG35.

the perceptions of the average consumer. In attempting to reconcile the provisions of Article 5(1) TMD and Article 3a(1) CMAD, the CJEU equated the notions of confusion in trade mark law and unfair commercial practices law.<sup>82</sup> This seemingly converged on a concept of misleading<sup>83</sup> that is nonetheless consistent with the materiality requirement that the court had introduced in *Adam Opel* under the origin function.<sup>84</sup>

Therefore, an assessment under the functions theory suggests that confusion should be material to the decision-making process of the consumer. And to reach this conclusion, an assessment infused with contextual matter, more grounded on market reality, is needed. Therefore, like in *Adam Opel*,<sup>85</sup> an abstract analysis focusing on the comparison of marks alone sounds unsuitable.

An argument can be made here that the approach of insulating a sign for conducting a mark for mark comparison points at the wrong direction by limiting the assessment to a question of recognition of the sign by consumers. Rather, the dissection of the sign seems to address a question of likelihood of association in strict sense that the CJEU had already ruled out as actionable infringement in *Sabel*.<sup>86</sup> Where the sign is devoid of context and taken in isolation, a finding of confusion with the registered mark means only that ‘the public considers the sign to be similar to the mark and perception of the sign calls to mind the memory of the mark, although

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<sup>82</sup> *O2 Holdings (CJEU)* (n 4), paras 45-46.

<sup>83</sup> Ohly, ‘Interfaces’ (n 9).

<sup>84</sup> Text to n 48.

<sup>85</sup> *Adam Opel* (n 15).

<sup>86</sup> Case C-251/95 *Sabel BV v Puma AG* [1997] ECR I-6191, [1998] 1 CMLR 445.

the two are not confused'.<sup>87</sup> It does not tell whether consumers were likely to confuse the source of the products, that is, if they would take one product for another or think that Hutchinson had an economic link with O2 because of the advertisement piece in question.

It follows that CJEU guidance in *O2 Holdings*, in determining that context should be considered, was already changing the standard of comparison in infringement assessment. For the first time, the court expressly signalled a departure from the analysis under relative grounds for refusal, namely:

Article 4(1)(b) of Directive 89/104, however, concerns the application for registration of a mark. Once a mark has been registered its proprietor has the right to use it as he sees fit so that, for the purposes of assessing whether the application for registration falls within the ground for refusal laid down in that provision, it is necessary to ascertain whether there is a likelihood of confusion with the opponent's earlier mark in all the circumstances in which the mark applied for might be used if it were to be registered.

By contrast, in the case provided for in Art.5(1)(b) of Directive 89/104, the third-party user of a sign identical with, or similar to, a registered mark does not assert any trade mark rights over that sign but is using it on an ad hoc basis. In those circumstances, in order to assess whether the proprietor of the registered mark is entitled to oppose that specific use, the assessment must be limited to the circumstances characterising that use, without there being any need to investigate whether another use of the same sign in different circumstances would also be likely to give rise to a likelihood of confusion.<sup>88</sup>

As a result, determination of confusion in infringement is now tethered to the specific context in which the sign was actually used by the defendant.<sup>89</sup> And as we have seen,

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<sup>87</sup> *ibid*, para 15.

<sup>88</sup> *O2 Holdings (CJEU)* (n 4), paras 66-67.

<sup>89</sup> *ibid*, para 64.

assimilation of context requires consideration of consumer understandings and market practices,<sup>90</sup> and external matter affecting how the sign is perceived in the marketplace.<sup>91</sup> At this stage, however, the mark (i.e. object of the comparison) should be still considered as registered.

Therefore, a reading of *O2 Holdings* in the light of the rationale established in *Adam Opel* suggests a change in the nature of the comparison in infringement that is more material to trade mark law than initially anticipated. This process of assimilating context into infringement follows a movement of the CJEU in placing the average consumer as the centrepiece of trade mark law. And the functions theory requires that such a consumer be constructed based upon the perceptions of actual consumers rather than reduced to a single hypothetical person.<sup>92</sup> These decisions, together with *Specsavers*, bring implications to the infringement assessment conducted by national courts.

#### **4. Specsavers: elements extraneous to the mark as registered**

*Specsavers* added to the prior CJEU rationale of incorporating, as context, real world elements through the perceptions of the average consumer. Here, however, it was held that external matter pertaining the actual use of the registered mark must be also considered in the infringement assessment. This is arguably a sweeping change in a

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<sup>90</sup> *Adam Opel* (n 15).

<sup>91</sup> *O2 Holdings (CJEU)* (n 4).

<sup>92</sup> Text to n 174.

system that was historically built upon the assumption that the infringement assessment should be limited to the information made available in the register.<sup>93</sup>

Interestingly, the factual context of *Specsavers* resembles *O2 Holdings* to some extent; both defendants sought to produce a non-confusing association with the mark of a market leader in offering their own products.<sup>94</sup> Asda had intentionally targeted Specsavers. It decided to assume the same business model of its main competitor and then focus on price competition. In this sense, the Specsavers brand and business model were the starting point of a marketing strategy that sought to produce a non-confusing association calling similar attributes of the leading brand.<sup>95</sup>

While some define *Specsavers* as another comparative advertisement issue,<sup>96</sup> I rather take it as a private label case. Asda went further than merely comparing products; their marketing strategy was designed to emulate, insofar as legally permissible, the business model of their main competitor. In recalling the leading brand, Asda intended to transmit the values sought by the consumers on that particular market and thereby suggest that the products offered were similar or shared

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<sup>93</sup> Text to n 116.

<sup>94</sup> *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2010] EWHC 2035 (Ch), [2011] FSR 1 [6].

<sup>95</sup> *ibid* [20].

<sup>96</sup> *Total Ltd v YouView TV Ltd* [2014] EWHC 1963 (Ch) [97].

the same characteristics. And consumers are arguably able to adapt and learn to distinguish, in context, branded products from their private label counterparts.<sup>97</sup>

Not without reason, such a marketing strategy was defined as living dangerously. Asda produced a logo of two non-intersecting ellipses to resemble the intersecting ellipses composing the *Specsavers* brand, and adopted the straplines ‘be a spec saver at Asda’ and ‘spec savings at Asda’. Both parties were using the green colour, in different shades, for which they became recognised in the market.

In dismissing likelihood of confusion, the EWHC relied on the context in which the Asda signs were used while rejecting evidence related to the distinctiveness that the Specsavers mark had acquired upon the effective use of the colour green in the marketplace.<sup>98</sup> This is because Specsavers attempted to bolster the case for likelihood of confusion by having recourse to matter extraneous to the registration,<sup>99</sup> which faced resistance from Asda who was relying on the contextual matter pertaining to its own logo. Indeed, exclusion of external matter pertaining to the mark as registered was the norm under UK law,<sup>100</sup> and a similar attempt had already been rejected in *O2 Holdings*.<sup>101</sup> On appeal, the EWCA submitted a request for preliminary ruling asking whether context of the use of the mark by the claimant

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<sup>97</sup> This has in fact occurred in the United States. See Alfred C Yen, ‘The Constructive Role of Confusion in Trademark’ (2014) 93 NCLRev 77, 102 (‘... consumers are not confused because they have learned from prior experience to distinguish private label goods from their brand name referents’). See also *Conopco Inc v May Department Stores Company* 46 F3d 1556 (Fed Cir 1994).

<sup>98</sup> *Specsavers (EWHC)* (n 94) [118]-[122].

<sup>99</sup> *Ibid* [118].

<sup>100</sup> Text to n 114.

<sup>101</sup> *O2 Holdings Ltd v Hutchison 3G Ltd* [2006] EWHC 534, [2006] ETMR 55 [80].

should be taken into the infringement assessment. The CJEU, without the submission of the Advocate General,<sup>102</sup> delivered a judgment holding that:

... it would not be logical to consider that the fact that a third party, for the representation of a sign which is alleged to infringe an earlier Community trade mark, uses a colour or combination of colours which has become associated, in the mind of a significant portion of the public, with that earlier trade mark by the use which has been made of it by its proprietor in that colour or combination of colours, cannot be taken into consideration in the global assessment for the sole reason that that earlier trade mark was registered in black and white.<sup>103</sup>

While this decision might have been initially unexpected for meddling with the inviolability of registration-based rights, it is not a surprising development coming from a court not sharing the same level of commitment with the registration system. It follows a prior rationale of favouring an infringement assessment guided by consumer perceptions inferred from the marketplace as opposed to a more formal analysis limited to the information set out in the registration.

To be sure, the judgment in *Specsavers* was delivered in a wider context where the formality of the register was already losing ground. In the preceding years, the CJEU held that the use of a separate mark in conjunction with another mark with a reputation could be sufficient to establish acquired distinctiveness of the former.<sup>104</sup> The genuine use assessment had become more flexible in view of the specification

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<sup>102</sup> Protocol (No 3) on the Statute of the Court of Justice of the European Union [2010] OJ C83/2010, Article 20. This suggests that, in the court's view, there was no new point of law to be considered.

<sup>103</sup> *Specsavers (CJEU)* (n 5), para 38.

<sup>104</sup> Case C-353/03 *Société des Produits Nestlé v Mars UK Ltd* [2005] ECR I-6135, [2005] 3 CMLR 12, paras 27-30; Case C-12/12 *Colloseum Holding AG v Levi Strauss & Co* [2013] ETMR 34 (CJEU), paras 28 and 36.

of goods claimed in the registration.<sup>105</sup> The territorial scope of CTM rights can be restricted where the use of the sign is not liable to affect the functions of the mark on the account of, for example, differing consumer perceptions or linguistic grounds in a particular part of the Community.<sup>106</sup> So there is some coherence in *Specsavers* emerging as a self-sustaining doctrine in a context where the CJEU is relocating trade mark law's centre of gravity from the registrar to the figure of the consumer. And this puts in question interpretations seeking to restrict the scope of *Specsavers* as being an exceptional decision.

What is more striking is that, unlike prior decisions, the court seemed not to weigh the implications of allowing for the inclusion of external matter pertaining to the registered mark. This might further suggest that by the time the CJEU decided *Specsavers*, context had already developed into a self-sustaining doctrine unhinged from its normative origins. In this sense, the decision is seemingly a purely doctrinal development of the rationale of incorporating market-related evidence reflecting consumer perceptions.

While drawing on the momentum the court had built, it seems to neglect the policy considerations at issue in the national court proceedings. While *Adam Opel* and *O2 Holdings* were cases where context was brought to enable non-infringing use of signs under particular circumstances, *Specsavers* allowed context to expand the scope of protection of the mark. It was a question of enhanced distinctiveness limited to a single colour; confusion was held to be more likely because consumers became

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<sup>105</sup> Case C-40/01 *Ansul BV v Ajax Brandbeveiliging BV* [2003] ECR I-2439, [2005] 2 CMLR 36, paras 41-42.

<sup>106</sup> *DHL* (n 27).

used to the green colour in which the mark was effectively used in the marketplace. Normally, one would expect that enhanced protection under the *Sabel* rationale<sup>107</sup> required a showing of acquired distinctiveness for all colours, or rather, irrespective of any colour. Here, the mark was registered in black and white, but the continuous use in green over time was held sufficient to bolster likelihood of confusion in relation to the use of that colour in the sign of the defendant. As a result, the assessment became more flexible and the threshold for enhanced protection was lowered.

However, the full implications of *Specsavers* remain unclear.<sup>108</sup> Discussions have been centred on whether floodgates have been opened so other external matter must be factored in the test,<sup>109</sup> or should it rather be interpreted as a circumstantial decision limited to an issue of colours.<sup>110</sup>

*Specsavers* also raises other questions that remain unanswered to date. Is consideration of actual use of the registered mark to be used only to bolster the case in favour of the claimant, or should other external matter pertaining to the mark as registered be factored in the assessment to discount confusion? Where the claimant establishes enhanced distinctiveness of the mark in a particular form or within a particular market segment not covering the whole specification of goods, should enhanced protection be limited to such a finding of context or rather extended to the whole specification? It is submitted that the answer to these questions presupposes a

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<sup>107</sup> *Sabel* (n 86), para 24.

<sup>108</sup> Ohly, 'Interfaces' (n 9) 45.

<sup>109</sup> Lionel Bently and Brad Sherman, *Intellectual Property Law* (4th edn, OUP 2014) 1040, n 22.

<sup>110</sup> *JW Spear & Sons Ltd v Zynga Inc* [2015] EWCA Civ 290 [41]-[48]. See also text to n 196.

more careful analysis of how CJEU guidance has been effecting infringement assessment as applied by national courts. I will now turn to this issue by addressing the implications of the mark for sign comparison adopted in UK law.

### III. CONTEXT IN THE UK

In the prior chapter, we have seen how the CJEU jurisprudence has been pushing boundaries of infringement assessment by favouring the incorporation of empirical evidence through the notion of context. In the first part of this chapter, I will provide a descriptive account of UK law preceding CJEU guidance on context. This shows that infringement assessment followed a methodology where the sign complained of was insulated from market reality and then compared with the mark as registered. Then, in the second part, I will examine how incorporation of context through a mark for sign comparison affected infringement assessment under UK law. This suggests that the sign is more loosely defined, sometimes reflecting different instances of use, and having resort to market-related evidence is not only encouraged, it now seems a requirement.

#### 1. Prior UK law: the mark for mark comparison

In UK law preceding CJEU guidance, the assessment of likelihood of confusion in infringement was normally conducted at a more abstract level.<sup>111</sup> It followed a paper-based methodology mirroring relative grounds for refusal at the registration level. Jacob J (as he then was) once defined the infringement test as follows:

It requires the court to assume the mark of the plaintiff is used in a normal and fair manner in relation to the goods for which it is registered and then to assess a likelihood of confusion in relation to

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<sup>111</sup> See TA Blanco White and Robin Jacob, *Kerly's Law of Trade Marks and Trade Names* (10th edn, Sweet & Maxwell 1986) 270-274 for a summary of the pre-EU approach.

the way the defendant uses its mark, discounting external added matter or circumstances. The comparison is mark for mark.<sup>112</sup>

This mark for mark comparison unveiled a process of insulating the assessment from market reality. For example, in a conflict between brands of chocolate-coated biscuits sold in supermarkets, the sign ‘Puffin’ should be compared with ‘Penguin’ alone, as if both were isolated marks, with no recourse to similarities in their packaging.<sup>113</sup> The sign of the defendant was stripped from its context and compared with what should be, in the perspective of the judge, a normal and fair use of the registered mark.<sup>114</sup> Although reference was made to the consumer as the addressee of the products, and the theoretical subject of confusion, the perceptions of such a consumer were normally assumed by judges; evidence of consumer understandings in the marketplace were not determinative.<sup>115</sup>

Thus, the infringement test had a more normative character as being framed as a formal reassurance of property rights; actual use of the marks and empirical evidence carried less weight (if any weight were to be afforded at all). Rather, the concept of ensuring a fair and notional use of the registered mark across the whole specification of products prevailed even when enforcing such rights meant to reserve market space where the mark had not been used in detriment of other economic operators.<sup>116</sup> One possible justification for so doing was to provide incentives to the

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<sup>112</sup> *Origins* (n 12) 284.

<sup>113</sup> *United Biscuits (UK) Limited v Asda Stores Limited* [1997] RPC 513 (EWHC).

<sup>114</sup> *Compass Publishing* (n 12).

<sup>115</sup> See Jennifer Davis, ‘Locating’ (n 8).

<sup>116</sup> *Origins* (n 12), where the registered mark had not been used in the UK before infringement proceedings commenced.

development of brand strategy and business planning.<sup>117</sup> Another common justification underscored a need for addressing instances of infringement where the claimant had not used the mark for any or all products claimed in the registration.<sup>118</sup> Indeed, the assessment was framed on the basic assumption of the registration-based system that exclusive rights arise from the registration itself, which acted as the sole source of information of pre-existing rights to economic operators.

