

**PUTTING FUNCTIONS IN CONTEXT:
RECONCEPTUALISING THE SCOPE OF
TRADE MARK INFRINGEMENT**

**LUIS HENRIQUE DO CARMO PORANGABA
KEBLE COLLEGE**

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ABSTRACT

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LUIS HENRIQUE DO CARMO PORANGABA, KEBLE COLLEGE

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The functions theory developed by the CJEU continues to be one of the most contentious issues in contemporary European trade mark law. In this thesis, I propose a more coherent reading of the CJEU jurisprudence; the functions theory may deliver a more transparent process of reasoning, allowing infringement assessment to engage with normative choices (or internalise policy concerns), which a conventional industrial property model otherwise fails to grasp. But these benefits can be attained only if functions theory is assessed within a broader, more complex expansionary trajectory within trade mark law. I therefore argue that the development of the functions theory is intertwined with and most productively understood alongside the increasing role of context in trade mark infringement. It should be seen as a doctrinal device that, together with a more realistic (or hybrid) construction of the average consumer, enabled infringement assessment to be infused with market realities, in response to the problems of abstraction that an expansionary trade mark doctrine had created. This analysis is potentially useful in two ways. First, it indicates that the CJEU might be relocating the centre of gravity of trade mark law from the formal universe of the registrar to the everyday experience of the consumer; a proposition finding some support in recent decisions of national courts. Secondly, it argues that the origin function seemingly departed from a more conventional paper-based approach, with infringement becoming increasingly contextual. This further suggests that other trade mark functions took a different path, relying more on untested assumptions of consumer behaviour, producing inconsistencies in the case law that ought to be addressed. The emerging approach to the origin function has important lessons for how the other functions ought to be assessed during infringement analysis.

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TABLE OF ABBREVIATIONS

ALRFed2d	: American Law Reports, Federal, 2d
AmEconRev	: The American Economic Review
AmPsychol	: American Psychologist
AmUInt'ILRev	: American University International Law Review
ArizStLJ	: Arizona State Law Journal
BerkeleyTechLJ	: Berkeley Technology Law Journal
BGH	: Bundesgerichtshof (Germany)
BULRev	: Boston University Law Review
BritJManage	: British Journal of Management
BrookLRev	: Brooklyn Law Review
CLR	: California Law Review
CLP	: Current Legal Problems
CTMR	: Council Regulation (EC) 207/2009 of 26 February 2009 on the Community Trade Mark [2009] OJ L78/1
Darts-xxx-xxx-X-en	: Darts-IP database (English version of German cases)
DukeLJ	: Duke Law Journal
EnterpSoc	: Enterprise & Society
EIPR	: European Intellectual Property Review
ELRev	: European Law Review
EUIPO Guidelines	: Guidelines for Examination of European Union Trade Marks and Registered Community Designs at the European Union Intellectual Property Office
EUTM	: European Union Trade Mark
EUTMR	: Regulation (EC) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union Trade Mark [2017] OJ L154/1
FlaLRev	: Florida Law Review
GermanLJ	: German Law Journal
HLR	: Harvard Law Review
HousLRev	: Houston Law Review
IPQ	: Intellectual Property Quarterly
IIC	: International Review of Intellectual Property and Competition Law
JBehavDecisMak	: Journal of Behavioral Decision Making
JBus	: The Journal of Business

JConsumRes	:	Journal of Consumer Research
JIPLP	:	Journal of Intellectual Property Law & Practice
JLS	:	Journal of Legal Studies
LG	:	Landgericht (Germany)
MCAD	:	Directive 2006/114/EC of the European Parliament and of the Council concerning Misleading and Comparative Advertising [2006] OJ L376/21
MichLRev	:	Michigan Law Review
MLR	:	Modern Law Review
NCLR	:	North Carolina Law Review
NotreDameLRev	:	Notre Dame Law Review
NYULRev	:	New York University Law Review
OhioStLJ	:	Ohio State Law Journal
OLG	:	Oberlandesgericht (Germany)
PsycholBull	:	Psychological Bulletin
PsycholPubPol’y&L	:	Psychology, Public Policy, and Law
QMJIL	:	Queen Mary Journal of Intellectual Property Law
QJEcon	:	Quarterly Journal of Economics
StanTechLRev	:	Stanford Technology Law Review
TDRA	:	Trademark Dilution Revision Act of 2006 (HR 683)
TexLRev	:	Texas Law Review
TMA 1905	:	UK Trade Marks Act 1905
TMA 1398	:	UK Trade Marks Act 1938
TMA 1994	:	UK Trade Marks Act 1994
TMD	:	First Council Directive 89/1004/EEC of 21 December 1988 to approximate the laws of Member States relating to trade marks [1989] OJ L040/1
TMD 2015	:	Directive (EU) 2015/2436 of 16 December 2015 of the European Parliament and of the Council to approximate the laws of the Member States relating to trade marks [2015] OJ L336/1
TMR	:	Trademark Reporter

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I. INTRODUCTION

The functions theory developed by the Court of Justice (CJEU) continues to be one of the most contentious issues in European trade mark law. Initially created as a safety valve in response to so-called ‘absolute protection’ in double identity cases, some argue that the genie has been let out of the bottle after the CJEU expressly recognised that functions other than the traditional origin function are entitled to legal protection.¹ These functions now seemingly pervade the other causes of action for infringement; likelihood of confusion is associated with harm to the origin function of a trade mark, while other brand-related functions are relevant for dilution. However the current doctrinal position remains unclear as to which functions ought to be protected and the extent to which such protection should be afforded.²

In my research, I contend that a coherent reading and application of the functions theory is not only possible, but desirable.³ While commentators have often focused their analysis on functions providing a substantive standard for infringement⁴ or critiqued the absence of a positive definition of other functions,⁵ I suggest that the functions theory

¹ Case C-487/07 *L'Oréal SA v Bellure NV* [2009] ECR I-5185, [2009] ETMR 55.

² See for example *L'Oréal SA v Bellure NV* [2010] EWCA Civ 535 [30] (Jacob LJ), calling functions conceptually vague and undefined; *L'Oréal SA v eBay International AG* [2009] EWHC 1094 (Ch) [300] (Arnold J), questioning the contribution of functions to infringement assessment.

³ For more conventional accounts of the theory, see Lionel Bently and others, *Intellectual Property Law* (5 edn, Oxford University Press 2018) 1116-1125; Annette Kur and Thomas Dreier, *European Intellectual Property Law: Texts, Cases & Materials* (Edward Elgar 2013) 200-206. See also *L'Oréal v Bellure (CJEU)* (n 1), AG Opinion, paras AG38-64.

⁴ See for example Annette Kur, ‘Trademarks Function, Don’t They? CJEU Jurisprudence and Unfair Competition Principles’ (2014) 45 IIC 434; Apostolos Chronopoulos, ‘Determining the Scope of Trademark Rights by Recourse to Value Judgements Related to the Effectiveness of Competition - The Demise of the Trademark Use Requirement and the Functional Analysis of Trademark Law’ (2011) 42 IIC 535; Andrew Griffiths, ‘Trade Mark Monopolies in the Digital Age’ [2017] IPQ 123.

⁵ See for example Jasem Tarawneh, ‘A New Classification for Trade Mark Functions’ [2016] IPQ 352; Martin Senftleben, ‘Function Theory and International Exhaustion: Why It Is Wise to Confine the Double Identity Rule in EU Trade Mark Law to Cases Affecting the Origin Function’ (2014) 36 EIPR 518.

could be better explained by shifting the debate to methodology. In so doing, I offer a different interpretation of the CJEU jurisprudence by emphasising the theoretical distinction between the trade mark use doctrine, as a defensive theory of immunisation driven by abstract rules, and the functions theory operating through a contextual assessment.⁶ Contrary to the assumptions of some national courts, trade mark use and functions are not one and the same; both are present in European trade mark law and have been applied on different occasions. This distinction broaches the tension between abstract, more generalising and contextual, market-related methodologies which, in my view, have a substantive impact on infringement; assessments of actionable confusion and other kinds of harm may yield significantly different outcomes depending upon the methodology of choice.

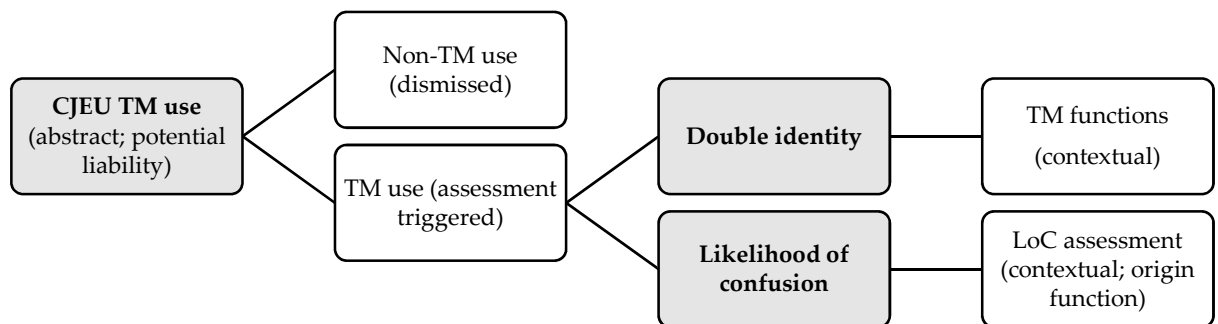
By focusing on confusion-based claims, I argue that the development of the functions theory is intertwined with and most productively understood alongside the increasing role of *context* in trade mark infringement. It should be seen as a doctrinal device that, together with a more realistic (or hybrid) construction of the average consumer, enabled infringement assessment to be infused with market realities, in response to the problems of abstraction that an expansionary trade mark doctrine had created. Specifically, the functions theory may be understood to deliver a more transparent process of reasoning, allowing infringement assessment to engage with normative choices (or internalise policy concerns) that conventional methodology fails to grasp.⁷

⁶ Ch II.

⁷ See also Robert Burrell and Kimberlee Weatherall, ‘Towards a New Relationship Between Trade Mark Law and Psychology’ CLP <<https://doi.org/10.1093/clp/cuy001>> accessed 24 December 2018, 5 (‘There is nothing inherently objectionable about deciding that we might want to tolerate

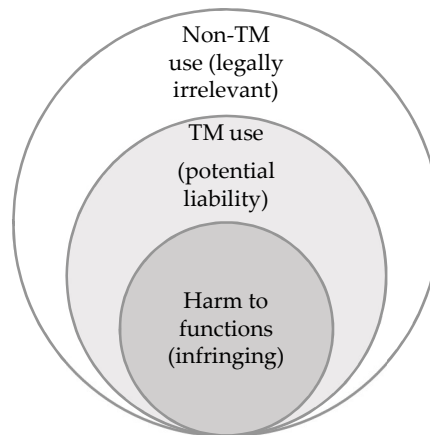
An account of the functions theory together with the development of context could provide a better explanation to what is otherwise considered an incoherent body of case law. It can thus be framed as part of a double movement: the CJEU attempts to balance a broader reading of trade mark use for the purposes of infringement, expanding potential liability to practices like merchandising and comparative advertising, with increasingly contextual infringement assessment under the functions theory (Fig. 1). A wider range of activities *potentially* infringe trade mark law today, but whether they actually do in a given dispute is where functions become relevant (Fig. 2).

Figure 1



some degree of confusion/higher consumer search costs in order to maintain healthy levels of competition, to preserve freedom of expression or to further some other goal of public policy.’).

Figure 2



While trade mark use is construed broadly, confusion analysis (i.e. harm to the origin function) recognises additional layers of context. Comparative advertising is subject to trade mark liability; however infringement assessment should investigate the circumstances characterising the use of the sign, and actionable confusion requires more than a finding of similarity on paper.⁸ It is not enough that bubbles used by a competitor in advertising resemble to or remind the public of the leading brand; there is a need to establish that the average consumer would think that O2 products were from Hutchinson or that they were economically linked.⁹ This methodological shift seemingly introduces a threshold of materiality (or perhaps, reconceptualises the notion of *actionable harm*) which has not been sufficiently addressed in the scholarship.

The doctrinal analysis advanced in this thesis is therefore relevant in at least two aspects. First, it indicates that the CJEU may be relocating the centre of gravity of trade mark law from the formality of the registrar to the figure of the consumer; a proposition finding some support in recent decisions of national courts. Secondly, it argues that the

⁸ Case C-533/06 *O2 Holdings Ltd v Hutchinson 3G UK Ltd* [2008] ECR I-4231, [2008] 3 CMLR 14.

⁹ Ch II(1).

origin function seemingly departed from a more conventional paper-based approach, with infringement becoming increasingly contextual. This further suggests that other trade mark functions took a different path, relying more on untested assumptions of consumer behaviour, producing inconsistencies in the case law that ought to be addressed. The emerging approach to the origin function has important lessons for how the other functions ought to be assessed during infringement analysis.

Based on this, I propose that a well-devised functional model for infringement offers us a way to push the genie back into the bottle, that is, a way to balance trade mark rights with other interests while ensuring legal certainty for stakeholders. By way of contributing to the current debate, I contend that these benefits can be attained only if functions theory is assessed within a broader, more complex expansionary trajectory within trade mark law. Indeed, the contextual development of the origin function examined in Chapters II-IV suggests there is some incoherence in the treatment national courts have afforded to other trade mark functions. Drawing on trends within confusion-based case law under the origin function, the functions theory can be best understood to provide a more nuanced assessment methodology, to counteract an expansion of the scope of trade mark protection. The CJEU recognising independent protection to other functions (yet another expansion) should therefore be no different. Hence a fully-functional model for infringement may not accept, at face value, that the investment function of a mark for bath bombs would be harmed because Amazon would not share Lush's values of ethical trading.¹⁰ Rather, it would require courts to first inquire whether

¹⁰ *Cosmetic Warriors Ltd v Amazon.Co.Uk Ltd* [2014] EWHC 181 (Ch).

consumers see the brand conveying such an ethical image, that is, if the brand image reflects consumers understandings or is just another untested assumption.¹¹

One way of thinking about trade mark functions is that they may be used to enable a factually-driven assessment, moving away from a template decision-making frame which often loses sight of, or may prove incapable to further, trade mark policy.¹² The functions theory favours a contextual approach, confirmed by the CJEU's own jurisprudence,¹³ which also carries the benefits associated with standards, namely to 'preserve the possibility of legal evolution as consumer attitudes, advertising techniques, and relevant technologies evolve'.¹⁴ Thinking in terms of functions may thus require us to embrace a purposive construction of infringement, that is, an assessment gauged by what each function is expected to protect. Properly construed, functions may serve as a reminder of the purposes of trade mark law and its limits. For example, assuming that the origin function is tethered to source identification assessment, much of the legal reasoning informed by misappropriation concerns should be left out of likelihood of confusion (instead belonging to the realms of unfair advantage or other functions). Likewise, protection of the investment function should require that the claimant effectively shows that the mark had been used to that end. Instead of too readily assuming that consumers behave in a particular way, the functions theory, working as a true theory

¹¹ Ch VI(3).

¹² For a critique of template decision-making at the registration level, see Rhys Morgan, 'Ensuring Greater Legal Certainty in OHIM Decision-Taking by Abandoning Legal Formalism' (2012) 7 *JIPLP* 408 ('Decisions which ought to be based on trade mark law and an understanding of the broader issues of free and fair competition are instead based on letter-counting, "measurements" of distinctiveness, and doubtful platitudes posing as empirical statements.'). See also Burrell and Weatherall (n 7) 21 ('Rules on comparison of marks ... rest on a series of untested assumptions. They are, in essence, the product of early twentieth century judicial guesswork.').

¹³ Ch II.

¹⁴ Graeme B Dinwoodie and Mark D Janis, 'Confusion over Use: Contextualism in Trademark Law' (2006) 92 *IowaLRev* 1597, 1663.

of harm, requires more accurate insight into market realities when ascertaining new or different kinds of harm.

Furthermore, the legal framework that I propose, which finds some support in recent developments in the jurisprudence, may provide other benefits. In this reading, functions analysis seems ripe for incorporating more realistic processes of construction of meaning that have been broached in the literature but remain (to a large extent) neglected in trade mark doctrine.¹⁵ It has the potential to address some of the issues vexing trade mark law at the infringement and remedies level. Specifically, the functions theory can more easily explain (and adjudicate) issues of merchandising, referential use and honest concurrent use. By embracing a contextual infringement assessment, it can also provide a more nuanced approach to the all-or-nothing rationale governing registration of non-traditional marks.¹⁶ This could mean, for example, that reproducing the shape of a praline or a Kit Kat chocolate bar may not harm the origin function where consumers rely on product packaging in making their purchase decisions - as consumers of Opel toy cars would place more weight on the marks Catronic and Autec on packaging and instruction manuals.¹⁷ From another perspective, a functional model could provide a more doctrinally coherent and normatively desirable environment for non-traditional marks currently facing an unsurmountable burden at the registration level which runs counter to other core objectives of European trade mark law (e.g. incentives to expansion and single market integration). Such marks could be registered but obtain ‘thinner’ protection via functions analysis.

¹⁵ Ch V(3); Ch VI(3)(B).

¹⁶ Ch V(4)(A).

¹⁷ *Adam Opel GmbH v Autec* [2010] ETMR 50 (BGH).