It follows that through such a process of determination, the scope of rights equated to a zone of exclusive use of the mark that Jacob J referred to as a penumbra of protection extending over the umbra of the specification of goods claimed in the registration.<sup>119</sup> Because this penumbra reached similar products,<sup>120</sup> the scope of rights potentially spread through ancillary markets beyond the actual or intended use of the registered mark. Such rights were enforceable irrespective of real market conditions, regardless of any intention of the registrant to expand to these activities.

In this context, the figure of the consumer did not play a role as the centrepiece of trade mark law<sup>121</sup> where the CJEU placed him more recently.<sup>122</sup> The consumer, taken as the formal addressee of the products, was constructed as a single

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<sup>117</sup> Ohly, 'Interfaces' (n 9) 46. Cf. Mark A Lemley and Mark P McKenna, 'Owning Mark(et)s' (2010) 109 *MichLRev* 137.

<sup>118</sup> *Compass Publishing* (n 12) [22].

<sup>119</sup> *Laboratoire De La Mer Trade Marks* [2002] ETMR 34 (EWHC) [19]. Also defined as 'an exclusion zone which other marks may not enter' in Case C-252/07 *Intel Corp Inc v CPM United Kingdom Ltd* [2008] ECR I-8823, [2009] ETMR 13, AG Opinion, para 6.

<sup>120</sup> Article 5(1)(b) TMD; Article 9(1)(b) CTMR.

<sup>121</sup> Dinwoodie and Gangjee (n 22) 17.

<sup>122</sup> See text to n 221.

hypothetical person.<sup>123</sup> As a result, differences in demographic, education or class between consumers of the same product were immaterial.

Jennifer Davis once suggested that ‘the existence of the average consumer is itself a matter of trust rather than science’.<sup>124</sup> Determination of infringement was an almost entirely notional process where the single hypothetical person of the consumer had a singular reaction, often mirroring the judge’s own perceptions, to the mark and sign confronted in isolation.

Indeed, the abstract assessment under trade mark infringement, focusing on a comparison of marks alone, and the more concrete test of passing-off, relying on a higher level of market-related evidence and perceptions of the relevant public, were taken as methodologically diverging.<sup>125</sup> The comparison of marks insulated from market reality meant in practice that steps that had been taken by the defendant to prevent actual confusion or circumstances characterising the effective use of the sign in the marketplace were not available defences for infringement.<sup>126</sup>

Specifically, the mark for mark comparison entailed that any elements extraneous to the mark, like product packaging, colour combinations, trade channels<sup>127</sup> or disclaimers,<sup>128</sup> were immaterial in determining likelihood of

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<sup>123</sup> Davis, ‘Locating’ (n 8).

<sup>124</sup> *ibid* 185.

<sup>125</sup> See also Ohly, ‘Interfaces’ (n 9).

<sup>126</sup> *Saville Perfumery Ltd v June Perfect Ltd* (1941) 58 RPC 147, 161. See also *Wagamama Ltd v City Centre Restaurants Plc* [1995] FSR 713 (EWHC) 720; *Decon Laboratories Limited v Fred Baker Scientific Limited* [2001] ETMR 46 (EWHC) [8].

<sup>127</sup> *Origins* (n 12); *United Biscuits* (n 113).

<sup>128</sup> *Wagamama* (n 126) 720; *Arsenal Football Club Plc v Reed* [2003] EWCA Civ 96, [2003] 2 CMLR 25.

confusion. *United Biscuits* is a telling example where the court found for passing off while dismissing trade mark infringement.<sup>129</sup> There, the terms ‘penguin’ and ‘puffin’ were sufficiently distinctive when confronted in isolation, as a mark for mark comparison then required. However, the Puffin get up, having similar packaging and colour combination, ‘would cause a substantial number of members of the public to suppose that there was a connection between the Puffin biscuit and the Penguin biscuit’.<sup>130</sup>

While a mark for mark comparison was intended to deliver a more objective assessment tethered to the information made available on the register, results were not always that predictable. The exclusion of so-called added matter in defining the mark of the defendant object of the comparison was a highly subjective process sometimes producing dubious results. In *British Sugar*, the sign ‘Robertson’s Toffee Treat’ was reduced to the mark ‘Treat’ to be confronted on paper with the registration for TREAT; the claimant himself used the mark ‘Silver Spoon Treat’ rather than TREAT in isolation.<sup>131</sup>

Some other cases went further by cutting down the defendant’s mark so it would fall within the double identity provision where confusion is presumed. For example, the terms ‘independent’ and ‘specialist’, used together with the mark VOLVO by a former authorised dealer, were regarded as added matter and therefore excluded from the infringement analysis, then limited to a comparison between

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<sup>129</sup> *United Biscuits* (n 113) 540.

<sup>130</sup> *ibid* 538.

<sup>131</sup> *British Sugar Plc v James Robertson & Sons Ltd* [1997] ETMR 118 (EWHC) 184, 124.

VOLVO marks alone;<sup>132</sup> both referring to the same source, although in different contexts, manufacturer and dealership, which remained largely ignored. The signs ‘Decon-ahol’, ‘Decon-phase’ and ‘Decon-phene’, used by the defendant for cleaning products, were reduced to ‘Decon’ and found infringing the registered mark DECON; the claimant had not used the mark DECON in isolation either.<sup>133</sup>

## 2. Current UK law: the mark for sign comparison

The remainder of this chapter will turn to UK case law applying CJEU guidance as an attempt of investigating how context has been affecting adjudication of infringement.

I contend that such process of assimilating context through a mark for sign comparison in determining likelihood of confusion is twofold.

First, courts seem more prone to incorporating external matter pertaining to the use of the sign by the defendant in the marketplace; the assessment is now more flexible and circumstances of use are hardly excluded under the guise of added matter. This confirms the literature suggesting that determination of confusion might be bridging the gap with the more factually-driven test adopted in unfair competition or unfair commercial practices law.<sup>134</sup> Secondly, the average consumer construct, although defined as a normative benchmark,<sup>135</sup> is being infused with an array of

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<sup>132</sup> *Aktiebolaget Volvo v Heritage (Leicester) Limited* [2000] FSR 253 (EWHC).

<sup>133</sup> *Decon* (n 126).

<sup>134</sup> Ohly, ‘Interfaces’ (n 9); Dinwoodie and Gangjee (n 22) 17.

<sup>135</sup> *Interflora Inc v Marks & Spencer plc* [2014] EWCA Civ 1403 [124].

consumer perceptions, departing from the notional approach focused on a single hypothetical consumer that used to be the norm in UK law. It no longer presupposes a singular reaction to the mark and sign perceived in the marketplace,<sup>136</sup> although some inconsistencies in the process of constructing the average consumer still need to be addressed.

But there is identifiable resistance from UK courts to consider circumstances characterising the effective use of the registered mark by the claimant. *Specsavers* has been narrowly interpreted as allowing for enhanced distinctiveness and colours only, while other external matter like product get up or actual circumstances of use remain foreclosed from the assessment of confusion. Some decisions still rely on the prior standard of comparison guided by the notional fair and normal use of the trade mark as registered while neglecting consumer perceptions of the registered mark, which seems inconsistent with the law as developed by the CJEU.

#### *A. The sign in context*

In UK law, the adoption of the contextual assessment unveiled in CJEU guidance meant that the comparison standard turned into one of *mark for sign*. According to Kitchin LJ in *Specsavers*:

In my judgment the general position is now clear. In assessing the likelihood of confusion arising from the use of a sign the court must consider the matter from the perspective of the average consumer of the goods or services in question and must take into account all the circumstances of that use that are likely to operate in that average consumer's mind in considering the sign and the impression it is

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<sup>136</sup> *ibid* [129]-[130]; *Jack Wills Ltd v House of Fraser (Stores) Ltd* [2014] EWHC 110 (Ch) [63]; *Enterprise Holdings Inc v Europcar Group UK Limited* [2015] EWHC 17 (Ch) [135].

likely to make on him. The sign is not to be considered stripped of its context.<sup>137</sup>

The global assessment of likelihood of confusion in infringement must now consider the circumstances characterising the actual use of the sign of the defendant modulated by the perceptions of the average consumer. And the development of the notion of context by the CJEU resulted in a clear methodological distinction, in terms of the nature of the comparison, between the analysis of likelihood of confusion under relative grounds for refusal and the one undertaken in infringement.<sup>138</sup>

Determination of likelihood of confusion now follows two methodologically diverse assessments: one conducted at a more abstract level and, therefore, of a more notional character; the other, more empirically driven by incorporating a level of context that would normally be excluded as added matter or immaterial circumstances in prior UK law.<sup>139</sup> At the registration level, the assessment under relative grounds for refusal remains guided by a mark for mark comparison. The senior and junior marks must be compared in all possible (notional) uses across the specification of goods claimed therein.<sup>140</sup> Or as put by the CJEU, ‘it is necessary to ascertain whether there is a likelihood of confusion with the opponent’s earlier mark in all the circumstances in which the mark applied for might be used if it were to be registered’.<sup>141</sup> Conversely, the infringement assessment, now following the mark for

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<sup>137</sup> *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2012] EWCA Civ 24, [2012] ETMR 17 [87].

<sup>138</sup> *Dinwoodie and Gangjee* (n 22) 14-15.

<sup>139</sup> This methodological divide is now widely acknowledged in UK law. See *Daimler AG v Sany Group Co Ltd* [2009] EWHC 1003 (Ch) [21]; *Och-Ziff Management Europe Ltd v Och Capital LLP* [2010] EWHC 2599 (Ch), [2011] BusLR 632 [76]; *DataCard* (n 61) [275].

<sup>140</sup> See, for instance, *Rousselon Frères et Cie v Horwood Homewares Ltd* [2008] EWHC 881 (Ch) [99]; *Van Gulck v Wasabi Frog Ltd* [2014] RPC 33 [9].

<sup>141</sup> *O2 Holdings (CJEU)* (n 4), para 66.

sign comparison, must consider the specific circumstances characterising the use of the sign by the defendant in the marketplace,<sup>142</sup> that is, ‘the sign is not to be considered stripped from its context’.<sup>143</sup>

Once infringement analysis was released from the shackles of the abstract test of relative grounds for refusal through the adoption of a mark for sign comparison, courts began to consider external matter that were normally excluded from the assessment under prior UK law. Because context is being incorporated to infringement, the sign that used to be taken in isolation when compared with the registered mark is now more broadly defined and infused with various elements ranging from product get up, colour combinations, secondary brands and other circumstances of use. Instead of deriving from a subjective judgment seeking a closer match to the registration, the process of defining the sign object of comparison is modulated through the perceptions of the average consumer; external matter is to be excluded from the assessment only where the average consumer does not perceive it as part of the sign.<sup>144</sup> There is a more comprehensive definition of the sign in that, for instance, a conflict between ‘Ideal Home’ and ‘Ideal Home Show’ is one of likelihood of confusion rather than double identity.<sup>145</sup> It may be the case that more

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<sup>142</sup> *ibid*, para 67.

<sup>143</sup> *Specsavers (EWCA)* (n 137).

<sup>144</sup> *Bently and Sherman* (n 109) 1041.

<sup>145</sup> *IPC Media Ltd v Media 10 Ltd* [2013] EWHC 3796 (IPEC) (Ideal Home) [48]-[49]. Cf. *British Sugar* (n 131); *Volvo* (n 132); *Decon* (n 126).

than a single sign is identified to reflect the different instances of use made by the defendant.<sup>146</sup>

One important implication of such a methodological divide is that the refusal of registration of a sign in the light of a prior mark existing on the register does not entail an automatic finding for infringement of the same mark.<sup>147</sup> There is no preemption issue; the assessments are methodologically diverse and independent. Likelihood of confusion at the registration level does not preclude a non-infringement finding because the context in which the sign is used could be material in the latter, and defences based on circumstances of use and consumer perceptions are now arguably available in infringement upon consideration of context.<sup>148</sup>

The effects of the contextual assessment developed by the CJEU are clearly evidenced in UK law. As seen in Chapter II, *O2 Holdings* is arguably the first case affecting the prior comparison standard; a mark for mark assessment yielded to a more concrete analysis gauged by the perceptions of the average consumer of the context surrounding the advertising piece. Rather than confronting visual images of bubbles in isolation, the infringement assessment considered the sign within the context of an integrated audio-visual presentation. As a result, the accompanying voice-over referencing to O2, the soundtrack and the information provided in the

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<sup>146</sup> *Thomas Pink Ltd v Victoria's Secret UK Ltd* [2014] EWHC 2631 (Ch) [128].

<sup>147</sup> *Daimler* (n 139) [26].

<sup>148</sup> Interestingly, the US Supreme Court recently held that a decision at the registration level *could* entail issue preclusion for likelihood of confusion in infringement. This presupposes, however, that the circumstances characterising use of the marks examined under relative grounds and in infringement are materially the same. See *B&B Hardware Inc v Hargis Industries Inc.*, Case 13-352 (24 March 2015).

advertisement itself were not excluded as added matter.<sup>149</sup> At the time the CJEU reference was made, Jacob LJ underscored that the sign in the context of the advertisement, with all elements considered, would not have an adverse effect on the origin function of the O2 marks.<sup>150</sup>

*O2 Holdings* thus signals a departure from the prior mark for mark comparison standard where, in the example we have seen, the use of the mark VOLVO to indicate the actual source of the products (*i.e.* the Swedish car manufacturer) was found infringing upon the exclusion of the terms ‘independent’ and ‘specialist’ as added matter.<sup>151</sup> This suggests that such a conflict could have been decided differently under the mark for sign comparison developed by the CJEU accounting for consumer perceptions of the products.

In *Specsavers*, different versions of the Asda logo (one in two green non-intersecting ellipses, the other in two white non-intersecting ellipses) were considered together with the Asda mark, which reflected their actual use in posters, advertisement and recall cards sent to consumers.<sup>152</sup> Other circumstances discounting likelihood of confusion included the use of the logo limited to the trade channels of self-owned stores and the official website,<sup>153</sup> both usually held as immaterial to the assessment in prior law.<sup>154</sup> The straplines ‘be a real spec saver at

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<sup>149</sup> *O2 Holdings (EWHC)* (n 101) [118]; *O2 Holdings (EWCA)* (n 71) [34].

<sup>150</sup> *O2 Holdings (EWCA)* (n 71) [33]-[38].

<sup>151</sup> Text to n 132.

<sup>152</sup> *Specsavers (EWCA)* (n 137) [70].

<sup>153</sup> *ibid* [69].

<sup>154</sup> See, for instance, *Origins* (n 12).

Asda' and 'spec savings at Asda' were also considered in their entirety.<sup>155</sup> And in weighing all factual context in which the Asda logo had been used, Mann J found there was no likelihood of confusion, as follows:

This conclusion is reinforced, not lessened, by the context of most of the actual use of the sign. It is primarily used in the optical section Asda stores, and online. If the circumspect consumer is in an Asda store already, he will hardly make an association with Specsavers by virtue of two ovals with Asda written in one of them. In that context I think there is hardly an argument in favour of confusion. The same applies to the online use. By the time that a consumer encounters the logo online he or she will have entered an Asda site already. As I have observed, Asda has its own strong reputation associated with its name, and the non-overlapping logos, with Asda's name in one of them, will not cause any form of confusion with Specsavers.<sup>156</sup>

The implications of a mark for sign comparison for the outcome of this case can be easily contrasted with 'Robertson's Toffee Treat' being reduced to 'Treat' for comparison purposes in *British Sugar*.<sup>157</sup> Here, external matter was not excluded from the assessment, which, in the end, dismissed infringement under likelihood of confusion. And the incorporation of the Asda brand as external matter suitable to the assessment reopens the discussion on the role of disclaimers as a defence to trade mark infringement. While disclaimers were normally ruled out under a mark for mark comparison, they might be determinative<sup>158</sup> in a contextual assessment guided

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<sup>155</sup> *Specsavers (EWCA)* (n 137) [88].

<sup>156</sup> *Specsavers (EWHC)* (n 94) [137]. This part of the judgment was affirmed in *Specsavers (EWCA)* (n 137).

<sup>157</sup> *British Sugar* (n 131). See also James Mellor and others (n 10), para 14-064, n 1, suggesting that results could be different in current UK law.

<sup>158</sup> See William McGeeveran and Mark P McKenna, 'Confusion Isn't Everything' (2013) 89 *NotreDameLRev* 253, 316-317, encouraging disclaimers in trade mark law.

by consumer perceptions where actionable confusion seems to require more than confusing similarity between signs in isolation.<sup>159</sup>

Other recent cases follow the same rationale of infusing the assessment with external matter. In *Jack Wills*, a case dealing with the imitation by a department store operation of a mark composed of a humanised bird, context meant to consider that consumers were used to differentiating bird logos on clothing, the reputation of the defendant, labels and tags affixed to the products, consumer demographic, and trade channels.<sup>160</sup> In *AVELA*, a merchandising case involving the Betty Boop cartoon character, the infringement analysis considered how consumer understandings developed because of the market efforts of the claimant in being known as the only source of products.<sup>161</sup> It also conducted an analysis of the specific pieces of clothing including swing tags and labels.<sup>162</sup>

But incorporation of context also made infringement assessment increase in complexity. The methodological shift towards a more concrete test incorporating

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<sup>159</sup> See *Specsavers (EWCA)* (n 137) [77]. Cf. *Wagamama* (n 126). But disclaimers have been recently rejected under the guise of the post-sale confusion doctrine in *AVELA* (n 40) and *Thomas Pink* (n 146). Whether post-sale confusion is actionable confusion under the origin function or a concealed misappropriation concern is a question requiring further consideration of the core objectives of trade mark law falling outside of the scope of this work. For more on this issue, see Austin (n 24) 902-904; Robert G Bone, ‘Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law’ (2006) 86 BULRev 547, 607-612; Mark P McKenna, ‘A Consumer Decision-Making Theory of Trademark Law’ (2012) 98 VaLRev 67, 131-133.

<sup>160</sup> *Jack Wills* (n 136).

<sup>161</sup> See *AVELA* (n 40) [77]-[111], referring to ‘the impact of many years of trading’ on consumer perceptions. An argument can be made here that the underlying context would be different from *Adam Opel* (n 15), where there was no harm to the origin function because in *AVELA* consumers were held to believe the products came from a single source. However, drawing the line between origin confusion under the CJEU standard and misappropriation under the guise of confusion is a matter of evidence. I take the view that courts should be more receptive to survey evidence in cases of this nature.

<sup>162</sup> *AVELA* (n 40) [86]-[94], [109], [119].

circumstances of use of the sign in infringement favoured a pliable assessment that may trigger a full-blown factual review. In *Stichting BDO*, it was held that ‘If the defendant used the sign in a materially different manner or context at a later date, a new global assessment [has] to be made as of that date’.<sup>163</sup> The assessment should thus be segregated so an independent analysis is carried out for each instance of use.

Once a need for a fresh assessment upon materially different contexts in time was recognised, courts began to infuse the comparison of the mark with a broad array of contexts in which the sign had been used. In *Enterprise Holdings*, the infringement analysis comprised multiple global assessments accounting for various instances of use of the sign in the marketplace. While the prior approach would call for a mere comparison of marks in isolation, the contextual assessment here was broken down into three different categories of use. And the analysis of likelihood of confusion was then conducted separately under the contexts of (1) isolated use of the logo; (2) use in combination with descriptive works denoting secondary brands (e.g. Prestige, Chauffeur or Privilege); and (3) use together with the mark Europcar and with the strapline ‘moving your way’.<sup>164</sup> Interestingly, although all uses were found

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<sup>163</sup> *Stichting BDO v BDO Unibank Inc* [2013] EWHC 418 (Ch), [2013] ETMR 31 [94].

<sup>164</sup> *Enterprise Holdings* (n 136) [71]-[81].

infringing on the evidence,<sup>165</sup> it was recognised in principle that different assessments needed not share the same result.<sup>166</sup>

In *Thomas Pink*, Birss J also took the view that ‘in principle each different presentation of PINK by the defendant is in issue and might need to be considered separately’.<sup>167</sup> Then, the assessment was broken down into four categories as follows:

- i) Use of VICTORIA’S SECRET PINK in lock-up format;
- ii) Use of PINK above the trade mark VICTORIA’S SECRET;
- iii) Use of PINK as an element in a slogan in various different configurations; and
- iv) Use of PINK alone (in various scripts).<sup>168</sup>

Although the first category was ruled out from the assessment insofar as the claimant failed to establish that use of the sign under those conditions had taken place in the UK or EU,<sup>169</sup> Birss J was inclined to dismiss infringement in this particular context.<sup>170</sup>

This pliable assessment can be possibly explained as a doctrinal development of the CJEU rationale of infusing infringement assessment with contextual matter.

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<sup>165</sup> *ibid* [208]-[216]. In particular, evidence of actual confusion, which used to be neglected in a mark for mark comparison, was material for finding infringement in the two latter categories of use.

<sup>166</sup> *ibid* [217].

<sup>167</sup> *Thomas Pink* (n 146) [129].

<sup>168</sup> *ibid* [128].

<sup>169</sup> *ibid* [131-137]. There was no evidence showing use of the words in lock-up format other than the Facebook page, which was not targeting consumers in the UK or Europe.

<sup>170</sup> *ibid* [181].

Because limiting the assessment to a single instance of use while neglecting other circumstances of use that had been identified could result in another manner of producing an abstract assessment. And this would be no different from the subjective process of cutting down the sign object of comparison under the prior approach.

But this method of partitioning the infringement assessment raises two questions of relevance to this work. The first is to what extent assimilation of context would require a segmented assessment of confusion where perceptions of the classes of consumers dealing with the products concerned differed. The second is whether a finding for likelihood of confusion in a particular context amidst other non-confusing uses of the sign would warrant a qualified injunction or call for different remedies.<sup>171</sup> An argument can be made that a blanket prohibition on the use of the sign may be unsuitable where infringement is limited to a singular instance of use of the sign. The next section will seek to examine how UK law has been addressing the first question. Chapter V will briefly address the second question as an issue of scope of protection.

### *B. The average consumer in context*

As we examined in Chapter II, the notion of context developed by the CJEU was not limited to adding external matter in the assessment. It also called for consideration of consumer perceptions of the mark and sign in issue and established market practices to determine whether the origin function has been adversely affected.<sup>172</sup> However, as Jennifer Davis pointed out, there is ‘increasing uncertainty displayed by

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<sup>171</sup> The ordering of qualified injunctions has been a longstanding practice under the tort of passing off. See James Mellor and others (n 10), paras 20-069 and 20-070.

<sup>172</sup> See, for instance, *Adam Opel* (n 15). See also Jennifer Davis, ‘Revisiting’ (n 21).

the CJEU, national courts and indeed the OHIM as to how the views of the average consumer are to be ascertained'.<sup>173</sup>

Recent UK case law indicates that the process of incorporating consumer perceptions when comparing mark and sign as context changed the nature of the benchmark for infringement. The average consumer seems to be departing from a purely notional construction of a single hypothetical person towards a synthesis of an array of consumers inhabiting the market. Instead of simply assuming, for example, that the general public was mostly illiterate,<sup>174</sup> courts now seem more willing to reach for market-related evidence in constructing different profiles of consumer.<sup>175</sup>

*Whirlpool v Kenwood* is a telling example of this movement of infusing the average consumer with perceptions of real life consumers. Here, the construct was extended to accommodate design-conscious consumers who were the intended target of the premium products of the parties.<sup>176</sup> In so doing, Hobbs QC (sitting as Deputy Judge) pithily rejected a purely notional construction of the average consumer:

I am aware that in some Member States the average consumer test is regarded as a means for determining the scope of protection on a “normative” or “regulatory” basis. The rationale is that trade mark owners are entitled to the benefit of an exclusive right with appropriate scope of protection, just as patent owners are entitled to the benefit of an exclusive right with appropriate scope of protection. The appropriate scope of protection is a matter of law, not a matter of fact: the notional average consumer in the law of trade marks should,

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<sup>173</sup> Davis, ‘Revisiting’ (n 21) 16.

<sup>174</sup> Davis, ‘Locating’ (n 8) 192.

<sup>175</sup> The role of empirical evidence in determining consumer perceptions will be further discussed in ch IV.

<sup>176</sup> *Whirlpool Corp v Kenwood Ltd* [2008] EWHC 1930 (Ch), [2009] ETMR 5 [69].

like the notional technician skilled in the relevant art in the law of patents, be viewed as a synthetic person with the “correct” mindset and behaviour patterns. However, I believe that this approach can be too abstract. In my view, the average consumer is meant to be a person of the type whose mindset and behaviour patterns conform to the norm among reasonably well-informed and reasonably observant and circumspect people in the market for the goods or services in question. That appears to me to bring into consideration the real world thought processes of real people. I therefore think that the appropriate scope of protection should in each case be determined with as great a sense of reality as the circumstances of the case will allow. Empirical evidence should therefore not be ignored.<sup>177</sup>

Following the same line of reasoning in *Jack Wills*, Arnold J stated that:

... the average consumer provides a normative benchmark with regard to the standard of perspicacity to be applied, but this does not require the court to assume that all the persons of whom the average consumer is representative perceive either the trade mark or the allegedly infringing sign in the same way.<sup>178</sup>

This approach centred in consumer perceptions is clearly contrastable with the assessment conducted under the prior mark for mark comparison where the figure of the consumer equated to a single notional person. There, it was an archetype shaped as a rational actor who always assumed the same purchasing habits and perceived the marks object of comparison in the same way.<sup>179</sup> Determination of confusion derived from a notion of normal and fair use of the registered mark discerned by judges that effected a single meaning rule.

But UK courts, while still retaining the normative nature of the average consumer,<sup>180</sup> have now rejected such a single meaning rule.<sup>181</sup> Instead of reflecting

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<sup>177</sup> *ibid* [70].

<sup>178</sup> *Jack Wills* (n 136) [63].

<sup>179</sup> Davis, ‘Locating’ (n 8).

<sup>180</sup> See, for instance, *Interflora (EWCA II)* (n 135) [122]-[124].

<sup>181</sup> *Enterprise Holdings* (n 136) [135]; *Zynga* (n 110) [36]-[38].

a single notional person, the average consumer became a synthesis of various classes of consumers dealing with the products concerned. In *Thomas Pink*, Birss J held that ‘the average consumer represents a spectrum of consumers who are from different backgrounds and shop in different ways’, which included tourists, locals, shoppers seeking products for personal use or as a gift.<sup>182</sup> In *Enterprise Holdings*, the average consumer included residents of foreign countries who consisted of a relevant share of customers of car hiring services.<sup>183</sup>

Again, this pliable assessment should not come as surprising. Rather, it is immersed in a context where infringement assessment is increasing in complexity by attempting to grasp the manifold circumstances characterising the use of the sign in the marketplace. If materially different contexts now require independent assessments of confusion,<sup>184</sup> consideration of different classes of consumers dealing with the products can be seen as predictable doctrinal development. And this process of weighing different classes of consumers is arguably consistent with the single market integration rationale promoted by the CJEU.<sup>185</sup> A multifaceted average consumer is able to account for linguistic, social and cultural differences. It enables a proper balance of competing interests where infringement of a CTM is being asserted.<sup>186</sup> It also has the potential for discounting consumer biases and addressing

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<sup>182</sup> *Thomas Pink* (n 146) [118].

<sup>183</sup> *Enterprise Holdings* (n 136) [138]-[139].

<sup>184</sup> Text to n 163.

<sup>185</sup> Text to n 62.

<sup>186</sup> *DHL* (n 27).

cognitive restraints that are widely known in behavioural sciences but remain largely ignored in a rational choice model.<sup>187</sup>

However, the role that differing consumer classes perform in the process of framing the average consumer and, furthermore, determination of confusion is not always clear. In *DataCard*, the average consumer was composed of both resellers and end users,<sup>188</sup> but the first class was seemingly excluded from an assessment of confusion that focused on end users alone.<sup>189</sup> In *AVELA*, three classes of consumers were identified, namely (1) licensees or putative licensees; (2) organisations buying products from licensees and seeing them to the public; (3) the purchasing public.<sup>190</sup> Again, the first two categories were ruled out from the assessment, which then became limited to the perceived views of purchasing public.<sup>191</sup> In *Supreme Petfoods*, the court constructed two average consumers: one of pet owners, the other of trade purchasers.<sup>192</sup> However, it did not consider the weight that each average consumer would carry in determining confusion; neither was the global assessment segmented to account for their different perceptions.<sup>193</sup>

The current state of UK law is therefore unclear as to how different classes of consumers should be dealt with in the mark for sign comparison. Although it is submitted that the average consumer is representative of ‘people with a spectrum of

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<sup>187</sup> Text to n 289.

<sup>188</sup> *DataCard* (n 61) [300]-[302].

<sup>189</sup> *ibid* [332]-[338].

<sup>190</sup> *AVELA* (n 40) [72]-[75].

<sup>191</sup> *ibid* [150]-[162].

<sup>192</sup> *Supreme Petfoods* (n 68) [50]-[55].

<sup>193</sup> *ibid* [184]-[186].

attributes such as gender, age, ethnicity and social group',<sup>194</sup> the differing approaches of constructing separate average consumers to deal with each group or a single average consumer grasping them altogether are liable to produce different outcomes. Where classes of consumers are segmented in distinct average consumers, an infringement finding is more likely to occur than if they were all condensed in a single construct. A finding for confusion is also more likely when a class of consumers that the court had identified is simply excluded from the assessment, which then focuses on a particular segment of the relevant public while neglecting others. Arguably, this is no less arbitrary than the process of cutting down a sign under the guise of added matter that used to occur in the mark for mark comparison.<sup>195</sup>

This particular movement of framing the average consumer also raises the question of whether external matter affecting the perceptions of one category of consumers should be artificially (or rather, normatively) extended as reflecting the perception of the construct. Where enhanced distinctiveness is limited to a certain class of consumer, should likelihood of confusion be bolstered in relation to all consumers? The answer to these questions presupposes another: to what extent

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<sup>194</sup> *Enterprise Holdings* (n 136) [137].

<sup>195</sup> See text to n 132.

matter extraneous to the mark as registered is being incorporated in the assessment in UK law. I will now turn to this question.

*C. The registered mark in context*

As we have seen in Chapter II, *Specsavers* introduced matter extraneous to the mark as registered in the infringement assessment.<sup>196</sup> It allowed for context to expand the scope of protection of the mark upon consideration of enhanced distinctiveness limited to a single colour that was not claimed in the registration.

But *Specsavers* has been narrowly interpreted by UK courts as allowing for enhanced distinctiveness and colours only,<sup>197</sup> while other external matter like product get up, limited use of the registered mark and trade channels remain foreclosed from the assessment of confusion. This suggests that external matter is taken into account only so as to bolster a case for confusion, and rarely the other way around. Almost every attempt at bringing context of the registered mark to discount confusion has been rejected in recent decisions that are based on a premise that does not seem a suitable justification any longer: the informational function of the register.<sup>198</sup>

Indeed, the CJEU jurisprudence preceding *Specsavers* had already allowed for distinctiveness to bolster confusion. In *Sabel*, the court conceived the rule of thumb that ‘the more distinctive the earlier mark, the greater will be the likelihood

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<sup>196</sup> Text to n 93.