While this thesis revisits some of the debates which have dominated trade mark law for the past decades, I set myself apart from the existing literature in several ways. For one, trade mark scholarship has dedicated little attention to the methodology of infringement – how choices are framed and the potential effects that formulations of the same problem may bring about on adjudication. Until recently, the abstract, more formal character of infringement assessment was seldom questioned, as though an unassailable feature of registration systems to afford legal certainty to market operators. Ansgar Ohly is among the few considering the potential impact of *O2 Holdings* on methodology, drawing a parallel with unfair competition and unfair commercial practices law.¹⁸ At the time, he wondered the extent to which national courts would be willing to assimilate the shift that the CJEU judgment was already signalling; a question which I attempt to answer by examining UK¹⁹ and German²⁰ jurisprudence. Graeme Dinwoodie and Dev Gangjee, while also recognising the possible methodological convergence between European trade mark law and unfair competition, further inquired into the nature of legal construct of the average consumer. However they have not considered any connections with or potential impacts on application of the functions theory.²¹ More recently, Robert Burrell and Kimberlee Weatherall, defending a more empirical framing of trade mark law issues, have argued that ‘[i]nsofar as there is a problem with the prevailing approach, it lies in the manner in which outcomes are explained and justified.’²² But they have not

¹⁸ Ansgar Ohly, ‘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).

¹⁹ Ch III.

²⁰ Ch IV.

²¹ 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 2016) 346 (‘Fortunately, the details of the Court’s broader ‘functions-based’ doctrine, which have been the subject of extensive recent criticism, are not germane to this chapter.’).

²² Burrell and Weatherall (n 7) 6.

considered doctrinal possibilities to incorporate market realities into infringement,²³ which is a significant aspect of my research. Likewise, the literature on the functions theory has been more concerned with substantive aspects of infringement, often framing it in binary terms: either functions would limit or expand scope of protection. However, few have endeavoured to investigate the emergence of trade mark functions in legal discourse and, more importantly, to better understand their role in adjudication - Why did functions analysis come about and how they may have affected infringement methodology? Jason Tarawneh, for example, proposed a classification of functions which, except for relabelling known concepts, makes a limited analytical contribution.²⁴ It remains unclear in what aspects, if any, this taxonomy would affect the methodology of infringement or provide a better alternative to the current system. Annette Kur identified an unfair competition element in the functions theory which, nonetheless, was more focused on incorporating a broader notion of fairness into the analysis.²⁵

My main contribution therefore is to bring all these pieces together, to bridge different aspects of the law of infringement which have been compartmentalised thus far. In so doing, I attempt to provide a fuller picture of a complex system which no longer conforms to a binary mindset. To say that the complexities of today may find every answer on paper is over-simplistic and, from a doctrinal perspective, largely inaccurate. My analysis contradicts conventional accounts of registration-based systems being strictly limited to (or precluding anything other than) an abstract assessment comparing marks in isolation. It further suggests that this typical infringement assessment insulated

²³ *ibid* 22.

²⁴ Tarawneh (n 5), proposing that, as a matter of taxonomy, functions should be classified as indicators, incentives and stimulators.

²⁵ Kur (n 4).

from market realities concealed a design flaw which became apparent once trade mark law expanded its boundaries. While infringement of word or image marks were easily accommodated within this traditional industrial property model, other categories of marks with higher potential to stifle competition (e.g. shapes and colours) required a different set of considerations which are unaccounted for in the typical paper-based assessment. By infusing an otherwise abstract infringement assessment with market realities, courts are better positioned to engage with these more complex claims.

In this thesis, I also advance the reasons for an infringement model having resort to context, as a means to broach normative choices underpinning the assessment, which may provide a more nuanced (and balanced) approach to trade mark functions. By departing from an abstract proprietary logic, such a model would allow for transparent trade-offs in decision-making, affording more accuracy and predictability to a registration system that may have reached its limit. Because of the expansionary trajectory of European trade mark law, the canon of the informational function of the register – which is expected to act as a single source of accurate information affording legal certainty to economic operators – needs a re-think. In an increasingly complex reality finding no parallel at the time the registration system was conceived, we should consider that the role of the register may be best framed as providing public notice of *existence* of trade mark rights and ultimately accept that not every answer can be found on paper.

Thus the aim of this research is not to devise an ideal infringement framework from scratch. Instead, I chose to operate within the constraints of the current European system, to understand the choices which have been made and, hopefully, suggest ways it can be fine-tuned. Against the backdrop of CJEU guidance examined in Chapter II, I

investigate application of the functions theory and the development of context by national courts in the UK (Chapter III) and Germany (Chapter IV). While both jurisdictions have extensive practice in European trade mark law, they have applied CJEU jurisprudence differently, thereby providing insights and lessons which may prove instrumental to a functional model.

While a blank canvas may conveniently sidestep some of the difficulties or limitations imposed by the current system, it would be plainly unrealistic. Legislative process is complex and time consuming, non-rarely producing unexpected results. But such an exercise may also prove unnecessary. While the causes of action in European trade mark law derive from statutory language, the methodology of infringement was developed judicially. The literature often assumes the assessment must be abstract, but the European legislator never made such a choice explicitly. By leaving this question open, we can better understand the development of the functions theory as a doctrinal device effecting a methodological shift which, furthermore, calls into serious question attempts to remove it from the realm of European trade mark law without any alternative solution.²⁶ Both the UK and German experience would counsel against pursuing this route. Recent developments examined in this thesis further indicate that the registration system is assuming a hybrid character through the development of an increasingly contextual infringement assessment; an assessment infused with market realities showing similarities with the methodology of unfair competition and use-based systems. Lastly, in a thesis advancing a contextual reading of the law of infringement, it would be deeply

²⁶ More broadly, I argue that defences may not be perfect substitutes. The standard-based character of the trade mark functions theory affords more flexibility, encompassing situations which are not caught by statutory defences, and, as a theory of harm, it has facilitated the development of real defences such as honest concurrent use in the UK.

contradictory of me to conceive, in the abstract, of an idyllic legal system able to address any conflict optimally.

That is not to say that my research would have no value outside Europe. By examining application of legal concepts in depth, it may provide important lessons in dealing with complexities attendant on the expansion of trade mark law, which may be of use to other registration-based systems facing the same or similar challenges.²⁷ If, say, the United Kingdom confirms its departure from the European Union, there are strong, compelling reasons for retaining a functions-based analysis in infringement instead of reverting to the old ways.²⁸ My analysis broaches the methodological limitations inherent in a typical registration-based assessment which is the model in most jurisdictions. It deconstructs many of the assumptions underpinning this model, showing that registration and market realities are not irreconcilable. Rather, this reconciliation may be imperative. The early development of (contextual) trade mark use doctrine in the UK and Germany as a gateway to market realities challenge conventional wisdom that an abstract methodology is the only or the better way.

The significance of this research therefore encompasses the lessons that we take from courts grappling with an expansionary trajectory of trade mark law, to suggest that the picture may not be grim. While some criticism of the unhelpful legal formalism which became ingrained in adjudication may be unavoidable, this work gives praise to the

²⁷ Or, perhaps, draw attention to possible risks in increasing the level of abstraction, or the weight of registration, in use-based systems. See for example Rebecca Tushnet, 'Registering Disagreement: Registration in Modern American Trademark Law' (2017) 130 HLR 867, defending a more substantive role for registration in the US.

²⁸ Ch III(1). Surely, the answer will rest on how far in past the UK would be willing to return to. I conclude that prior to 1994 trade mark use doctrine performed a role somewhat similar to the contextual assessment emerging under the functions theory.

extraordinary ability that courts display to cope with an increasingly complex reality. They have developed responses that legislators did not anticipate and may not have fared any better with. This more organic, sometimes insightful development tends to get overlooked by a body of scholarship perhaps too focused on decrying other trade mark functions. Instead, I argue that application of the functions theory, no matter the form it assumed before national courts, may provide us with the doctrinal tools to fine-tune the system. It may present a more balanced, transparent and - why not - equitable solution. Hence a significant part of my endeavour is to re-interpret some of these concepts²⁹ and, perhaps more importantly, to raise awareness of methodology in infringement. How may (or should) we increase the choices available in infringement (e.g. by internalising policy concerns) and reconcile the various societal interests potentially affected by trade mark protection?

²⁹ Allan Beever and Charles Rickett, 'Interpretive Legal Theory and Academic Lawyer' (2005) 68 MLR 320, 323-324 ('Accordingly, we are not attempting to rewrite history so that it fits our theory. But nor are we allowing history to determine how we interpret the law ... It is a debate about how the law as it exists now should be understood.').

II. A CONTEXTUAL ACCOUNT OF THE FUNCTIONS THEORY

In this chapter, I attempt to show that the development of the functions theory¹ and the increasing role of context in infringement are entwined in the CJEU jurisprudence. This analysis suggests that the functions theory should be seen as a doctrinal device that, together with the average consumer construct, enabled infringement assessment to be infused with contextual matter. I further propose that the functions theory is best understood through comparison and contrast with the trade mark use debate in the US.

An account of the functions theory together with the development of the average consumer and context could provide a better explanation to what is otherwise considered an incoherent body of case law. Contrary to the assumptions of some national courts,² use as a trade mark and trade mark functions are not one and the same. Rather, a coherent reading of the CJEU jurisprudence can be proposed by emphasising the theoretical distinction between the trade mark use doctrine, as a defensive theory of immunisation, and the functions theory operating through a contextual assessment.³ I contend that both are present in European trade mark law and have been applied on different occasions.

¹ The purpose of this chapter is not to provide a chronological account of the functions theory, but propose another reading based on the conceptual distinction between trade mark use and functions. For more conventional accounts of the functions theory, see for example Lionel Bently and others, *Intellectual Property Law* (5 edn, Oxford University Press 2018) 1116-1125; Annette Kur and Thomas Dreier, *European Intellectual Property Law: Texts, Cases & Materials* (Edward Elgar 2013) 200-206.

² In Germany, see for example *Re Trade Mark Infringement by German Democratic Republic Emblems on Clothing* [2011] ETMR 14 (BGH) [19]; *Praline Shapes II* [2011] ETMR 29 (BGH) [25]. In the UK, see *L'Oreal SA v eBay International AG* [2009] EWHC 1094 (Ch) [300]-[306]; *DataCard Corp v Eagle Technologies Ltd* [2011] EWHC 244 (Pat) [254].

³ Contextual assessment is used in this chapter to refer to analysis which is *both* case specific and reaching for matter outside the fictional realm of the register.

While *Arsenal*⁴ is normally taken as the landmark functions case, I would rather suggest that focus be shifted to *Adam Opel*.⁵ By infusing infringement assessment with market realities, the functions theory assumed a contextual character that finds no parallel in the abstract logic of trade mark use. In the reading I propose, the contribution of *Arsenal* does not reside in articulating the trade mark functions language, which can be traced back to earlier exhaustion cases.⁶ Instead, the relevance of *Arsenal* resides in the CJEU holding that *use* in Art.5 TMD is an autonomous and uniform concept of European law.⁷ This enabled the European Court to extend the boundaries of trade mark law – which would happen based on such a broad reading of use – and set the stage for the emergence of trade mark use as a doctrine of immunisation in *Google France*.⁸

This doctrinal analysis is relevant in at least two aspects. First, it indicates that the CJEU might be relocating the centre of gravity from the formality of the registrar to the figure of the consumer; a proposition finding some support in recent decisions of national courts. This is examined in detail in Chapters III and IV. Secondly, it evidences that the origin function seemingly departed from a more traditional paper-based approach to infringement to become increasingly contextual. This suggests that other trade mark functions, which are considered in Chapter VI, took a different path, one relying more on untested assumptions of consumer behaviour, producing inconsistencies in the case law that ought to be addressed.

⁴ Case C-206/01 *Arsenal Football Club Plc v Reed* [2002] ECR I-10273.

⁵ Case C-48/05 *Adam Opel AG v Autec AG* [2007] ECR I-1017, [2007] ETMR 33.

⁶ Text to n 170.

⁷ *Arsenal (CJEU)* (n 4), paras 43-45.

⁸ Joined Cases C-236/08 to 238/08 *Google France SARL v Louis Vuitton Malletier SA* [2010] ECR I-2417, [2011] BusLR 1.

1. The contextual development of the origin function

In this section, I examine how the notion of context was doctrinally developed in the CJEU jurisprudence. This analysis indicates that 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 confusion-based claims.⁹ 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*,¹⁰ when the EWCA expressly endorsed the methodological distinction between the assessments of likelihood of confusion in relative grounds for refusal and infringement.¹¹ 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

⁹ In this chapter, confusion-based claims should be taken to mean harm to the origin function under both likelihood of confusion and double identity causes of action. It does not however consider the keyword test that the CJEU has developed in *Google France* (n 8) and Case C-323/09 *Interflora Inc v Marks & Spencer Plc* [2012] BusLR 1440 (CJEU). Here I follow Ansgar Ohly's argument that the keyword test establishes a duty of transparency which may further other policy concerns, departing from the typical rationales of economic efficiency and protection of goodwill governing confusion-based infringement. See Ansgar Ohly, 'Keyword Advertising or Why the ECJ's Functional Approach to Trade Mark Infringement Does Not Function' (2010) 41 IIC 879.

¹⁰ *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2012] EWCA Civ 24.

¹¹ Ch III(2).

Specsavers can be seen as a doctrinal development of the rationale underlying *Adam Opel*¹² and *O2 Holdings*;¹³ both relying on a level of detail in market practices and consumer understandings that already crossed the boundaries of a mark for mark comparison normally conducted under infringement assessment.

A. 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,¹⁴ it is known for shaping the functions theory as a limiting doctrine.¹⁵ 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 lays the foundations for the doctrinal development of a contextual assessment that is arguably promoting a 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

¹² *Adam Opel (CJEU)* (n 5).

¹³ Case C-533/06 *O2 Holdings Ltd v Hutchinson 3G UK Ltd* EU:C:2008:339, [2008] 3 CMLR 14.

¹⁴ Case C-63/97 *Bayerische Motorenwerke AG v Deenik* EU:C:1999:82; *Arsenal (CJEU)* (n 4). 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; Martin Senfleben, '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).

¹⁵ Annette Kur, 'Trademarks Function, Don't They? CJEU Jurisprudence and Unfair Competition Principles' (2014) 45 IIC 434, 435.

assessment foreclosing market realities could produce undesirable 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.¹⁶

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’.¹⁷ It was only in the late 1990s, after ‘the car industry ha[d] perceived the economic potential of these objects through merchandising’,¹⁸ 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 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. Should enforcement of the registered mark be allowed under these circumstances (Opel had registered the same mark for toys), independent manufacturers would be precluded from producing the nearly perfect replica models that consumers desired. It follows that if the sign were to be stripped from the

¹⁶ A question also reflecting Graeme Dinwoodie’s distinction between proactive and reactive trade mark law making. See for example Graeme B Dinwoodie and Mark D Janis, ‘Confusion over Use: Contextualism in Trademark Law’ (2006) 92 IowaLRev 1597.

¹⁷ *Adam Opel GmbH v Autec* [2010] ETMR 50 (BGH) [12].

¹⁸ *Adam Opel (CJEU)* (n 5), AG Opinion, para AG40.

products, consumers would be driven to purchasing licensed products only.¹⁹ The enforcement of the mark would therefore have a foreclosure effect of driving independent producers away from the market.²⁰ In truth, 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,²¹ and the Regional Court in Germany leaned towards an infringement finding at the time the order of reference was made.²²

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 1898,²³ consumers were not inclined to believe that any product bearing the mark had to be licenced. 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 therefore rely on copying the most significant characteristics, but also in replicating even the tiniest ones.²⁴

¹⁹ *ibid*, AG Opinion, para AG41. See also *Adam Opel (BGH)* (n 17) [12].

²⁰ This is arguably different from a case where consumer understandings had developed to the extent that all products bearing a mark are assumedly licensed. Cf. *Hearst Holdings Inc v AVELA Inc* [2014] EWHC 439 (Ch).

²¹ Text to n 14.

²² *Adam Opel (CJEU)* (n 5), para 12.

²³ *ibid*, AG Opinion, para AG37.

²⁴ *ibid*, AG Opinion, para AG38.

Hence the CJEU dealt with such a monopoly threat to the miniatures market, as the Commission defined it,²⁵ by assimilating into infringement the context that evidence reflecting market practices and consumer understandings had provided. 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 inhabiting 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 licensed 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.²⁶

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 operation of the functions theory as a relief valve to 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

²⁵ *ibid*, AG Opinion, para AG41.

²⁶ *Adam Opel (BGH)* (n 17) [11].

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.²⁷

This also suggests that the functions theory was used to anchor trade mark law to market realities by establishing a threshold of harm to the origin function that seemingly worked as a materiality requirement.²⁸ A finding for infringement depends on the risk of misrepresentation, the mere notion of confusion between signs taken in isolation being insufficient to that end.

B. How functions differ from (European) trade mark use

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.²⁹ However, I contend that this is an incomplete characterisation. Rather, *Adam Opel* is a decision about the nature of infringement assessment concealing a deeper methodological shift in determination of confusion. 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

²⁷ *ibid* [21].

²⁸ See also Ansgar Ohly, '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), equating this notion of confusion gauged by the origin function with the concept of misleading in unfair commercial practices law.

²⁹ See for example 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) 31 JIPLP 507.

European trade mark law and have been applied on different occasions. This theoretical framework turns on the CJEU appropriating trade mark use terminology to give it new EU-wide meaning – one different to the notion that national courts were accustomed to – which can be better explained by comparison and contrast with the concept developed in the US scholarship.