<sup>197</sup> *Zynga* (n 110) [41]-[48].

<sup>198</sup> This will be further discussed in ch IV.

of confusion' where such a distinctive character could derive from the recognition of the mark on the market.<sup>199</sup> The same rationale was adopted in *Canon* to consider the reputation of the registered mark in determining whether the goods or services would be similar to those of the junior mark.<sup>200</sup>

However, some UK decisions interpreting *Specsavers* have attempted to restrict the breadth of the enhanced protection under the *Sabel/Canon* rationale upon consideration of the context in which the registered mark had been used and perceived by consumers in the marketplace. In this view, enhanced protection does not extend to all products claimed in the registration simply because the mark enjoys some level of reputation or recognition.<sup>201</sup> Where the mark became recognised for some particular products, but not in relation to others (*e.g.* because of brand extensions or when the mark has not been used for some products of the specification), then the benefit of enhanced protection is restricted to the former. And this also reflects how the average consumer is to be framed. In *Jack Wills*, Arnold J stated that:

What if the trade mark has acquired a greater degree of distinctive character through use, but use has only been made of the mark in relation to some of the goods for which it is registered? If the trade mark proprietor wishes to rely upon such acquired distinctive character as increasing the likelihood of confusion, then, as a matter of logic, the relevant average consumer for the purposes of assessing likelihood of confusion must be the average consumer to whom the mark has become more distinctive. Unless the mark has acquired distinctive character in relation to one category of goods through its use in relation to another category of goods, then the relevant average consumer must be the average consumer of the goods in relation to

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<sup>199</sup> *Sabel* (n 86), paras 22-24.

<sup>200</sup> *Canon* (n 7).

<sup>201</sup> *Thomas Pink* (n 146) [189]-[190] followed a similar rationale in establishing the 'link' requirement for marks with a reputation under Article 9(1)(c) CTMR.

which the trade mark has actually been used. Thus if the mark is registered for both clothing and footwear, but it has only been used in relation to clothing and it is not shown that the mark has acquired distinctive character in relation to footwear as a result of its use in relation to clothing, the relevant average consumer is a consumer of clothing.<sup>202</sup>

A similar approach was undertaken by the EWHC in *ASOS*.<sup>203</sup> Rose J proposed a reading of *Canon* gauged by the context of the niche reputation that the ASSOS mark of the claimant enjoyed in the market of specialist cyclist wear, namely:

I must then consider whether the other goods that ASOS sells which are outside the scope of the Assos CTM, such as dresses, knitwear or shoes are similar to the Assos goods. The judgment of the Court of Justice in *Canon Kabushiki Kaisha v Metro Goldwyn Mayer* (C-39/97) [1998] E.C.R. I-5507 made clear that this question is not to be assessed by simply looking at the goods in abstract but by looking at the goods in the context of the distinctive character of the trade mark and its reputation. So the question I must answer is not simply “is a dress similar to a t-shirt?” but “is a dress similar to an Assos t-shirt, bearing in mind the reputation and distinctive character of the Assos mark?”. This is an important point in this case because the reputation of the Assos mark is as a maker of racing cycling clothing to be worn on the bike (albeit that they also make, as I have found, some casual clothing to be worn off the bike). Assos does not have a separate reputation as makers of casual clothing. Racing cyclists are unlikely to wear dresses or knitwear or shoes when on their bikes. It seems to me therefore that taking account of the reputation of the Assos mark, the goods sold by ASOS which are not identical with the Assos goods are not very similar to those Assos goods. Certainly the wider ranges of non-clothing items sold by ASOS such as cosmetics, jewellery and handbags are not similar at all to Assos goods.<sup>204</sup>

Here, the infringement assessment also factored other contextual matter in the assessment like sophistication of the consumers of the claimant who had been engaged in the premium clothing sector with no apparent intention of expanding to other markets. It also considered that the claimant did not market the products

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<sup>202</sup> *Jack Wills* (n 136) [61].

<sup>203</sup> *Assos of Switzerland SA v Asos Plc* [2013] EWHC 2831 (Ch).

<sup>204</sup> *ibid* [88].

strongly on the Internet, which consisted of the main business platform of the defendant.<sup>205</sup> But this rationale of trimming enhanced protection to the context of consumer perceptions and actual use of the registered mark faced resistance from the EWCA. In reversing the judgment, Kitchin LJ said that:

I believe that the judge was therefore wrong to say that the reputation attaching to the mark ASSOS reduced the similarity between the goods and services sold and provided by Asos and the goods falling within the scope of the specification of the CTM. She was also wrong to say that beyond those categories of clothing which were identical, there was a limited similarity between the parties respective goods and services given that the reputation of Assos was closely linked to clothing suitable to be worn by racing cyclists.<sup>206</sup>

In rejecting the factual context of the registered mark, it was submitted that ‘the judge has focused upon the particular and specific use made of ASSOS and has taken no account of a notional and fair use of the mark in relation to other goods or in other ways’.<sup>207</sup> Put differently, the court retreated to a more abstract assessment by reinstating the standard of a notional and fair use of the mark that used to inform the mark for mark comparison; a standard that is arguably unsuitable to the contextual assessment the CJEU jurisprudence has now developed.

It is also striking that the court recognised that, as the EWHC had found, confusion in practice between the marks was unlikely, and, yet, reversed the judgment by taking a notional leap from the evidence.<sup>208</sup> All contextual matter relating to the mark as registered was ruled out from the assessment through a

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<sup>205</sup> *ibid* [89]-[92].

<sup>206</sup> *Assos of Switzerland SA v Asos plc* [2015] EWCA Civ 220 [84].

<sup>207</sup> *ibid* [85].

<sup>208</sup> *ibid* [114].

reasoning of fair and notional use of the mark citing *Compass Publishing* that is also difficult to reconcile with other recent EWCA judgments. In *Ideal Home*, the same Kitchen LJ dispelled likelihood of confusion by stating that the honest concurrent use of the marks evinced that the origin function had not been adversely affected.<sup>209</sup> In *Zynga*, the extent of side-by-side use of the mark SCRABBLE and the sign SCRAMBLE was held material in dismissing infringement under likelihood of confusion, namely:

... the extent of side by side use would be expected to have produced far more abundant evidence of confusion by the date of trial. The factors relied on by Zynga must, therefore, be sufficient in combination with the small difference between mark and sign, to eliminate the risk of real confusion occurring amongst a significant proportion of the public.<sup>210</sup>

Conversely, *ASOS* proposes a right to expansion rationale that is not only criticised in scholarship<sup>211</sup> but also unsubstantiated by the context at hand. The EWHC had already established on the evidence that ‘there is no suggestion that it [the claimant] intends to expand beyond the premium clothing sector and the few cheaper items that it currently sells’.<sup>212</sup> It thus seems that *ASOS*<sup>213</sup> and other cases like *Zynga* represent opposite views of assessing infringement post-*Specsavers*. And this affects how the likelihood of confusion test is conducted in a mark for sign comparison, in particular the weight afforded to contextual matter influencing perceptions of the registered

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<sup>209</sup> *IPC Media Ltd v Media 10 Ltd* [2014] EWCA Civ 1439 (*Ideal Home*).

<sup>210</sup> *Zynga* (n 110) [181].

<sup>211</sup> See, for instance, Lemley and McKenna, ‘Owning Mark(et)s’ (n 117), claiming that trade marks should not be reduced to tools for pure market preemption.

<sup>212</sup> *ASOS (EWHC)* (n 206) [92].

<sup>213</sup> See also *YouView* (n 96); *British Sky Broadcasting Group Plc v Microsoft Corporation* [2013] EWHC 1826 (Ch).

mark, like circumstances characterising the use of such a mark and evidence of actual confusion, and how the average consumer is to be constructed.

Moreover, the notion of tethering enhanced protection to the context of consumer perceptions of the mark in the marketplace is not the only controversial issue relating to the mark as registered. Consideration of context becomes even more controversial when dealing with other matter extraneous to the mark as registered. In *Zynga*, external matter like product get up and circumstances of use of the registered mark were outright excluded from the assessment of confusion.<sup>214</sup> In so doing, the EWCA relied on the position of prior UK law stated in *L'Oréal v Bellure*<sup>215</sup> while narrowly interpreting *Specsavers* as an exceptional case allowing for enhanced distinctiveness and colours only.

I contend that much of the inconsistencies in recent case law is due to a retreat to the prior mark for mark comparison. The notional standard of comparison established in cases like *Compass Publishing* and *L'Oréal Bellure* is no longer suitable to address instances where the mark has been used. As Graeme Dinwoodie and Dev Gangjee suggest:

... rather than being distracted by labels, courts should be willing to admit evidence that allows them to consider context—whether of the

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<sup>214</sup> *Zynga* (n 110) [41]-[48].

<sup>215</sup> *L'Oréal SA v Bellure NV* [2007] EWCA Civ 968, [2008] ECC 5 [110].

product sector more generally or relating to consumer perception specific to the marks at issue—in deciding cases.<sup>216</sup>

In the next chapter, I propose a coherent reading for the inconsistencies that have been identified in UK case law drawing on the issues we have seen throughout the sections of this chapter. In so doing, I argue that the CJEU movement of incorporating context to infringement we have seen in Chapter II has put methodological choices under the prior UK comparison standard in question. I also suggest that context should be taken further to explicitly incorporate matter extraneous to the mark as registered in the likelihood of confusion analysis.

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<sup>216</sup> Dinwoodie and Gangjee (n 22) 1.

#### IV. A PRESCRIPTIVE READING FOR CONTEXT

As we have seen in Chapter II, the process of incorporating context into infringement assessment is deeply linked to the operation of the origin function through the average consumer construct. By assimilating contextual matter of the real world, the analysis is no longer restricted to a mark for mark comparison. Rather, circumstances of use and consumer perceptions are gauged to determine whether the origin function has been harmed, that is, if the use of a sign is liable to affect consumer decisions in the marketplace.

This movement of the CJEU is remarkable in that it allows for a contextual model broaching normative choices otherwise buried in a mark for mark comparison. It also enables courts to discount differing perceptions or weigh cultural and linguistic differences enshrined in the jurisprudence of the European court.

But practical application of CJEU guidance is far from being a simple task. Chapter III indicates that context has been interpreted in different ways, and may risk triggering a full-blown factual review in cases where it might not be called for. Context of use of the sign now seems to require that an independent infringement assessment be carried out for each instance of use that had been identified.<sup>217</sup> The average consumer once known as a single hypothetical person is being infused with

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<sup>217</sup> Text to n 163.

empirical evidence and then segmented to reflect various classes of consumers inhabiting the marketplace.<sup>218</sup>

Nonetheless, it remains unclear to some commentators whether this methodology is limited to controversial cases that could have been processed through the doctrinal channel of trade mark use,<sup>219</sup> or where the line should be drawn between the empirical and normative character of this multifaceted average consumer that is germane to the discussion of context.

Although an entirely notional approach to the average consumer now appears unsuitable, an excessive endeavour to accurately reflect market reality is not desirable either. It increases litigation costs and complexity. It outsources determination of confusion, as a judicial process of inference subject to normative corrections, to a finding of actual confusion. It fails to address that trade mark law has many objectives that need to be reconciled, and consumer protection is just one of them.

I propose a model where context is used to broach normative choices underlying determination of infringement. It allows for transparent trade-offs in decision-making and thus affords legal certainty to a registration system that seems to have reached its limit. The notion of the register as a single source of accurate information affording legal certainty to economic operators is misplaced. By focusing on context as a tool guiding decision-making and therefore enabling a balancing of competing interests exercise, courts have leeway in scaling the amount

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<sup>218</sup> Text to n 175.

<sup>219</sup> See, for instance, Ohly, 'Interfaces' (n 9).

of context to the specifics of the case. While controversial cases might call for a full-blown factual review, simpler cases should be streamlined through a reduced notion of context.<sup>220</sup>

However, a contextual model fitting this proposed framework requires that inconsistencies identified in Chapter III be properly addressed so doctrinal coherence can be achieved. I will now turn to this issue.

### **1. Change in the comparison: the consumer takes the centre stage**

UK case law examined in Chapter III suggests that inconsistencies in assimilation of context can be explained as a retreat to the legal formalism that set the tone of the prior mark for mark comparison. While CJEU guidance is pushing towards a contextual assessment modulated by consumer perceptions, and more prone to evidence reflecting market reality, courts still hold onto the formalism and determinacy that the registrar is supposed to provide.

I contend that this false sense of determinacy must be deconstructed so trade mark law be able to account for a reality that is now much more complex than at the time the registration system was conceived. Rather, assimilation of context entails a change in the nature of comparison in infringement where the formality of the registrar is leaving stage and an average consumer embracing ‘real world thought processes of real people’ assumes the main role.<sup>221</sup> This change in the nature of the comparison turned into a contextual assessment centred on the figure of the consumer

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<sup>220</sup> This will be further discussed in ch V.

<sup>221</sup> *Whirlpool* (n 176) [70].

can be a means to insure survival of a registration-based system that has become unreliable. It arguably provides for more transparency in trade mark law decision-making and best reflect how consumers are now known to behave in the marketplace.

At present, praises to the registration system<sup>222</sup> as a reassurance of predictability and, hence, affording legal certainty to economic operators are highly questionable. Specifically, the register no longer fulfils the informational function it was conceived for because the expansion movement of trade mark law in the past years rendered scope of rights unpredictable.<sup>223</sup> Today, a positive or negative result of a search for prior marks on the register is not enough for economic operators to know whether use of a sign of interest is cleared. Rather, it is increasingly difficult to predict whether a sign of interest would conflict with a mark on the register with acceptable levels of accuracy. Furthermore, the CJEU jurisprudence examined in Chapter II indicates that much of the informational function is being further undermined by this process of relocating trade mark law's centre of gravity to the notion of the consumer. The examples are manifold.

First, it is now possible to enforce rights of a mark put to use that is not properly a match to the mark as registered. The CJEU has lowered the threshold for genuine use in that the use of a visually similar mark<sup>224</sup> or in relation to services not closely corresponding to the specification of goods<sup>225</sup> are sufficient for maintaining registration. Different marks are now able to show genuine use in relation to others

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<sup>222</sup> See *Sieckmann* (n 9); *IP Translator* (n 9).

<sup>223</sup> Robert Burrell and Michael Handler (n 18); Robert Burrell (n 18).

<sup>224</sup> *Specsavers (CJEU)* (n 5).

<sup>225</sup> *Ansul* (n 105).

existing on the register insofar as the average consumer perceive them as indicating the same origin.<sup>226</sup> As a result, a registration may be kept valid and enforced based on the use of an arguably different mark. This is not only problematic in terms of false negatives during clearance but it also makes a case for consideration of context of the actual use of the registered mark that I will address in this chapter.

Secondly, we have seen in Chapter III that determination of confusion under a mark for mark comparison was not as predictable or objective as a registration system suggests. The *Treat*, *Volvo* and *Decon* cases are strong evidence of the level of discretion judges exercised in defining the mark of the defendant object of the comparison. The sign was often cut down to a closer match to the registered mark,<sup>227</sup> and the consumer reflected what judges wished them to be, which not always provided an accurate picture of market reality.<sup>228</sup> Furthermore, the scope of protection was discerned by judges in a rather subjective notion of normal and fair use of the mark. Although supposed to be normal, the so-called fair use of the registered mark neglected the context of market practices like differentiated trade channels, longstanding commercial practices or consumer behaviour; these were ruled out from the assessment under the guise of added matter.<sup>229</sup> All this shows that the sense of predictability and determinacy that an abstract assessment comparing

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<sup>226</sup> See, for instance, *Specsavers (CJEU)* (n 5).

<sup>227</sup> Text to n 132.

<sup>228</sup> Text to n 123.

<sup>229</sup> Text to n 114.

marks in isolation was supposed to provide actually served as a front for a highly subjective decision-making process. According to Graeme Austin:

Sometimes, courts deciding trademark infringement cases do articulate applicable standards with apparent precision. But the precision achieved may sometimes be illusory, particularly since courts determine liability based upon an holistic evaluation of the evidentiary "factors." ... In the absence of empirical data about consumer responses, and in a doctrinal context riddled with uncertainty, courts sometimes spin quite creative narratives about what consumers think, believe, and value.<sup>230</sup>

Another example is the work of Jennifer Davis accounting for the often misguided judicial assumptions of consumer behaviour in early 20<sup>th</sup> century England. Indeed, '[i]f the judiciary was capable of underestimating the spread of literacy, they were also capable of wildly overestimating the prevalence of domestic service, perhaps because here again they looked to their own experience'.<sup>231</sup> Gallagher and Goodstein further argue that a process of determination of confusion driven by legal formalism alone 'is very much at risk of becoming only a matter of subjective impressions and untested hypotheses, rather than a sound assessment of relevant consumers probable actual perceptions and thought processes'.<sup>232</sup>

Thirdly, other causes of action available in European trade mark law are fairly indeterminate and often criticised for overreaching. Although functions other than the traditional function of origin are entitled to legal protection,<sup>233</sup> the case law remains unclear as to which functions ought to be protected and to what extent such

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<sup>230</sup> Austin (n 24) 874.

<sup>231</sup> Jennifer Davis, 'Locating' (n 8) 192.

<sup>232</sup> Gallagher Goodstein (n 24) 1231.

<sup>233</sup> *L'Oréal v Bellure (CJEU)* (n 16); *Interflora (CJEU)* (n 16).

protection should be afforded.<sup>234</sup> The unfair advantage claim of dilution recognised in *L'Oréal v Bellure*<sup>235</sup> seemingly incorporates a standard of unfair competition, the full implications of which are still hard to predict.<sup>236</sup> Dilution by blurring requires proof of change in the economic behaviour of consumers that is not always readily available.<sup>237</sup> To delineate the boundaries of these causes of action based on registered information alone seems a virtually impossible task.

Fourthly, market operators are already obliged to look into the market before clearing a mark irrespective of information set out on the register. Most national jurisdictions ensure protection to unregistered marks through unfair competition or passing off claims that must be accounted for.<sup>238</sup> It is also necessary to ascertain whether a prior mark found on the register has a reputation on the market so likelihood of confusion would be enhanced<sup>239</sup> or dilution protection would be triggered.<sup>240</sup> Unlike unfair competition, the scope of protection of a registered CTM potentially reaches the entire single market.<sup>241</sup> Clearance costs imposed by dilution are potentially high insofar as sectorial reputation is enough to trigger this extended

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<sup>234</sup> See, for instance, *L'Oréal v Bellure (EWCA)* (n 215) [30]. See also Ohly, 'Keyword Advertising' (n 68); Martin Senftleben, 'Bringing EU Trademark Protection Back into Shape – Lessons to Learn from Keyword Advertising' (6th Annual Conference of the EPIP Association: Fine-Tuning IPR Debates, Brussels, 8 September 2011).

<sup>235</sup> *L'Oréal v Bellure (CJEU)* (n 16).

<sup>236</sup> Graeme B Dinwoodie, 'Dilution as Unfair Competition: European Echoes' in Rochelle Cooper Dreyfuss and Jane C Ginsburg (eds), *The Contested Contours of IP* (Cambridge University Press 2014).

<sup>237</sup> *Intel* (n 119); Case C-383/12 *Environmental Manufacturing LLP v OHIM* [2013] OJ 2014 C9/11 (CJEU).

<sup>238</sup> See Frauke Henning-Bodewig, *International Handbook on Unfair Competition* (Frauke Henning-Bodewig ed, Hart 2013).

<sup>239</sup> *Sabel* (n 86); *Canon* (n 7).

<sup>240</sup> Article 5(2) TMD; Article 9(1)(c) CTMR.

<sup>241</sup> The granting of community-wide injunctions following a finding for infringement is the general rule under *DHL* (n 27).

protection,<sup>242</sup> and knowledge of the mark by the relevant public in a single Member State can amount to substantial reputation in the Community.<sup>243</sup> This means that one may have to look for the niche reputation of a CTM found on the register in Member States where there is no actual interest in using the sign being cleared. It is no wonder that as Robert Burrell argues, ‘the public benefits offered by registration do not seem sufficient to justify the elaborate edifices that registered trade mark systems have become’.<sup>244</sup>

Lastly, the granting of registration for a mark does not exclude liability for infringement of another mark that was previously registered. Indeed, the CJEU held in *Fédération Cynologique* that infringement could be found ‘without the need for that latter mark to have been declared invalid beforehand’.<sup>245</sup> And given that relative grounds for refusal are not examined *ex officio* by the OHIM or the UK IPO, for example, it may well be the case that the holder of a registration finds to have a problem with a senior registered mark at a later moment. This is problematic if we consider that a registered mark can be kept on the register based on the use of a similar mark. It can also lead to a holdup situation where a registrant of unused marks wait until the holder of a junior registered mark has invested in its business before claiming infringement. And the notion that a valid registration is no safe harbour for infringement is perhaps the European court’s *coup de grâce* to a system built on the

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<sup>242</sup> Case C-375/97 *General Motors Corporation v Yplon SA* [1999] ECR I-5421, [1999] 3 CMLR 427.

<sup>243</sup> Case C-301/07 *PAGO International GmbH v Tirolmilch Registrierte Genossenschaft mbH* [2009] ECR I-9429, [2010] ETMR 5.

<sup>244</sup> Burrell (n 18) 2.

<sup>245</sup> Case C-561/11 *Fédération Cynologique Internationale v Federación Canina Internacional De Perros De Pura Raza* [2013] ETMR 23 (CJEU), para 52.

assumption that the registration was supposed to provide some legal certainty to economic operators.

These examples are verification of Robert Burrell's view that the registration is more of a signpost than a fencepost.<sup>246</sup> But I would further argue that the registration risks being reduced to a formal requirement for the assertion of trade mark rights because context is increasing the importance of actual use of the mark. The registration is the means for acquisition of such rights, but scope of protection and infringement are modulated by a multifaceted average consumer that is infused with an array of perceptions of the context in which the products are presented and purchased in the marketplace.

Ironically, the CJEU may be killing formalism encroached in trade mark infringement through a legal formalist reasoning of its own. But I see this change in the nature of the comparison in infringement as an opportunity to insure survival of a deeply flawed registration-based system. At the current state, only two options seem to be left at the table. The first is for courts to embrace a contextual assessment relying on actual use and consumer perceptions allowing for a balancing of competing interests in detriment of the formality of the registrar. The other, to override recent CJEU jurisprudence and scale down scope of rights so information on the register can be rendered more predictable. The latter depends on drastic legislative change that seems unfeasible in the light of recent attempts of the Commission to limit double identity in scope in the course of trade mark law reform

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<sup>246</sup> Burrell (n 18) 20.

proposals.<sup>247</sup> It also fails to account for some of the methodological flaws inherent in a mark for mark comparison that I already identified in the course of this work.

Hence, I contend that a workable model seeking doctrinal coherence in infringement can only be reached if courts are released from the shackles of the registrar. The average consumer should be accepted as the centrepiece of this contextual model. I further argue that such a methodological change in the nature of the comparison yields many benefits.

## **2. A contextual model enabling transparent trade-offs**

We have seen in Chapter II how context can be used to broach normative choices that remain buried in a mark for mark comparison. Determination of confusion shifted from a comparison of marks insulated from reality to a contextual assessment gauged by consumer perceptions in the marketplace. According to Vlotina Liakatou and Spyros Maniatis:

... factual, market and competition contexts affect not only the internalised interpretation of legal provisions and doctrines but also their application when the reality of the marketplace which is external to trade mark law is taken into account.<sup>248</sup>

Thus context can be used as a means of internalising competing interests in infringement assessment. It is a methodological choice allowing for transparent

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<sup>247</sup> See, for instance, Kur (n 19).

<sup>248</sup> Liakatou and Maniatis (n 70) 3.

trade-offs where policy concerns can be expressly weighed within the analysis. The decisions examined in this work are good example.

In *Adam Opel*, context has shown that the reproduction of a mark in toy replica cars was not perceived by consumers as a badge of origin in the market for toys.<sup>249</sup> Context therefore enabled an infringement assessment departing from the prior comparison standard; the comparison gauged other competing interests that were brought to light in the analysis. *O2 Holdings* assimilated context into likelihood of confusion to reshape an abstract assessment that would otherwise fail to account for the underlying interests in comparative advertisement. As a result, the sign object of comparison was infused with external matter, and the benchmark for infringement changed from confusion between isolated marks towards a more concrete notion of confusion about the origin of products.<sup>250</sup> The assessment is now supposed to consider the circumstances characterising the effective use of the sign in the marketplace and how it potentially affects the source identification judgment of consumers dealing with the products. Confusion was therefore put in the wider context of established market practices and extant consumer understandings. This suggests a likelihood of confusion test designed to prevent trade diversion on the market as opposed to a property-based notion hinged on a finding of visual similarity between marks confronted in isolation.

Furthermore, UK law examined in Chapter III shows how context has been used to infuse infringement assessment with empirical evidence. Market practices

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<sup>249</sup> Text to n 43.

<sup>250</sup> Text to n 85.

and consumer understandings called by context should be inferred from empirical evidence rather than deriving from assumptions of behaviour that used to be the norm in prior practice. In *Kenwood*, the rejection of a purely notional construction of the average consumer paved the way for a contextual assessment encompassing differing consumer perceptions and various circumstances characterising the use of the sign.<sup>251</sup> *Enterprise Holdings* and *Thomas Pink* are example of cases taking this further by producing a more complex assessment accounting for market reality and consumer behaviour.<sup>252</sup>

And such doctrinal development of context in infringement is consistent with criticism to the rational model of the consumer in the literature.<sup>253</sup> Philipp Hacker, in particular, criticises a strictly normative model of decision-making for failing to account for human behaviour in the context of consumer protection, namely:

The obvious problem related to this model is that it is barred from taking empirical findings into account and thus easily becomes detached from reality ... It leads to factual miscalibrations and normative doctrinalism.<sup>254</sup>

This applies to the mark for mark comparison conducted under the assumed views of a notional consumer. We have seen how such a model can lead to factual

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<sup>251</sup> Text to n 176.

<sup>252</sup> Text to n 164.

<sup>253</sup> See text to n 288.

<sup>254</sup> Philipp Hacker, 'The Behavioral Divide. A Critique of the Differential Implementation of Behavioral Law and Economics in the US and the EU' *European Review of Contract Law*, 2015 Forthcoming <<http://ssrn.com/abstract=2609531>> accessed 25 June 2015 15.

miscalibrations and the margin of discretion that is afforded in decision-making disguised under what is supposed to be an objective assessment.<sup>255</sup>

But assuming a contextual model balancing competing interests underlying trade mark law also means that recourse to empirical evidence is not dispositive. Rather, it should be used to guide the decision-making process by eliciting policy choices that remain foreclosed in a mark for mark comparison.<sup>256</sup> Because where the methodology does not allow for such trade-offs, normative choices are often disguised. Here a parallel can be drawn with other fields of law dealing with consumer protection, namely:

Such hidden trade-offs often take place implicitly “within” the consumer concept, which is normatively geared towards a very specific type of person acting with a certain level of rationality deemed to be the one most worthy of protection. Transparent trade-offs separate the process of normative weighting from the definition of the consumer concept and therefore make the procedure explicit. It is not tucked away in the inherent workings and characteristics of an opaque concept of consumer behavior.<sup>257</sup>

This higher level of transparency in judicial decision-making is remarkably consistent with the process of segmenting different instances of use of the sign object of the comparison and of infusing the average consumer with the perception of various classes of consumers dealing with the products in trade mark law.<sup>258</sup> Determination of confusion between marks used for rental car services should consider foreign customers that normally hire such services in airports and train

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<sup>255</sup> Text to n 131.

<sup>256</sup> Dinwoodie and Gangjee (n 22) 26.

<sup>257</sup> Hacker (n 254) 16.

<sup>258</sup> Text to n 176.

stations.<sup>259</sup> Design conscious consumers should be included in an assessment dealing with design products targeting such public.<sup>260</sup> Consumers of clothing encompass ‘tourists, locals, shoppers seeking products for personal use or as a gift’.<sup>261</sup> In other words, a contextual model entails what Graeme Dinwoodie and Dev Gangjee defined as ‘blended exercises that are part-empirical and part-normative’,<sup>262</sup> or, as put by Hacker, an ‘empirically grounded normative model’.<sup>263</sup> The step that courts still need to assimilate in this process is to consider the weight afforded to each class of consumer in the assessment, that is, to engage in a more clear reasoning; an issue that we have identified in UK law.<sup>264</sup>

To be sure, legal certainty and determinacy in trade mark law have been always matters of concern. And this probably increased because of the CJEU’s rather cryptic and often evasive answers.<sup>265</sup> Perhaps the focus of concern is currently on the functions theory, but it is no different with context and the many different interpretations given by UK courts.

While much of the debate has been centred on the substantive standard for infringement and, to some extent, the material aspects of functions,<sup>266</sup> I contend that issues of legal uncertainty and indeterminacy can be approached through

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<sup>259</sup> *Enterprise Holdings* (n 136).

<sup>260</sup> *Whirlpool* (n 176).

<sup>261</sup> *Thomas Pink* (n 146).

<sup>262</sup> Dinwoodie and Gangjee (n 22) 1.

<sup>263</sup> Hacker (n 254) 15.

<sup>264</sup> Text to n 188.

<sup>265</sup> See, for instance, Ohly, ‘Keyword Advertising’ (n 68); Senftleben, ‘Bringing EU Trademark Protection’ (n 234).

<sup>266</sup> *L'Oréal v Bellure (CJEU)* (n 16); *Interflora (CJEU)* (n 16).

methodology. A contextual model consists of a methodology less prone to error that is able to deliver more intellectually honest results.

Annette Kur, for example, argues that more transparency in decision-making would be achieved by ‘focusing and elaborating more explicitly on the interests of the parties and the fairness- and competition-related arguments weighing in one or the other direction’.<sup>267</sup> I take the view, however, that higher transparency levels are unattainable without a methodology allowing for transparent trade-offs. Indeed, prior UK practice examined in Chapter III relied on a notional fair and normal use of the registered mark that was far from being predictable. And recent decisions from UK courts holding onto this standard of fairness in infringement still produce dubious results. The notion of fair and normal use across the full width of the specification was used in *ASOS*<sup>268</sup> and *British Sky v Microsoft*<sup>269</sup> as pretext to extend the scope of protection further than the evidence would suggest. In *YouView*, consumers were held to be confused between a mark effectively used within an online billing system for bespoke telecommunication services and a television programming service offered via set-up box because of a ‘convergence of relevant TV and telecommunications markets’.<sup>270</sup>

Similarly, a standard of *fairness* is applied in partial revocation under UK law where the mark has been used in a narrower category of goods than those claimed in

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<sup>267</sup> Kur (n 19).

<sup>268</sup> *ASOS (EWCA)* (n 206).

<sup>269</sup> *British Sky v Microsoft* (n 213).