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.³⁰ Mark Lemley and Stacey Dogan, perhaps the best known proponents of this theory, argue that:

The trademark use requirement serves a gatekeeper function, limiting the reach of trademark law without regard to a factual inquiry into consumer confusion. The rationale for the doctrine stems from the practical reality that it would be both unwise and impossible to permit trademark owners to control every use of their marks.³¹

The doctrine of trade mark use therefore sought to constrain what had been defined as an unwarranted expansion of trade mark law, particularly in the Internet context. It presupposes that some activities like search engines and keyword advertising are beneficial to consumers – because they increase flow of information, arguably reducing search costs³² – and thus should fall outside the reach of trade mark law. It is inherently normative: immunisation from trade mark liability is justified to pursue pre-determined policy objectives. The main source of criticism of the doctrine lay in the formulaic nature

³⁰ Stacey L Dogan and Mark A Lemley, 'Trademarks and Consumer Search Costs on the Internet' (2004) 41 *HousLRev* 777; Stacey L Dogan and Mark A Lemley, 'A Search-Costs Theory of Limiting Doctrines in Trademark Law' (2007) 97 *TMR* 1223.

³¹ Dogan and Lemley, 'Trade Marks and Consumer Search Costs' (n 30) 806.

³² An argument can be made that excess of information may be detrimental to the extent that consumers would take longer to sort through them. See for example Dinwoodie and Janis (n 16) 1629, addressing information overload.

of such an approach. It purported to further policy objectives which, however appealing in principle, derived from untested assumptions. It sought support on the law and economics discourse, and yet it has been articulated through legal formalist reasoning.

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.³³

For the purposes of this analysis, suffice it to say that US trade mark use doctrine was essentially divorced from context. Determination of non-trade mark use was not a factually-intensive endeavour, nor did it have a disposition to inquire on how consumers perceived the sign in the marketplace. The overarching purpose of the theory was to obviate infringement assessment; claims would be dismissed in summary judgment without the need for the court to undergo likelihood of confusion analysis. Trade mark use, its proponents have argued, would enable specific economic operators to dispose of infringement claims easily, giving them incentives to develop activities which were thought beneficial to consumers. The problem with this utilitarian view, however, rests on deciding which activities should be awarded immunisation with no recourse to empirical evidence, and to extrapolate generalised models which fail to account for differentiation in trade mark law. This abstract, a priori reasoning is a particular feature of the doctrine.

And perhaps this a feature making US trade mark use fundamentally different from the notion of trade mark use that used to inform trade mark law and passing off in

³³ *ibid* 1636.

the UK. Specifically, use as a trade mark language can be traced to early 20th century UK cases like *Young v Grierson*.³⁴ In deciding whether use of a similar representation of a Portuguese ox cart on port wine labels would be infringing, the ECWA held that:

On the construction of Section 39 [TMA 1905] it seems to me clear that the right there defined is only infringed if the registered mark is used as a trade mark as defined by Section 3 ... In the present case I think the Defendants have, for the reasons that I have given, established that they are not using the picture for such a purpose.³⁵

Similarly, in *Irving's Yeast-Vite* the EWCA found there had been no trade mark use insofar as the word 'Yeast-Vite' on the defendant's label would not indicate that the products were the claimant's.³⁶ But while those earlier decisions may suggest at first blush that the UK has long embraced trade mark use doctrine, some explanation is necessary. Section 39 TMA 1905 consisted of a broad provision which would be more akin to double identity under current trade mark law.³⁷ And consideration of such trade mark use cases points towards a confusion-based analysis that is far more contextual than the trade mark use doctrine advanced in the US. Indeed, *Young v Grierson* shows a regard for market realities that is methodologically closer to trade mark functions operating in *Adam Opel*,³⁸ which may also provide an explanation for the apparent incoherence in *Arsenal* that I will address later.³⁹ The UK trade mark use enquiry raised a set of considerations such as how consumers perceived the mark and whether such a use was

³⁴ *Young & Co Ld v Grierson Oldham & Co Ld* (1924) 41 RPC 548 (EWCA) 577.

³⁵ *ibid* 577.

³⁶ *Irving's Yeast-Vite Ld v F A Horsenail* [1933] RPC 139 (EWCA).

³⁷ TMA 1905, s.39 ('... the registration of a person as proprietor of a trade mark shall, if valid, give to such person the exclusive right to the use of such trade mark upon or in connexion with the goods in respect; of which it is registered').

³⁸ *Adam Opel (CJEU)* (n 5).

³⁹ Ch II(2).

commonplace on the market.⁴⁰ It was therefore conceived as a gloss allowing courts to factor in confusion-based analysis which did not find much support in the legal text at the time.⁴¹ A few years later, in *JB Stone v Steelace* the issue of trade mark use resurfaced as follows:

Upon the true construction of this advertisement in the British Trade Journal, is there a user here by the Defendants of 'Alligator' in terms of the 'Alligator pattern' as indicative that the goods of the 'Alligator Pattern' originate from them? If they have used it in that way, then they have in my opinion infringed the Trade Marks.⁴²

The claimant had become known for selling flexible steel belt lacing 'of a type previously unknown in the trade, and differed in material respects from other types of belt lacing'.⁴³ Such a belt was imported and marketed as Alligator in the UK. The defendant, in attempting to sell the same model, albeit under another mark, advertised it as 'alligator pattern'. Romer J gave judgment finding there had been no trade mark use. But this was no abstract, a priori determination. Rather, the learned judge examined the advertising piece to determine whether consumers, in seeing 'alligator pattern' alongside the words 'Steelace Belt-lacing' would think that the defendants' products originated from the claimant, namely:

The word "Steelace" is well known to the trade as indicating a belt lacing made by the Defendants, or, at any rate, a belt lacing that is not the Plaintiffs' "Alligator," and it was admitted by the Plaintiffs' own witnesses that anyone acquainted with the trade would, upon seeing the words

⁴⁰ *Young v Grierson* (n 34) 579.

⁴¹ It was only when the TMA 1938 came into force that use as a trade mark had been expressly incorporated into s.4(1). This provision however has not been adopted in subsequent trade mark legislation.

⁴² *JB Stone & Co Ld v Steelace Manufacturing Co Ld* [1928] RPC 127 (EWHC) 131.

⁴³ *ibid* 129.

"Steelace Belt-lacing" in the advertisement, and if nothing else appeared, know at once that the Defendants' belt lacing was being referred to.⁴⁴

On appeal, the judgment was reversed on the basis that part of the consumers could think that the advertised products originated from the claimant.⁴⁵

Application of trade mark use in those early cases therefore suggests a contextual, confusion-based analysis to offset an otherwise absolute property right, sometimes imbued with passing-off methodology.⁴⁶ And later re-enactments of trade mark use under the TMA 1938 still displayed a contextual character. In *Mothercare*, non-trade mark use followed from the court considering the words *mother* and *care* being placed on the book cover together with *other care*, and the meaning they would convey to consumers.⁴⁷ Mothercare had become known for selling goods for expectant mothers, babies and children in the UK. Such goods included the 'Complete Mothercare Manual', which contained 'a great deal of sensible and useful advice for mothers on how to cope with the manifold problems they will encounter both during pregnancy and with their babies'.⁴⁸ The Mothercare mark had been registered in respect of a number of goods, in particular books. Penguin, the defendant, attempted to publish a book by a psychology professor at the University of Virginia, titled 'Mother Care / Other Care'. The book itself, which the court would define as thought provoking, consisted of 'a serious sociological study of the problems facing working mothers who have to delegate the care of their children to

⁴⁴ *J B Stone & Co Ld v Steelace Manufacturing Co Ld* [1929] RPC 192 (EWHC) 200.

⁴⁵ *J B Stone & Co Ld v Steelace Manufacturing Co Ld* [1929] RPC 406 (EWCA).

⁴⁶ See for example *J B Stone v Steelace (EWHC II)* (n 44) 199. While distinguishing trade mark and passing-off claims on appeal, the EWCA still considered the impact the word 'pattern' and the overall appearance of the advertising piece would have upon consumers; matter normally foreclosed from infringement assessment under the TMA 1938. See *J B Stone v Steelace (EWCA)* (n 45) 419-420. Cf. *Saville Perfumery Ld v June Perfect Ld* (1941) 58 RPC 147, 161.

⁴⁷ *Mothercare UK Ltd v Penguin Books Ltd* [1988] RPC 113 (EWCA) 119.

⁴⁸ *ibid* 114.

others,⁴⁹ bearing no relationship with or reference to the claimant's work.⁵⁰ It is possible, if not likely, that much of the passing-off evidence reflecting market realities fed into the trade mark use assessment so that determination would have been reached.⁵¹ According to Bingham LJ (as he then was):

I do not, for reasons already given, think that the defendant's incorporation of the two words Mother Care in the title of this book is at all likely to be taken as referring to the plaintiff or the plaintiff's goods.⁵²

Again, this was no abstract, a priori determination that would give rise to immunisation of a given practice labelled as non-trade mark use. The EWCA did not rule that, as a matter of law, book titles would never be protected under trade mark law.⁵³

In more recent years, 'use as a trade mark' became the oft-asked question in merchandising cases. It is identifiable as a proxy to goodwill, one of the elements of the classic trinity in passing off.⁵⁴ Instead of readily assuming that the relevant public would associate the sign with the claimant, UK courts would rather inquire the extent to which such a sign had been used in merchandising. But the assessment also displayed a normative character in weighing investments that the claimant had made in the goodwill; the manner in which such an activity had been carried out in the UK was of great relevance to this enquiry. Indeed, one might even argue that trade mark use was

⁴⁹ *ibid* 115.

⁵⁰ *ibid*.

⁵¹ *ibid* 121-11, considering consumer understandings and the presentation of the book title under misrepresentation.

⁵² *ibid* 123.

⁵³ Interestingly, the Court of Session in Scotland distinguished *Mothercare* and found that the use of 'Wet Wet Wet' in the title of a biography to refer to the pop group named as such amounted to trade mark use. See *Bravado Merchandising Services Ltd v Mainstream Publishing (Edinburgh) Ltd* [1996] FSR 205.

⁵⁴ *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 WLR 491 (HL).

tantamount to a local working requirement in that protection should be merited rather than readily assumed.⁵⁵ In *Mirage Studios*, the popularity that the Ninja Turtles TV show had gained, along with the licensing and marketing of merchandise ranging from t-shirt and apparel to toys and video-games, were material in establishing trade mark use.⁵⁶ Conversely, in *Tavener Rutledge*, there was nothing to suggest that consumers would associate Kojakpops lollipops with the producers of the TV show which brought the Kojak character to life,⁵⁷ a mere licence from producers without any underlying market exploitation falling short of the requirement. And variations of this question were also present in cases on distinctiveness of trade marks associated with merchandising.⁵⁸ Thus the question of trade mark use in the UK was essentially one of market realities.⁵⁹ It called for a fairly contextual endeavour to determine how consumers perceived the sign in the marketplace, as though they would ascribe the origin that the claimant asserted it to have. Laddie J's first judgment in *Arsenal* is a fair illustration of this trade mark use exercise.⁶⁰ Examination of the UK approach to trade mark use further suggests a form of enquiry

⁵⁵ This can be explained by the restrictive nature of passing off in the UK. Still today courts reject the notion of protecting a sign based on reputation alone. See *Starbucks (HK) Ltd v British Sky Broadcasting Group* [2015] UKSC 31. For there to be goodwill, a claimant must show there is a market for the concerned product or service in the country.

⁵⁶ *Mirage Studios v Counter-Feat Clothing Company Ltd* [1991] FSR 145 (EWHC).

⁵⁷ *Tavener Rutledge Limited v Trexapalm Limited* [1975] FSR 479 (EWHC).

⁵⁸ See for example *Elvis Presley Trade Marks* [1999] RPC 567 (EWCA); *Executrices of the Estate of Diana, Princess of Wales' Application* [2001] ETMR 25 (UK Trade Marks Registry); a question later rephrased under the functions theory in *Linkin Park LLC's Application* [2006] ETMR 74. See also N M Dawson, 'Non-Trade Mark Use' [2012] IPQ 204, qualifying such cases as a trade mark use issue.

⁵⁹ See for example *Tavener Rutledge* (n 57) 484 ('... in the field of passing off it is not sufficient undoubtedly to refer only to the actual fields of activities of the two parties concerned, one has to look and see what ordinary, reasonable people, the man in the street, would consider to be within the relevant fields of activities.'). This is possibly one of the sources of confusion between the notions of trade mark use and trade mark functions.

⁶⁰ *Arsenal Football Club Plc v Reed* [2001] 2 CMLR 23 (EWHC) [21]-[42].

into consumer understandings and market practices that the CJEU happened to assimilate under the functions theory rather than trade mark use rubric.⁶¹

Put differently, use as a trade mark under European law seemingly embraces the concept that has been developed in US trade mark law over its British counterpart. It underscores a categorisation process conducted at the abstract level as opposed to a finding inferred from market-related evidence. Through this abstract process, courts establish a priori that some pre-determined categories of use of a sign are non-infringing. Some US examples include the use of the vanity phone number 1-800-637-2333, which could be translated to 1-800-MERCEDES,⁶² and pop-up Internet advertisements triggered when a user typed a domain name.⁶³ Both having in common the lack of affixation or use of the claimant's trade mark in advertising;⁶⁴ both also suggesting a parallel with *Holterhoff* in Europe, where 'there [was] no reference on the delivery note or the sales invoice to the trademarks SPIRIT SUN and CONTEXT CUT'.⁶⁵

But where *Holterhoff* faintly hinted at a more abstract doctrine of immunisation based on the notion of trade mark use (or rather, on how the trade mark *was not* being used),⁶⁶ the CJEU fully embraced it in *Google France* in order to insulate search engines from liability for selling keywords to economic operators other than brand owners.⁶⁷

⁶¹ See for example *Hearst Holdings* (n 20).

⁶² *DaimlerChrysler AG v Bloom* 315 F3d 932 (8th Cir 2003).

⁶³ *1-800 Contacts Inc v WhenU.Com Inc* 414 F3d 400 (2nd Cir 2005).

⁶⁴ See *Rescuecom Corp v Google Inc* 562 F3d 123 (2nd Cir 2009) 128, mentioning that in *1-800 Contacts* (n 63) 'the defendant did not use, reproduce or display the plaintiff's mark *at all*'.

⁶⁵ Case C-2/00 *Hölterhoff v Freiesleben* [2002] ECR I-4187, para 8.

⁶⁶ In a reading of trade mark use as a defensive theory insulating certain practices from potential trade mark liability, perhaps *Hölterhoff* (n 65) would be best explained as *spoken use* being one such practice. The defendant had only referred to the claimant's marks verbally, never reduced them to writing. See also *Freiesleben v Hölterhoff* 20 U 137/98 (OLG Dusseldorf) [4].

⁶⁷ *Google France* (n 8).

There the European Court limited infringement claims to advertisers purchasing or bidding for keywords. Google, the search engine provider making such keywords available for advertising, would not be engaging in trade mark use.⁶⁸ This finding was irrespective of any actual evidence or inference on the possible harm to the trade mark functions under Art.5(1)(a) TMD. It was pure legal formalist reasoning; the European Court dismissed infringement by holding there is no use of the mark.

Google France is the hallmark of trade mark use in European trade mark law. It can be argued that the CJEU's finding that in offering the Adwords service, Google (and by extension, other search engines fitting same conditions) does not use a trade mark is normative. It seems counter-intuitive that coined or fanciful marks, that is, signs having no primary meaning but the origin of the products, are not being used by search engines making a profit out of their sale for third-party advertising.⁶⁹ Other jurisdictions have found Google to be engaged in trade mark use by the same keyword sales activity.⁷⁰ But at the time the CJEU reached its decision, there were relevant policy considerations at play. The AG opinion had shown particular concern with potential effects that a trade mark use finding could bring about; subjecting Google to trade mark liability over their Adwords activity could risk the functioning of the so-called organic or natural results generated by a search engine in future, namely:

My reason for calling the attention of the court to this issue is to highlight all the possible consequences of the present cases. If the court holds that the display by Google of sites in response to certain keywords constitutes

⁶⁸ *ibid*, paras 55-59.

⁶⁹ This is one of the many instances cautioning against generalising doctrinal constructions in trade mark law. Similarly, the finding in *Google France* (n 8), paras 94-97, that the advertising function is not affected because the trade mark owner's website would feature among the first results appears to neglect instances where the mark does not have enough reputation. Cf. Ohly, 'Keyword Advertising' (n 9) 880.

⁷⁰ *Rescuecom Corp v Google Inc* (n 64).

a trade mark infringement, it may be difficult to distinguish between the situation involving AdWords and the situation involving Google's search engine.⁷¹

This was a strongly-worded opinion suggesting that an absolute right of control would allow trade mark owners to interfere with the manner how information is structured and accessed on the Internet.⁷² It could also run the risk that ‘such an absolute right of control would cover, de facto, whatever could be shown and said in the cyberspace with respect to the good or service associated with the trade mark’.⁷³ And there was some reason in it. In the wake of *L’Oréal v Bellure*,⁷⁴ Google would emerge as a likely candidate for an unfair advantage claim. It was a service provider selling third-party trade marks as keywords, and making a profit on such an activity. These concerns resonated with trade mark use proponents in the US, in particular that ‘extension of trade mark law to search engines, directories, and other parties that use marks as classification tools poses a grave threat to speech and to the dissemination of truthful information’.⁷⁵ As a result, the non-trade mark use decision of the CJEU in *Google France* 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. Subsequently, *L’Oréal v eBay* would establish that the operator of an online marketplace is not liable for third-party use of trade marks in its platform, namely, that ‘it does not itself use those signs within the meaning of that EU legislation’.⁷⁶

⁷¹ *Google France* (n 8), para AG43.

⁷² *ibid*, paras 110-111.

⁷³ *ibid*, para AG108.

⁷⁴ Case C-487/07 *L’Oréal SA v Bellure NV* EU:C:2009:378, [2009] ETMR 55.