<sup>270</sup> *YouView* (n 96).

the registration, and courts need to arrive at a fair specification of products.<sup>271</sup> Again, results are dubious. In *ASOS*, ‘specialist clothing for racing cyclists’ was deemed unsuitable for a mark used for and known by this very purpose. The EWCA then struggled to define what would be a fair specification: Kitchin LJ suggested removing *racing*,<sup>272</sup> Sales LJ argued it should be broadened to include *casual wear* for which the mark had never been used.<sup>273</sup> In *Thomas Pink*, another case in the fashion and apparel business, the word *clothing* was found to be a fair specification in relation to the use of the mark for ‘shirts and a few other items worn on the upper body such as polo shirts, jumpers and cardigans’.<sup>274</sup> To argue that a standard of fairness alone would render an assessment predictable, when, in fact, judges do not seem to be able to agree with one another, is a difficult claim to make.

While Annette Kur, with good reason, argues that ‘the “black box” effect mentioned by Ohly is at least to some extent due to unclear reasoning under the camouflage of functions argot’,<sup>275</sup> I do not see how a balancing exercise based on fairness would be less of a camouflage if unaccompanied by a methodology incorporating empirical evidence. A legal reasoning process under a standard of

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<sup>271</sup> *Stichting BDO* (n 163) [53]-[58].

<sup>272</sup> *ibid* [70].

<sup>273</sup> *ASOS (EWCA)* (n 206) [181] (Sales LJ).

<sup>274</sup> *Thomas Pink* (n 146) [73]-[77].

<sup>275</sup> Kur (n 19) 444.

fairness can be as unclear as trade mark functions, and recourse to context is key in this process of bringing about transparency to decision-making.

Therefore, issues of legal uncertainty and indeterminacy cannot be addressed by a question of substantive standard for infringement alone. Although there is evidence, supported by other commentators,<sup>276</sup> that trade mark law is bridging the gap with unfair competition, this seeming convergence is more of a symptom than a solution to the problem. Determination of confusion is now following a more factually-driven assessment, but it does not follow that the substantive standard is or should be equated to that of unfair competition. Rather, I argue that procedural and substantive aspects of infringement are intertwined. And a nominal change in the substantive standard to one based on fairness will hardly produce intended results if courts keep holding onto the legal formalism encroached in the prior practice. It will just be a rather subjective notion of fairness lacking objective guidance that empirical evidence is able to provide. Therefore, a coherent reading means that the mark for sign comparison is the result of an intricate process infusing the assessment with empirical evidence but also changing the way the benchmark for infringement operates in the analysis. We have seen how a functions theory grounded on empirical evidence can play a fundamental role in scope of protection.<sup>277</sup> Trade mark law can benefit from an unfair competition-like methodology, that is, of a more concrete assessment, but they need not converge. There are specific objectives that trade mark law seeks to pursue that are not always reconcilable with unfair competition policy.

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<sup>276</sup> See, for instance, Ohly, 'Interfaces' (n 9); Dinwoodie and Gangjee (n 22).

<sup>277</sup> ch II(2).

A telling example is the CTM's own existence as a unitary right seeking to promote single market integration.

In this sense, the *Martin y Paz* problem posed by Annette Kur can be addressed under the contextual model I propose. Specifically, the use of the marks 'Nathan', 'Nathan Baume' and the elongated 'N' are likely to be found infringing if an abstract assessment comparing marks insulated from reality were conducted. But a mark for sign comparison accounting for consumer perceptions could suggest there would be no harm to the origin function because customers became accustomed to the products coexisting on the market. This is not particularly different from the rationale of *Ideal Home* in the UK, which, based on the evidence, found that honest concurrent use of the marks dismissed infringement.<sup>278</sup> There was no adverse effect on the origin function because customers became accustomed to the products coexisting on the market, knowing they belonged to different sources, and therefore learned to differentiate them. According to Kitchin LJ:

In my judgment the same considerations [of honest concurrent use] apply to the provision of home interest retail services online by IPC under the name Ideal Home, and by Media 10 under the name Ideal Home Show. The deputy judge has found that these services are so closely related to the activities the parties have carried on for very many years that the words Ideal Home provide to consumers just the same guarantee that they have always provided, that is to say that the services are those of the entity responsible for running the show or the magazine or, to many consumers, the entity responsible for both of them. In other words, he has found on the facts that the name Ideal Home, when used in relation to such online retail services, does not denote and has never denoted to average consumers the services of a single entity. Rather, it denotes and has always denoted the services of both IPC and Media 10, that is to say the services of the businesses

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<sup>278</sup> *Ideal Home (IPEC)* (n 145); *Ideal Home (EWCA)* (n 209).

responsible for publishing *Ideal Home* magazine and running the *Ideal Home* show.<sup>279</sup>

Indeed, Baldwin QC (sitting as a Deputy Judge) had found that ‘the words *Ideal Home* when used as a trade mark in the home interest category may convey a different meaning depending on whether the context is a magazine or an exhibition/show’.<sup>280</sup> Consideration of context thus enabled the operation of the origin function as a trumping defence to infringement; some level of confusion is acceptable where the honest concurrent use enabled both marks to indicate different sources.<sup>281</sup> This is good evidence of a contextual assessment broaching normative choices by having resort to empirical evidence on market practices and consumer understandings.

This is why I argue that context is key in reconciling core objectives and policy concerns of trade mark law. It gives more legal certainty because empirical evidence is more accurate than assumptions of behaviour made by judges based on their own perceptions and biases. We have seen that such assumptions of behaviour are often misguided, and the degree of freedom afforded to judges in moulding consumer behaviour is one of the factors putting the registrar dogma in check.<sup>282</sup>

Graeme Dinwoodie once mentioned that:

In a world that empowers the recipients as well as the senders of symbolic messages and where meaning is derived from social context rather than the intrinsic essence of matter, it is appropriate that the

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<sup>279</sup> *Ideal Home (EWCA)* (n 209) [53].

<sup>280</sup> *Ideal Home (IPEC)* (n 145) [12].

<sup>281</sup> *Ideal Home (EWCA)* (n 209) [49]-[51].

<sup>282</sup> Ch III.

parameters of trademark protection should be set by analysis that is both contextual and individualized.<sup>283</sup>

I would further add that a contextual model has the merit of enabling more transparent trade-offs in decision-making by having resort to empirical evidence that used to be largely ignored in determination of infringement. While the mark for sign test is by no means reduced to an empirical finding of actual confusion, it has the merit of accommodating ‘the real world thought processes of real people’.<sup>284</sup>

Thus, it is not a change in the substantive standard for infringement alone, but empiricism, that allows for more transparent trade-offs.<sup>285</sup> And while this level of empiricism<sup>286</sup> might be indeed closer to the manner that infringement is assessed in unfair competition, the contextual model I propose for trade mark law could yield additional benefits. It has the potential for discounting consumer biases and addressing cognitive restraints that are widely known in behavioural sciences but remain largely ignored in a rational choice model. It also allows cultural differences and language barriers are weighed in assessing community-wide effects.

Research work in other fields also indicates that an abstract assessment is more prone to error. There is an argument to be made that a mark for mark comparison yields a framing problem. It fails to account for biases of consumers and, most importantly, of decision-makers assessing likelihood of confusion. I suggest

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<sup>283</sup> Graeme B Dinwoodie, ‘The Death of Ontology: A Teleological Approach to Trademark Law’ (1998) 84 IowaLRev 611, 653.

<sup>284</sup> *Whirlpool* (n 176) [70].

<sup>285</sup> See Hacker (n 254) 15.

<sup>286</sup> The extent of factual review in a contextual model will be briefly discussed in ch V.

that a mark for mark comparison is biased in its own nature, and context should be used to discount such bias.

### **3. Context to address methodological flaws in a mark for mark comparison**

Another argument for a contextual model grounded on empirical evidence is to provide a methodology less prone to error. Recourse to context is able to offset heuristics and biases that are liable to affect not only consumer perceptions but also determination of confusion itself.

Specifically, behavioural sciences have established that consumers are far from the rational actors neo-classical economics purported them to be; empirical studies question the rational choice model which laid the foundations for the notion of the average consumer that used to be the norm in trade mark law.<sup>287</sup> Rather, there is much more into the decision-making process than simple rational choice in terms of following the best course of action after weighing potential costs and benefits at hand.<sup>288</sup> Kahneman and Tversky once claimed that:

The logic of choice does not provide an adequate foundation for a descriptive theory of decision making ... deviations of actual behavior from the normative model are too widespread to be ignored,

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<sup>287</sup> Jennifer Davis, 'Revisiting' (n 21) 274-277.

<sup>288</sup> See, for instance, Herbert A Simon, 'A Behavioral Model of Rational Choice' (1955) 69 QJEcon 100.

too systematic to be dismissed as random error, and too fundamental to be accommodated by relaxing the normative system.<sup>289</sup>

Indeed, behavioural economics and cognitive psychology have been long questioning the traditional model assuming that rational behaviour entails a single answer, where deviations from a behaviour of reference are disavowed. Not every single aspect of judgment is rational. Decisions are often guided by emotions,<sup>290</sup> and different reactions to the same information can be elicited by context.<sup>291</sup>

The same movement now seems to be arriving at trade mark law where a single meaning rule drawn on a notional construction of a hypothetical person is being replaced with context of perceptions of the various classes of consumers inhabiting the marketplace.

I argue that behavioural sciences can help to understand why a paper-based assessment working with the notion of the consumer as a single hypothetical person that used to pervade the mark for mark comparison in trade mark infringement needs rethinking. This notional construction of the consumer in determination of confusion relies on the assumption that a single answer could be evoked from rationality alone; consumer behaviour (and hence their propensity for confusion) would be predictable because consumers were to conform to rational choice. And judges who are rational actors alike would be in the best position to predict this rational behaviour, that is, to

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<sup>289</sup> Daniel Kahneman and Amos Tversky, 'Rational Choice and the Framing of Decisions' (1986) 59 *JBus* 251, s525.

<sup>290</sup> See Melissa L Finucane and others, 'The Affect Heuristic in Judgments of Risks and Benefits' (2000) 13 *JBehavDecisMaking* 1, 14; George F Loewenstein and others, 'Risk as Feelings' (2001) 127 *PsycholBull* 267; Daniel Kahneman, 'Maps of Bounded Rationality: Psychology for Behavioral Economics' (2003) 93 *AmEconRev* 1449, 1463.

<sup>291</sup> Text to n 91.

determine whether confusion between marks is likely or not. But if this single meaning rule were to exist for a fact, it would require accepting the premise that every question has a better answer, and one would reach such an answer every time no matter the conditions that have been put forward.<sup>292</sup>

However, behavioural studies have already established, for example, that variation in responses can be elicited by framing the same question in different ways. Specifically, ‘extensionally equivalent descriptions lead to different choices by altering the relative salience of different aspects of the problem’.<sup>293</sup> This is well illustrated in the Asian disease problem formulated by Kahneman and Tversky. There, subjects had to decide between two different options of treatment for a fatal Asian disease that had spread in the US. Such options were presented in two sets of questions where each treatment remained the same but the choices were framed differently. Results have shown that preferences were shifted towards an apparent choice of a treatment ensuring that 200 people will be saved instead of another resulting in the death of 400 people. In the end, both choices actually referred to the same treatment, but the questions were framed in terms of positive (lives saved) and negative (lives lost) terms. This study evidenced that a single person can assume different profiles of risk aversion and risk seeking based on the manner how a question is framed.<sup>294</sup>

Now, if a mere change in framing a question is sufficient to elicit different answers from the same person, there can be no single reaction of the consumer to be

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<sup>292</sup> This is the so-called *principle of invariance*. See Kahneman and Tversky (n 289).

<sup>293</sup> Kahneman (n 290) 1458.

<sup>294</sup> Kahneman and Tversky (n 289) s260.

inferred from rationality alone. Bringing this to trade mark law, what bounded-rationality suggests is that a change in the nature of the comparison in infringement – that is, how the question of confusion is framed during the assessment – is liable to produce different results.

It is submitted that ‘decisions made in narrow frames depart far more from risk neutrality than decisions that are made in a more inclusive context’.<sup>295</sup> And I contend that the mark for mark comparison is a rather narrow framing of the question of confusion.

Again, research work shows that ambiguities in meaning are resolved by recourse to surrounding context.<sup>296</sup> Such notion of context has far more implications than we have been able to accept in trade mark law. For instance, ambiguous information in advertising is interpreted not only by the information provided in the advertisement piece itself. The surrounding context of the magazine also play a role, that is, ‘the same product features in an ad can be evaluated in different ways, depending on the adjacent materials’.<sup>297</sup> A good example is a study that attempted to determine the effects of preceding stimuli on the interpretation of ambiguous information in an advertisement for a computer. The ambiguous information itself consisted of the numerous features the computer had available, which could be interpreted positively (as being versatile) or negatively (not user-friendly). The

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<sup>295</sup> Kahneman (n 290) 1460.

<sup>296</sup> See, for instance, Jacob Jacoby, ‘The Psychological Foundations of Trademark Law: Secondary Meaning, Genericism, Fame, Confusion and Dilution’ (2001) 91 *TrademarkRep* 1013, 1038-1040; Thomas R Lee, Eric D DeRosia and Glenn L Christensen, ‘An Empirical and Consumer Psychology Analysis of Trademark Distinctiveness’ (2009) 41 *ArizStLJ* 1033, 1073-1078. See also Kahneman (n 290) 1453-1454.

<sup>297</sup> Youjae Yi, ‘The Effects of Contextual Priming in Print Advertisements’ (1990) 2 *JConsumRes* 215, 220.

subjects were exposed to preceding stimuli that consisted of prior advertisements about other computers focusing on either versatility or ease of use. It has been established that subjects of the study were nudged to a positive reaction to the advertisement of reference, as being for a versatile product, when the preceding advertisement they had faced was the one emphasising versatility. Conversely, negative reactions in terms of the product not being user-friendly occurred more frequently in consumers seeing the preceding advertisement focusing on ease of use.<sup>298</sup>

This is just one instance, amongst others, of *priming* effects in consumer behaviour, that is, how surrounding stimuli may affect subsequent decisions or interpretation of meaning. The notion of priming may further suggest, for example, that trade channels might have more influence on consumer decisions than normally anticipated in trade mark law. The circumstance that a consumer enters into a self-owned store or access an official website of a brand looking for a product could be more decisive than we are ready to accept. It also makes a strong case for assimilating empirical evidence through a contextual assessment. If not for any other reason, the fact that consumers make decisions based on context is a rather persuasive argument for incorporating context to infringement assessment.

But limitations of an abstract infringement assessment can be seen from yet another perspective. Priming effects also suggest that a mark for mark comparison is inherently biased. If preceding stimuli influences different interpretations of meaning, as empirical studies suggest, we should ask whether the comparison of

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<sup>298</sup> *ibid.* This is the attribute-substitution heuristic referred to in Kahneman (n 290) 1460.

isolated marks in succession would have similar effect in relation to the person conducting the examination. By looking first at the registered mark insulated from any context, a judge could be heavily influenced (primed) by the perception of the mark at the time he visualises the sign to be compared with that is also stripped from its context. This risk of having a natural bias in trade mark law is not particularly new. Gallagher and Goodstein, for example, make a similar warning in their work, namely:

Consumers, with their own naturally acquired knowledge, experience and motivations, experience actual marketplace circumstances, and have no mission to look for or experience confusion. In contrast, attorneys and judges in litigation are artificially focused on the issue; we are informed of the identities of the parties, their marks and products; in most cases we can consider only second hand evidence of marketplace circumstances; and we have an established directive to look for and focus on evidence that might support an inference of likelihood of confusion. This may result in undue emphasis on facts taken out of real-world marketplace context.<sup>299</sup>

Furthermore, a recent paper commissioned by the European Commission encourages application of behavioural sciences in policy-making by stating that:

... decision-makers are also subject to biases, heuristics, and a number of other influencing factors (such as social norms and in-group vs. out-group hostilities). Being aware of these potential pitfalls can help when developing and pushing forward new policies.<sup>300</sup>

What behavioural studies seem to suggest is that the effects of such bias are being seriously underplayed in the assessment of likelihood of confusion. While there is some truth in the legal assumption that consumers ‘rarely have the chance to make

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<sup>299</sup> Gallagher and Goodstein (n 24) 1231.