⁷⁵ Dogan and Lemley, ‘Trademarks and Consumer Search Costs’ (n 30) 782.

⁷⁶ C-324/09 *L’Oréal SA v eBay International AG* [2012] BusLR 1369 (CJEU), para 102.

Conversely, *Adam Opel* suggests another approach where the functions theory operates through a methodology resorting to market realities. 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*.⁷⁷ Again, the finding that the origin function had not been affected in *Adam Opel* was inferred from market-related evidence produced in national court proceedings. The German Association of the Toy Industry had joined the infringement claim in favour of the defendant,⁷⁸ and survey evidence established that only a small proportion of the public interviewed regarded the sign reproduced in the model cars as a linking factor to the car manufacturer being responsible for such model cars.⁷⁹ 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.⁸⁰ 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'.⁸¹ As a result, the same mark, while denoting the original car manufactured by Opel, did not perform an origin function

⁷⁷ 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 example Louis Kaplow, 'Rules versus Standards: An Economic Analysis' (1992) 42 *DukeLJ* 557.

⁷⁸ *Adam Opel (BGH)* (n 17) [5].

⁷⁹ *ibid* [12].

⁸⁰ *Adam Opel (CJEU)* (n 5), AG Opinion, para AG11; *Adam Opel (BGH)* (n 17) [3].

⁸¹ *Adam Opel (BGH)* (n 17) [24].

for toys. Infringement was therefore dismissed after an assessment was conducted under the functions theory, which had no bearing in the question of trade mark use.

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

60 It is apparent from the case-law cited in paragraph 58 of this judgment that the proprietor of the mark cannot oppose the use of a sign identical with the mark on the basis of Article 5(1)(a) [TMD] if that use is not liable to cause detriment to any of the functions of that mark (see also *Arsenal Football Club*, paragraph 54, and *Adam Opel*, paragraph 22).

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) [TMD], 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 ...* 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 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.⁸²

The doctrinal segregation (and coexistence) between trade mark use and trade mark functions that I propose finds some support in the language used in the judgment. At paragraph 60, the European Court, referencing *Arsenal* and *Adam Opel*, employs harm to the functions language in determining whether the trade mark proprietor is entitled to oppose the use of an identical sign. In the following paragraph, however, it shifts to

⁸² *L'Oréal v Bellure* (CJEU) (n 74), paras 60-63.

different language to define purely descriptive (or perhaps, spoken)⁸³ use under *Holterhoff*. Instead of referring to the right of the trade mark owner to oppose use upon showing harm to functions, it becomes an issue of scope of application of Art.5(1) and ‘use within the meaning of that provision’. Put differently, it is one thing to fall within the scope of Art.5(1); another is to find infringement under the same provision. Use as a trade mark is a threshold question performing a gatekeeper function similar to what US scholarship has proposed.⁸⁴ To say there is no trade mark use means only that analysis under Art.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. In her commentary on *L’Oréal v Bellure*, Annette Kur seems to follow a similar line of thinking by claiming:

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.⁸⁵

Thus leaving the unfair advantage discussion aside,⁸⁶ results in *L’Oréal v Bellure* might have been different had the EWCA carried out the infringement assessment under the functions theory. However, the court assumed only descriptive use would save

⁸³ See n 66.

⁸⁴ Text to n 30.

⁸⁵ Kur (n 15) 446.

⁸⁶ The CJEU decision linking unfair advantage to the concept of imitations or replicas within Art.3(a)(1)(h) MCAD made it difficult for the EWCA to rule differently. See *L’Oréal v Bellure (CJEU)* (n 74), paras 75-80. The notion of due cause in Art.5(2) TMD, which could have been a viable defence, only came to be developed in *Interflora (CJEU)* (n 9) and *Case C-65/12 Leidseplein Beheer BV v Red Bull GmbH* [2014] ETMR 24 (CJEU).

infringement (in a *Holterhoff*-like situation) and, conflating both trade mark use and functions, cut short the analysis. (Admittedly, the CJEU adopting trade mark use terminology, which had its own meaning in the UK, to refer to a wholly different EU-wide concept made it difficult, if not impossible, for anyone to work such a distinction at the time.)

But this doctrinal distinction became clearer when the CJEU later revisited trade mark use in *Winters v Red Bull*.⁸⁷ The claimant, the manufacturer of the Red Bull energy drink, brought a trade mark infringement claim against a filling plant in the Netherlands. Winters, the defendant, had been hired by another company, Smart Drinks, simply to fill cans of drinks labelled ‘Bullfighter’, ‘Pitbull’ ‘Red Horn’ and ‘Live Wire’. The defendant would receive empty cans with matching lids and the extract of the fizzy drink to fill them with. Those cans already bore the various signs and decorations; the defendant needed only follow the directions and recipes of Smart Drinks to manufacture the drinks. Smart Drinks would then collect the filled cans and export them to other countries in the Community.⁸⁸ The claimant, arguing that the Red Bull mark had been infringed, sought an injunction restraining the defendant from producing such drinks upon instructions of Smart Drinks. During infringement proceedings, the defendant contended that filling drinks with packaging which already bore a sign constituted a typical service provided to and on the instructions of a third party, which, therefore, would not amount to trade mark use.⁸⁹ However, taking the view that by combining the drink with the packaging the defendant had used the sign in the course of trade, the lower court granted the

⁸⁷ Case C-119/10 *Frisdranken Industrie Winters BV v Red Bull GmbH* [2012] ETMR 16 (CJEU).

⁸⁸ *ibid*, para 7.

⁸⁹ *ibid*, para 16.

injunction.⁹⁰ The Court of Appeal in the Netherlands then referred a question phrased as one of trade mark use to the CJEU, asking whether ‘the mere “filling” of packaging which bears a sign’ would amount to use of a sign within Art.5 TMD,⁹¹ which could be reframed as inquiring whether such an activity would be legally relevant to trade mark law.

Interestingly, the AG opinion suggests there were a set of policy concerns underlying the consideration of trade mark use in this case. AG Kokkot contended there should not be such use. The defendant had limited itself to filling the contents of drinks the packaging of which had been provided by a third party; affixation of the mark to did not take place in the filling plant neither had the defendant used it in advertising or commercial communication.⁹² Rather, the defendant had no commercial interest in the product, but only in fulfilling orders of a third party. A trade mark use finding would therefore place a heavy burden on those engaging in same or similar business activities, namely:

Moreover, such an exception would expose service providers such as Winters to disproportionate risks. This would affect not only drinks filling plants but all undertakings which package goods or produce packaging on the instructions of another. It is practically impossible for them to ensure that the signs chosen by the client do not infringe marks belonging to another.⁹³

One could argue that the AG opinion is at odds with the traditional approach to trade mark infringement, which is one of strict liability. Normally it would be assumed that, were such businesses found infringing, they could seek redress from the company placing orders. This would not be markedly different from the strict liability standard imposed

⁹⁰ *ibid*, paras 9-11.

⁹¹ *ibid*, para 14.

⁹² *ibid*, paras AG25-AG26.

⁹³ *ibid*, paras AG33-AG34.

on retailers for stocking, selling or even importing infringing goods.⁹⁴ Conversely, the European Commission took the view that immunisation from trade mark liability ‘would invite abuse as undertakings seeking to infringe the marks of others will commission third parties to commit acts of infringement’.⁹⁵ At the end of the day, in a decision which is heavily influenced by the reasoning in *Google France*,⁹⁶ the CJEU found for non-trade mark use, as follows:

Although it is clear from those factors that a service provider such as Winters operates in the course of trade when it fills such cans under an order from another person, it does not follow, however, therefrom that the service provider itself “uses” those signs within the meaning of art.5 [TMD] (see, by analogy, *Google France* ... at [55]).⁹⁷

Furthermore, the European Court held that the non-trade mark use finding had the effect of insulating economic operators carrying out such a practice from trade mark liability, the autonomous and uniform concept of *use* extending even to dilution claims covered by Art.5(2) TMD.⁹⁸ The practice would therefore fall outside the realms of European trade mark law and, as it happens with Internet service providers, should be left to national law. The CJEU thus seemed to have strangely insulated filling plants, which were considered intermediaries, from trade mark liability while emphasising liability of customers, that is, distributors, retailers and other vendors of the potentially infringing product. Given that the obligation that a strict liability standard imposes on such customers is not wholly different from that that would be incumbent on a filling plant (i.e. to check whether the product is infringing or otherwise assume the risk of the order),

⁹⁴ Art.10(3)(b) and (c) TMD 2015, formerly Art.5(3)(b) and (c) TMD.

⁹⁵ *Winters v Red Bull* (n 87), para AG36.

⁹⁶ *ibid*, paras 28-31.

⁹⁷ *ibid*, paras 28 and 30.

⁹⁸ *ibid*, para 35.

it strongly suggests that application of the trade mark use doctrine had a more normative character. As in *Google France*, the European Court chose trade mark use over functions, and thus immunised a certain practice from trade mark liability throughout the Community. As such, the question of whether filling plants carrying out orders placed by a third party would infringe trade mark rights is no longer open for national courts to consider.