<sup>300</sup> René Van Bavel and others (n 26) 6.

direct comparisons between marks',<sup>301</sup> which is a distinguishing feature of infringement analysis, consumers are not always primed by the registered mark before buying products either. We should therefore be more wary of the fact that the image of the mark retained in the memory of the consumer may not be as strong as the perception that the judge would have of the mark in assessing infringement. In the former, context may avoid triggering recollection of the registered mark at the moment the consumer purchases a product. In the latter, recollection of the registered mark is artificially activated because of the manner how a mark for mark comparison is conducted.

This is another argument that may put in question the assumption that a mark for mark comparison limited to information set out on the register would necessarily render more predictable, objective or accurate results. For this to happen, both consumers and decision-makers would have to assume the role of rational actors all of the time, while we know that each person carry their own biases. Rather, a methodology artificially insulating marks fails to account for context that is known to influence consumer perceptions and purchase decisions. This means to say that the gap between an abstract assessment focusing on a mark for mark comparison and market reality is far wider than detractors of a contextual model suggest. Kahneman gives an illuminating example:

An ambiguous stimulus that is perceived as a letter within a context of letters is instead seen as a number when placed within a context of numbers ... This aspect of the demonstration is spoiled for the reader who sees the two versions in close proximity, but when the two lines are shown separately, observers will not spontaneously become aware of the alternative interpretation. They "see" the interpretation of the

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<sup>301</sup> Case C-342/97 *Lloyd Schuhfabrik Meyer & Co GmbH v Klijsen Handel BV* [1999] ECR I-3819, [1999] 2 CMLR 1343, para 26; *Specsavers (EWCA)* (n 137) [52].

object that is the most likely in its context, but have no subjective indication that it could be seen differently.<sup>302</sup>

This example is remarkably consistent with Baldwin QC's conclusion in *Ideal Home* that 'the words Ideal Home when used as a trade mark in the home interest category may convey a different meaning depending on whether the context is a magazine or an exhibition/show'.<sup>303</sup>

One possible explanation is that, unlike someone conducting a mark for mark comparison, consumers are not primed by the registered mark when purchasing products bearing the other mark. While consumers may know of the senior mark, they rarely see it just before purchasing the product with the junior mark. Indeed, behavioural studies suggest that source identification judgment is heavily influenced by context. It is by no means limited to the recollection of a registered mark that may never be triggered in the mind of the consumer depending on context.

To be fair, a more abstract assessment conducted under a mark for mark comparison can be justified at the registration level by streamlining examination and reducing transaction costs. It is an acceptable trade-off because false positives at the registration level have far less implications: likelihood of confusion under relative grounds does not entail an automatic finding for infringement,<sup>304</sup> and infringement can be found without the need of declaring a registration invalid beforehand.<sup>305</sup> However, this assessment detached from reality should not be mirrored in

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<sup>302</sup> Kahneman (n 290) 1454.

<sup>303</sup> *Ideal Home (IPEC)* (n 145) [12].

<sup>304</sup> See text to n 147.

<sup>305</sup> *Fédération Cynologique* (n 245), para 52.

infringement as it used to be the practice in UK trade mark law.<sup>306</sup> Here, consequences in infringement are dire for producing immediate effects on the market: false results mean to enjoin the use of a non-infringing sign or to allow the existence of a confusing one. Rather, the methodological divide between relative grounds and infringement that the CJEU promoted in *O2 Holdings*<sup>307</sup> should be taken more seriously. Where determination of confusion at the registration level is more prone to error, and where trade mark offices seem to be absconding from factors requiring empirical evidence like enhanced distinctiveness of the senior mark and actual confusion,<sup>308</sup> infringement assessment is the opportunity to correct doctrinal miscalibrations and weigh policy objectives that remain foreclosed in a mark for mark comparison.

Although there is no specific evidence at present on the effects of biases and heuristics on determination of confusion under a mark for mark comparison, which would call for empirical studies, it does make a case for context. To say the least, consideration of context best emulates how consumers behave in the marketplace. It seeks to address how ambiguities in meaning are interpreted at a cognitive level.

Therefore consideration of such context can arguably discount the bias of the judge not only by eliciting other matter that would provide for a more comprehensive global impression but also for being less likely to influence (prime) the perception of the sign object of comparison when infringement assessment is conducted.

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<sup>306</sup> Ch III(1).

<sup>307</sup> *O2 Holdings (CJEU)* (n 4), paras 66-67.

<sup>308</sup> Ilanah Fhima and Catrina Denvir, 'An Empirical Analysis of the Likelihood of Confusion Factors in European Trade Mark Law' (2015) 46 IIC 310, 338.

Context can bolster a case where contextual matter is likely to contribute to confusion. But it can also offset likelihood of confusion depending on how the mark and sign are effectively used and perceived in the marketplace. *Specsavers* is an example of how context can be neutral when assimilating external matter pertaining to both mark and sign.<sup>309</sup>

Hence, context provides for transparent trade-offs not only by broaching normative choices underlying the assessment but also by reflecting how consumers are known to behave in the marketplace. It permits that a curiously biased mark for mark comparison is discounted by adding other contextual matter that is liable to influence how consumers perceive mark and sign. It is also consistent with the CJEU choice of favouring consumer perceptions over the formality of the registrar by delivering a consumer-centred as opposed to primarily a property-shaped trade mark law.

#### **4. Putting confusion in context**

At this point, a contextual model should be the obvious choice for the assessment of likelihood of confusion in infringement.

UK law examined in Chapter III as a case study providing a good example of how CJEU guidance is being applied in practice. There, a change in the nature of the comparison leading to different outcomes in determination of confusion is noticeable. Following a mark for sign comparison, courts seem more prone to incorporating external matter pertaining to the use of the sign by the defendant in the

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<sup>309</sup> ch II(4).

marketplace; the assessment is now more flexible and circumstances of use are hardly excluded under the guise of added matter.<sup>310</sup> In addition, the average consumer construct is assuming a part-empirical character by being infused with an array of consumer perceptions inhabiting the marketplace.

But we have also identified two main lines of resistance from UK courts in accepting a contextual approach to infringement. The first is a rather restrictive reading of *Specsavers* being used as pretext to limit contextual matter pertaining to the mark as registered. The second is noticeable in decisions having unjustifiable recourse to a purely notional construction of the consumer to infer a scope of protection based on a fair and normal use of the mark departing from empirical evidence. I take the view that such inconsistencies are deeply linked to a retreat to legal formalism where courts are seeking solace in a comparison standard that is unsuitable.

*Zynga*, for example, is a case where *Specsavers* was narrowly interpreted as allowing for consideration of colours alone.<sup>311</sup> But it is inconsistent in and of itself. If, as held by Floyd LJ, elements extraneous to the mark as registered should not be considered in determination of confusion, then evidence of actual confusion (or the lack thereof) should not have that much weight either. Nonetheless, Floyd LJ held that:

... the extent of side by side use would be expected to have produced far more abundant evidence of confusion by the date of trial. The factors relied on by *Zynga* must, therefore, be sufficient in combination with the small difference between mark and sign, to

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<sup>310</sup> Text to n 144.

<sup>311</sup> *Zynga* (n 110) [41]-[48].

eliminate the risk of real confusion occurring amongst a significant proportion of the public.<sup>312</sup>

But what is evidence of actual confusion if not evidence considering both litigating products (claimant and defendant's) as effectively sold in the marketplace? Were there any evidence actual confusion available, it has occurred because consumers were confused as to the claimant's products with these extraneous elements – after all, that is how consumers perceive them in real life – rather than the mark as registered. So not allowing that external matter be expressly considered in the assessment while affording decisive weight to evidence of actual confusion sounds contradictory at the very least. Perhaps Floyd LJ should have said that extraneous elements should not be considered in deciding whether mark and sign are similar (the first step), while allowing for such contextual matter in the assessment of likelihood of confusion itself (third step).

Nonetheless, the second line of resistance we identified is more worrisome as being an effective threat to assimilation of context in infringement. What inconsistencies in cases like *ASOS*,<sup>313</sup> *YouView*<sup>314</sup> and *BskyB v Microsoft*<sup>315</sup> have in common is their refusal to accept that the prior abstract model focused on the formality of the registrar is no longer the norm now in the light of CJEU guidance. We have seen that discourse centred on this formality is misplaced. The CJEU is clearly favouring a consumer-centred trade mark law. In infringement, the

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<sup>312</sup> *ibid* [38].

<sup>313</sup> *ASOS (EWCA)* (n 206).

<sup>314</sup> *YouView* (n 96).

<sup>315</sup> *British Sky v Microsoft* (n 213).

registration is a starting point only; determination of confusion is modulated by the perceptions of the consumer of both mark and sign used in the marketplace.

Yet these decisions still favour an infringement assessment shaped as a formal reassurance of property rights. The formality of the registrar is still raised as a justification for something that is supposed to be an exceptional circumstance, that is, that protection should be afforded to unused marks that had been registered. This has a substantial effect on how infringement assessment is conducted, in particular the weight afforded to empirical evidence in determination of confusion. Decisions like *ASOS*, where the marks of the parties have been coexisting for a while, downplay findings of non-confusion inferred from empirical evidence by reference to a non-use situation. It reaches the state where Kitchin LJ recognised that, as the EWHC had found, confusion in practice between the marks was unlikely, and, yet, reversed the judgment by taking a notional leap from the evidence, namely:

It is here that I am satisfied the judge has fallen into error for, in focusing as she did upon the actual use made by Assos of its mark, she has given no proper regard to the fact that its sales of casual wear have been very small and made only through the outlets for its specialised cycle wear. It seems to me that, just as Laddie J explained in the *Compass* case, she was required to consider a notional and fair use of the mark on casual wear and, following the cutting down of the specification, particular items of casual wear on a scale and in circumstances such that direct competition between these goods and those of Asos could more readily take place, for example on the internet and in ordinary retail outlets.<sup>316</sup>

For all the reasons we have seen, this is a quite unconvincing argument. The CJEU has been increasingly favouring incorporation of context to a system that is now being centred in the figure of the consumer. *Compass Publishing* is a case preceding

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<sup>316</sup> *ASOS (EWCA)* (n 206) [114].

*Specsavers* that cannot be taken as consistent with a contextual model, and it was never meant to become the standard methodology for infringement. Rather, Laddie J's statement clearly refers to the exceptional circumstances where the registered mark had not been used or in a limited fashion, as follows:

It must be borne in mind that the provisions in the legislation relating to infringement are not simply reflective of what is happening in the market. It is possible to register a mark which is not being used. Infringement in such a case must involve considering notional use of the registered mark. In such a case there can be no confusion in practice, yet it is possible for there to be a finding of infringement. Similarly, even when the proprietor of a registered mark uses it, he may well not use it throughout the whole width of the registration or he may use it on a scale which is very small compared with the sector of trade in which the mark is registered and the alleged infringer's use may be very limited also. In the former situation, the court must consider notional use extended to the full width of the classification of goods or services. In the latter it must consider notional use on a scale where direct competition between the proprietor and the alleged infringer could take place.<sup>317</sup>

The other inconsistencies identified in the course of the prior chapter follow the same path to override a contextual assessment that should be the norm. In *YouView*, Sales J defines *O2 Holdings* and *Specsavers* as exceptional cases to justify a retreat to a mark for mark comparison.<sup>318</sup> However, *Specsavers* is nothing else than actual proof that context has developed to a self-sustaining doctrine, that is, that it became the standard of comparison in infringement. Unlike *Adam Opel* and *O2 Holdings*, the process of extending context to the mark as registered in *Specsavers* is a doctrinal development unhinged from normative considerations.<sup>319</sup> Were it exceptional, as Sales J so claimed, application of context would be restricted to cases involving

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<sup>317</sup> *Compass Publishing* (n 12) [22].

<sup>318</sup> *YouView* (n 96) [102].

<sup>319</sup> Ch II(4).

policy considerations. Rather, *Specsavers* was used to extend scope of protection. It does not make sense having a contextual assessment for so-called exceptional cases while retaining the traditional abstract approach to all others. The jurisprudence of the European Court signals a movement of increasingly incorporating contextual matter to all areas of trade mark law; it has been also extended to instances of genuine use and acquired distinctiveness. The only methodological distinction the CJEU promoted was that between determination of confusion in relative grounds for refusal and infringement. In truth, *YouView*, much like *ASOS*, is a clear deviation from the law by retaining a mark for mark comparison standard. It is also inconsistent with Kitchin LJ's statement in *Specsavers* that the comparison is now one of mark for sign.<sup>320</sup>

Similarly, the statement of Asplin J in *BSkyB v Microsoft* that 'a trade mark gives monopoly protection regardless of whether or how it is actually used'<sup>321</sup> is a difficult claim to make in the light of CJEU guidance. If not for any other reason, the operation of the functions theory through context, that is, as a limiting doctrine, is evidence that it is not a monopoly or property right, and perceptions of actual use do matter. Were it not the case, *Adam Opel* and *O2 Holdings*, both cases where claimants defended a property-based protection rationale, would have a different outcome.

Such line of cases can be clearly contrasted with UK decisions following a contextual assessment. For example, determination of infringement in *Zynga* is

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<sup>320</sup> *Specsavers (EWCA)* (n 137) [87].

<sup>321</sup> *British Sky v Microsoft* (n 213) [78].

tethered to the notion of real confusion in the marketplace that was applied by Rose J in the *ASOS* judgment that was later reversed by the EWCA. In *Zynga*, more specifically, Floyd LJ held that:

The factors relied on by *Zynga* must, therefore, be sufficient in combination with the small difference between mark and sign, to eliminate the risk of real confusion occurring amongst a significant proportion of the public.<sup>322</sup>

*Ideal Home* is another case where, as we have seen, the notion of confusion is more grounded in market reality.<sup>323</sup> And this approach adding a materiality requirement to confusion is consistent with the operation of the functions theory in *Adam Opel* and *O2 Holdings* that we examined in Chapter II.

Hence, I contend that this rationale of focusing infringement assessment on a comparison guided by a notional use of the mark simply because of the 5-year period following granting of registration is fundamentally misconceived. First, this is an unnatural state that, as such, should not shape infringement assessment; trade marks are expected to be used sooner rather than later. And a notional assessment centred on the protection of unused marks in detriment of context encourages rent seeking and defensive registrations that are often abusive. Second, recent empirical studies show that trade mark clutter is becoming a problem that needs to be addressed.<sup>324</sup> In contrast to US law, applicants seem to be overreaching by claiming more products than they would expect to use,<sup>325</sup> and much of the blame can be attributed to a system

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<sup>322</sup> *Zynga* (n 110) [181].

<sup>323</sup> Text to n 278.

<sup>324</sup> Georg von Graevenitz, Richard Ashmead and Christine Greenhalgh, *Cluttering and Non-Use of Trade Marks in Europe* (Intellectual Property Office, 2015).

<sup>325</sup> *ibid* 71.

that is focused on a so-called notional fair and normal use of a registered mark that is at odds with market reality.

A reconciling view, which was initially taken by Rose J in *ASOS*,<sup>326</sup> following Arnold J in *Stichting BDO*,<sup>327</sup> is to undertake a purely notional approach to the registered mark only where such mark has not been put in use (i.e. in the first 5 years after registration has been granted). But even in dealing with unused or partially used registered marks, determination of confusion in infringement must still consider the context characterising the use of the sign by the defendant and perceptions of the consumer inhabiting the market. The formality of the registrar is no excuse for ruling out context in instances where such is available; the sign complained of will always be used on a market populated by extant consumer understandings. Put differently, even where the registered mark has not been used, market practices and prior understandings of human behaviour must be still accounted for.

We have seen in the course of this work many reasons for embracing a contextual model reaching over elements extraneous to the mark as registered. To be fair, the abstract model working as a formal reassurance of property rights had its place at the time the registration system was conceived. The number of marks populating the register was quite limited and market reality was much simpler. Products were acquired in brick-and-mortar stores, and we had far less knowledge of human behaviour and, in particular, how consumer preferences are shaped. Perhaps

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<sup>326</sup> *ASOS (EWHC)* (n 203) [94]-[96].

<sup>327</sup> *Stichting BDO* (n 163) [167].

context never played a prominent role because its effects on judgment were yet to be unravelled, or because it was simply unnecessary to consider context. At the time, there were fewer businesses, fewer marks, less competition; trade mark cluttering was not an issue and conflicts were less likely to happen if not intended by a competitor.

But this reality no longer subsists and trade mark law needs to evolve. A contextual model for infringement can best account for the development of consumer understandings and market practices that are ever changing. But for the reasons given in this chapter, it also requires assimilation of context pertaining to the mark as registered.

As Kahneman once stated, ‘the alternative to simple and precise models is not chaos’.<sup>328</sup> Allowing for context of the registered mark can be a means to address the cluttering problem, especially in instances where partial revocation may still leave a broad specification of products reaching beyond actual or intended use of the mark.<sup>329</sup> Additionally, access to information extraneous to the register is considerably easier nowadays because of the reach of the Internet.

There is much to gain from putting confusion in context. I have shown throughout this chapter that the process of delineating the boundaries of context taken to infringement is a methodological choice with policy ramifications; a choice having actual impact on the functioning of the trade mark system that has to be made consciously. For this reason, the task of legally defining context must be placed in

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<sup>328</sup> Kahneman (n 290) 1449.

<sup>329</sup> See, for instance, *ASOS (EWCA)* (n 206); *Thomas Pink* (n 146).

wider context. We have seen that higher levels of transparency in decision-making are unlikely to result from a change of standard alone. The introduction of a substantive test for infringement based on notions of fairness or a balancing of competing interests exercise would not bring about transparency if the assessment were still conducted in a legal formalist fashion.

Hence, a contextual model accommodating consumer perceptions and circumstances surrounding actual use of both the mark and the sign complained is less prone to error. It is able to offset limitations of the register that are widespread. It has the potential for discounting consumer biases and addressing cognitive restraints that are widely known in behavioural sciences but remain largely ignored in the rational choice model that used to inform trade mark infringement. It further allows that cultural differences and language barriers are weighed in assessing CTM community-wide effects.

## V. POSSIBLE APPLICATIONS OF A CONTEXTUAL MODEL

Assuming a contextual model is accepted for determination of confusion in infringement, some issues remain to be addressed. This chapter seeks to provide a few examples of how a contextual model could be approached in practice.

### 1. Outer limits of context

One of the main concerns associated with a contextual model is the problem of delineating boundaries of context, that is, how to determine the level of context (and therefore empirical evidence) that is brought in adjudication.

While full consideration of this question is currently unfeasible because of the limited scope of this work, I initially suggest that a contextual model should adhere to its standard-based nature. To think in terms of taxonomy so the level of context is moulded into predetermined categories of infringement (*i.e.*, a rule-like approach) might not be the best answer. Rather, delimitation of context should be taken as a case specific endeavour; categorisation should provide some guidance at best.

The obvious implication of a contextual model is that increasing use of empirical evidence brings concerns with litigation costs and complexity. This problem could be possibly addressed through a hybrid methodology working with both empirical and normative assessments. We have seen that a fully empirical model is not desirable, and some normative judgments are inherent in the nature of trade

mark law.<sup>330</sup> As Graeme Dinwoodie and Dev Gangjee argue, ‘there is a spectrum between empirical and normative assessments, and different issues may lend themselves to being addressed toward one end of that spectrum rather than the other’.<sup>331</sup>

This means to say that some enquiries, because of their purpose within the overall system, may not call for a full-blown factual review and should be streamlined – here a more normative approach may be preferable. For example, a likelihood of confusion case dealing with highly similar marks for identical products might not have so much resort to context as another where the use of the registered mark has been limited to a niche market coexisting with a sign belonging to an ancillary market for many years. Judges should be more skeptical about highly similar marks where the products are not obviously linked. And a longstanding coexistence between marks could be one possible factor calling for more contextual matter;<sup>332</sup> some confusion should have occurred in practice or maybe even consumers have adapted and learned to distinguish them.<sup>333</sup>

This also suggests that trade mark functions could be used as guidance in the process of determining the extent of factual review required in a particular case. A contextual model could therefore work through pliable layers of factual review including, *inter alia*, the circumstances characterising the use of the sign of the defendant, possibly differing perceptions of the classes of consumers dealing with

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<sup>330</sup> Text to n 256.

<sup>331</sup> Dinwoodie and Gangjee (n 22) 11.

<sup>332</sup> See, for instance, *Stichting BDO* (n 163); *Ideal Home (EWCA)* (n 209); *Zynga* (n 110).

<sup>333</sup> See the private label case example referred in n 97.

the products concerned and matter extraneous to the mark as registered. Where the use of the sign cannot be clearly taken as liable to harm the origin function, additional layers of review should be required.

Furthermore, concerns with litigation costs and complexity can be addressed by choosing between different kinds of empirical evidence that are available. Graeme Dinwoodie and Dev Gangjee have identified the categories of (1) circumstantial evidence relating to the actual use of mark or sign in the marketplace; (2) evidence reflecting market conditions which include generalisations about consumer responses; and (3) direct evidence of consumer perceptions of mark and sign in dispute (*e.g.* surveys).<sup>334</sup>

This means that a claim for empirical evidence should not be reduced to the survey debate, and there may be other means to improve the level of empiricism in infringement. Indeed, UK law has been using other market-related evidence in attempting to reflect how consumers and other economic operators behave on a particular market. Some anecdotal examples are academic papers investigating consumer behaviour in the Internet keywords context,<sup>335</sup> internal market research produced outside the litigation context,<sup>336</sup> reports sent by in-store demonstrators and vendors in the commercial context,<sup>337</sup> twitter feeds and online reviews of products

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<sup>334</sup> Dinwoodie and Gangjee (n 22) 27-28.

<sup>335</sup> *Interflora Inc v Marks and Spencer Plc* [2013] EWHC 1291 (Ch), [2013] ETMR 35 [142]-[160].

<sup>336</sup> *Whirlpool* (n 176) [32].

<sup>337</sup> *ibid* [61]-[63].

bearing the marks concerned,<sup>338</sup> and search engine results.<sup>339</sup> While such evidence should never be taken as dispositive,<sup>340</sup> it can be used to offset bias and avoid some of the mistaken assumptions of human behaviour drawn on legal formalism that we have seen throughout this work.<sup>341</sup>

If not for any other reason, evidence relating to the immediate context of use of mark and sign, that is, how they have been effectively used in the marketplace, should not be costly or demanding to produce. It has been adopted in passing off claims for many decades now.

But even the justifiable scepticism of UK law about surveys<sup>342</sup> might need some flexibility. Assuming that determination of confusion is not a finding of actual confusion endeavour, surveys could be used to evince consumer behaviour within a particular market and, furthermore, elicit their reactions in a particular context. We have seen that consumers have resort to context in interpretation of meaning;<sup>343</sup> surveys produced under less stringent standards would not be as costly or time consuming while providing some useful insights to infringement assessment.<sup>344</sup> We cannot overlook the fact that many companies conduct internal surveys and market research to devise their branding strategy and business plan. These are produced outside the litigation context and are therefore less likely to carry the same level of

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<sup>338</sup> *Zynga* (n 110) [163]-[182].

<sup>339</sup> *Hasbro Inc v 123 Nahrungsmittel GmbH* [2011] EWHC 199 (Ch) [117]-[133].

<sup>340</sup> *ibid* [131]-[133].

<sup>341</sup> See ch IV(3).

<sup>342</sup> *Interflora Inc v Marks and Spencer Plc* [2013] EWCA Civ 319; *esure Insurance Ltd v Direct Line Insurance plc* [2008] EWCA Civ 842.

<sup>343</sup> Text to n 296.

<sup>344</sup> See also *Dinwoodie and Gangjee* (n 22) 28-31.

bias that raises concern before UK courts. In competition law, for example, the European Commission often relies on surveys and market research that the undertaking being investigated had produced internally.<sup>345</sup>

Another approach to consider is streamlining the evidence required from the claimant, as the owner of the trade mark registration, and leave the door open for defendants to increase the level of context in a particular case, that is, to deal with the transaction costs problem in terms burden of proof and scope of protection.

## **2. Addressing scope of rights through a contextual model**

We have seen in Chapter II that CJEU decisions in cases like *Adam Opel* and *Viking King* suggest that trade mark functions can operate as a limiting doctrine where context plays a fundamental role.<sup>346</sup> *DHL* also indicates that functions are used to gauge the territorial scope of protection of the CTM.<sup>347</sup>

I therefore argue that concerns with litigation costs and complexity might be addressed by understanding context as a device trimming scope of protection of the registered mark. Put differently, the scope of protection under this model assumes a more pliable nature conforming to the manner that trade mark functions are operating in a particular context. This could provide opportunity for the defendant to bring additional layers of consumer understandings and market practices in connection with the mark and sign object of comparison in order to establish there is no harm to

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<sup>345</sup> See, for instance, Commission Notice on the definition of relevant market for the purposes of Community competition law [1997] OJ C372/03, para 41.

<sup>346</sup> See ch II(2).

<sup>347</sup> *DHL* (n 27).

the origin function. Indeed, we have seen how infringement was dismissed in *Adam Opel*<sup>348</sup> by having resort to the context of market practices and extant consumer understandings involving the reproduction of a mark in toy replica cars in Germany.<sup>349</sup> In UK law, *Ideal Home* is a telling example of how context can be used to dismiss infringement under likelihood of confusion.<sup>350</sup>

This suggests how the functions theory could potentially build an open-ended defence<sup>351</sup> affecting the scope of protection of the registered mark. But functions can also operate at a different level, including that of remedies. In *Interflora*, for example, Kitchin LJ stated that injunctive relief could be limited under the functions theory, namely:

... if the court finds that the acts of infringement or threatened infringement are limited to a part of the EU, perhaps because the claimant only complains about the activities of the defendant in that part of the EU, or if the defendant proves that the use of the sign complained of is not liable to affect the functions of the trade mark in all territories, perhaps for reasons of language, then the injunction must be limited.<sup>352</sup>

This can be also related to the question I raised before of whether a finding for likelihood of confusion in a particular context amidst other non-confusing uses of the sign would warrant a qualified injunction or call for different remedies.<sup>353</sup> An argument can be made that a blanket prohibition on the use of the sign may be

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<sup>348</sup> *Adam Opel* (n 15).

<sup>349</sup> Text to n 43.

<sup>350</sup> Text to n 278.

<sup>351</sup> Here I take a broader definition of defence as being defendant-specific as opposed to the statutory defences set forth in Article 6 TMD.

<sup>352</sup> *Interflora (EWCA II)* (n 135) [195].

<sup>353</sup> Text to n 171.

unsuitable where infringement is limited to a singular instance of use of the sign. It follows that if the infringement assessment should now consider several different contexts, while injunctive relief remains in general form, then litigation costs and complexity are being increased without adding any actual benefit to it. Were only one infringing context always sufficient for ordering a ‘blanket prohibition’ on the sign complained of, the process of segregating infringement analysis to reflect several different contexts becomes pointless.

Similarly, recent UK decisions suggest that it is incumbent upon the defendant to raise the context of different instances of use or consumer perceptions potentially limiting injunctive relief. In *Thomas Pink*, while conceding that one of the identified instances of use was potentially non-infringing, Birss J refused a qualified injunction because that particular context was not examined in the main judgment.<sup>354</sup> In *Cosmetic Warriors*, John Baldwin QC (sitting as Deputy Judge) stated that:

... had Amazon wanted this hypothetical scenario investigated at the trial then it was incumbent upon it to raise it; that no criticism can be laid at Lush’s door for its failure to plead and prove that such imaginary conduct, if put into effect, would be trade mark infringement.<sup>355</sup>

Indeed, the ordering of qualified injunctions has been a longstanding practice under the tort of passing off.<sup>356</sup> And other commentators have suggested that remedies in

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<sup>354</sup> *Thomas Pink* (n 146).

<sup>355</sup> *Cosmetic Warriors Limited v Amazon.Co.UK Limited* [2014] EWHC 1316 (Ch) [9].

<sup>356</sup> See James Mellor and others (n 10), paras 20-069 and 20-070.

US trade mark law should consider whether the impinged conduct has a material effect on purchase decisions of consumers.<sup>357</sup>

It appears that much of the concern in terms of costs and complexity of litigation could be addressed by leaving the door open for defendants to raise context if need be. I further argue that a contextual model processing scope of protection through functions is potentially one step closer to addressing the disjunction problem that Lemley and McKenna pointed out in their recent work.<sup>358</sup> Such a model assumes that the scope of protection of a registered mark is tethered to the specifics of the case. It allows for a non-infringement finding without the need for invalidation where there is nevertheless merit in the registration, and trade mark protection could be warranted in other instances. It also provides courts with leeway to order qualified injunctions and other remedies where harm to the origin function is limited to a particular context.

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<sup>357</sup> See McKenna (n 159) 138-141; McGeeveran and McKenna (n 158) 310-317.

<sup>358</sup> See Mark A Lemley and Mark P McKenna, 'The Scope of IP Rights' <<http://ssrn.com/abstract=2660951>> accessed 30 September 2015 3-4, arguing that 'IP regimes largely lack an integrated procedure for deciding the proper extent of an IP right' and 'IP regimes need a process for determining the scope of an IP right'.

## VI. CONCLUSION

We examined in Chapter II how the CJEU developed the notion of context in infringement. It enabled that policy considerations were explicitly internalised in the analysis and, together with the functions theory, the standard of comparison seemingly changed the methodology for infringement and produced different outcomes. Indeed, infringement assessment is favouring consumer perceptions over the formality of the registrar.

We have seen in Chapter III that UK law interpreting CJEU guidance effected a change in the nature of the comparison in determination of confusion. This went further than changing the manner of defining a sign. Courts are now more receptive to contextual matter reflecting the actual use of the sign while the process of constructing the average consumer is increasing in complexity. Some inconsistencies identified in the case law called for a coherent reading of context.

I argued in Chapter IV that a contextual model for infringement is a desirable development in a system that became vitiated by the legal formalism encroached in a registrar-centred model. An abstract assessment focused on a mark for mark comparison now appears unreliable, and the register no longer fulfils the informational function it was conceived for. I then proposed a coherent reading

where determination of confusion should accommodate the context of consumer perceptions and circumstances surrounding actual use of both mark and sign.

Chapter V illustrated possible applications of a contextual model drawing attention to common concerns with litigation costs and complexity, and how it could be potentially used to tailor scope of protection of the registered mark.

This work indicates that further research can be pursued in devising a contextual model potentially expanding to other causes of action in infringement. It appears that a well-devised methodology incorporating empirical evidence, as context, to the functions theory might be a way of pushing the genie back in the bottle, that is, of balancing trade mark rights while ensuring a higher level of legal certainty to stakeholders.

Finally, I must conclude that while the increasing use of empirical evidence brings concerns associated with costs and complexity of litigation, a hybrid methodology working with both empirical and normative assessments is achievable. This should consider that some legal enquiries, because of their purpose within the overall system, might not call for a full-blown factual review but rather a more normative approach (*e.g.* counterfeits). One of the challenges that remain to be faced is how to reconcile the efficient use of legal presumptions with empirical evidence without losing sight of the core objectives and policy concerns that inform trade mark law.

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