The timing of the *Winters v Red Bull* decision, handed down after *L'Oréal v Bellure*, gives support to my proposition that the legal concepts of trade mark use and trade mark functions are wholly separate. Here the non-trade mark use finding does not derive from an infringement-like assessment gauged by consumer perceptions as we have seen in the UK trade mark use decisions examined earlier in this chapter.⁹⁹ It does not consider whether the marks were similar or had an impact on the average consumer; neither does the Court adopt functions language found in infringement cases such as *Adam Opel* and *L'Oréal v Bellure*. Indeed, the trade mark use approach in *Winters v Red Bull* unveils a normative, abstract determination of scope of trade mark law rather than contextual, case-specific assessment of infringement. The former UK notion of trade mark use is thus methodologically closer to the functions theory operating through contextual assessment. And while we have been focusing our analysis on such exceptional cases of immunisation, the CJEU jurisprudence otherwise favours an expansive reading of the trade mark use requirement that has been acknowledged in the literature.¹⁰⁰ More infringement fact-patterns are allowed through the gateway, with *Google France* and *Winters v Red Bull* being the rare exceptions. It is an expansion of

⁹⁹ Text to n 34.

¹⁰⁰ Senftleben (n 14).

trade mark law that, however, should be read together with the functions theory now straddling infringement assessment to make confusion analysis increasingly contextual. A EU-wide abstract trade mark use finding does not entail infringement, but rather leaves the question of harm to the origin function for national courts to consider (thus allowing variation between Member States based on differing consumer perceptions or established market practices).

One possible explanation for the prevalence of the functions theory in the European framework can be ascribed to its standard-based nature being more consistent with the CJEU jurisprudence on freedom of goods. Rather, it has the potential of promoting single market integration without stripping Member States from their regulatory autonomy.¹⁰¹ 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.¹⁰² 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,¹⁰³ it has the merit of allowing for consideration of cultural differences and language barriers in Member States. It is therefore consistent with the single market

¹⁰¹ See for example Graeme B Dinwoodie, 'Territorial Overlaps in Trademark Law: The Evolving European Model' (2017) 92 *NotreDameLRev* 1669.

¹⁰² 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.

¹⁰³ 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 for example Dinwoodie and Janis (n 16) 1641-1650. Discussed in Ch V.

integration rationale in freedom of goods cases accounting for the same factors.¹⁰⁴ 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 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.¹⁰⁵

This rationale of allowing cultural differences was explicitly incorporated in trade mark law at a later moment in *DHL*¹⁰⁶ and, more recently, *Combit*¹⁰⁷ and *Ornua*¹⁰⁸ to address the territorial scope of rights of a EUTM under the functions theory. Such derogations from the unitary principle, as Graeme Dinwoodie would call them,¹⁰⁹ are arguably part of a broader CJEU movement of infusing infringement assessment with contextual matter – notably consumer perceptions and market practices – that is foreign to more conventional views of a paper-based assessment methodology.

Conversely, the CJEU jurisprudence shows a trend towards a more expansive as opposed to restrictive reading of *use* within Art.5 TMD. Trade mark use doctrine seems

¹⁰⁴ See for example Case C-220/98 *Estee Lauder Cosmetics GmbH & Co OHG v Lancaster Group GmbH* EU:C:2000:8, para 29.

¹⁰⁵ Case C-313/94 *Fratelli Graffione SNC v Ditta Fransa* [1996] ECR I-6039, paras 22-23.

¹⁰⁶ Case C-235/09 *DHL Express France SAS v Chronopost SA* [2011] ETMR 33 (CJEU), paras 46-48.

¹⁰⁷ Case C-223/15 *Combit v Commit* [2016] BusLR 1393 (CJEU), paras 31-33.

¹⁰⁸ Case C-93/16 *Ornua Co-operative Ltd v Tindale & Stantion Ltd Espana SL* [2017] ETMR 37 (CJEU).

¹⁰⁹ Dinwoodie (n 101).

to be now reserved to exceptional cases like *Google France*¹¹⁰ and *Winters v Red Bull*,¹¹¹ 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 normative rule-based device. But it is also a rather aggressive instrument of EU-wide negative law making that runs the risk of depriving trade mark law from much of its purpose. Trade mark law may have to account for concerns other than economic efficiency,¹¹² which in Europe means reconciling single market integration with cultural and language differences in Member States; incentives to investment and protection of goodwill are other rationales known to operate in European trade mark law, of which dilution causes of action are good example.¹¹³ A more contextual approach by operating the functions theory in cases like *Adam Opel* seems more suitable to further such policy concerns.¹¹⁴

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.¹¹⁵ But recourse to market practices

¹¹⁰ *Google France* (n 8).

¹¹¹ *Winters v Red Bull* (n 87).

¹¹² Dinwoodie and Janis (n 16) 1639; Robert Burrell and Kimberlee Weatherall, 'Towards a New Relationship Between Trade Mark Law and Psychology' CLP <<https://doi.org/10.1093/clp/cuy001>> accessed 24 December 2018, 5.

¹¹³ See for example 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); Ilanah Simon Fhima, 'The Court of Justice's Protection of the Advertising Function of Trade Marks: An (Almost) Sceptical Analysis' (2011) 6 JIPLP 325. See also Barton Beebe, 'The Suppressed Misappropriation Origins of Trademark Antidilution Law: the Landgericht Elberfeld's Odol Opinion and Frank Schechter's The Rational Basis of Trademark Protection' in Rochelle Cooper Dreyfuss and Jane C Ginsburg (eds), *Intellectual Property at the Edge: The Contested Countours of IP* (Cambridge University Press 2014), arguing that trade mark dilution stemmed from misappropriation; Senftleben (n 14), questioning the need for protection beyond confusion-based claims.

¹¹⁴ Ch V.

¹¹⁵ Ohly, 'Keyword Advertising' (n 9) 880. See also *Google France* (n 8), paras 83-84; *Interflora (CJEU)* (n 9), para 44. Whether this standard developed in the context of Internet keywords

and consumer understandings under the functions theory remains a viable defence for double identity. In *Viking Gas*, 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’.¹¹⁶ And UK courts have dismissed infringement by having resort to a more reality-based assessment under the functions theory. In *Supreme Petfoods*, the competing products coexisting for over 20 years without relevant confusion in the marketplace would establish that the defendant’s use of the sign had no adverse effect on the origin function of the registered mark.¹¹⁷

I argue that this theoretical distinction between trade mark use and the functions theory can explain doctrinal developments that ensued. Recourse to context, notably consumer perceptions, has emerged as a resource to reconcile single market integration with 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 poses the question of to what extent the infringement assessment the CJEU has developed conceals a proportionality test where the act has to be justified and market realities brought into a more contextual

extends to ‘real world’ situations remains unclear. See for example *Supreme Petfoods Limited v Henry Bell & Co (Grantham) Limited* [2015] EWHC 256 (Ch) [158] (Arnold J).

¹¹⁶ Case C-46/10 *Viking Gas A/S v Kosan Gas A/S* [2011] ETMR 58 (CJEU), 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. This further suggests that the keyword test is operating under a different rationale which may be doctrinally incoherent. Nonetheless, UK courts have been adopting a more contextual approach by infusing the average Internet user with market-related evidence. See for example *Victoria Plum Limited v Victorian Plumbing Limited* [2016] EWHC 2911 (Ch).

¹¹⁷ *Supreme Petfoods* (n 115) [166]-[183]. See also *Walton International Limited v Verweij Fashion BV* [2018] EWHC 1608 (Ch) [202]-[216].

assessment allows for transparent policy choices.¹¹⁸ *O2 Holdings* is yet another example of context being brought to internalise other policy concerns conflicting with trade mark law.¹¹⁹ Again, the European Court chose to address the issue by operating the functions theory through a contextual assessment.

C. O2 Holdings: context is brought to likelihood of confusion

A little more than one year after *Adam Opel*, the issue of the circumstances underlying the use of the allegedly infringing sign potentially changing the outcome resurfaced in *O2 Holdings*,¹²⁰ 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 advertising. Like *Adam Opel*, it also posed a normative concern that Jacob LJ framed as 'how aggressively does EU law permit comparative advertising to go'.¹²¹

O2 brought a trade mark infringement claim against Hutchinson for releasing a comparative advertising campaign which made use of bubble imagery commonly associated with the O2 brand on the mobile phone market.¹²² On the facts, Hutchinson's advertisement did not convey misleading information and, furthermore, the average

¹¹⁸ Ch V.

¹¹⁹ *O2 Holdings (CJEU)* (n 13).

¹²⁰ *O2 Holdings Ltd v Hutchison 3G Ltd* [2006] EWCA Civ 1656.

¹²¹ *ibid* [1].

¹²² *ibid* [6].

member of the public would perceive the sign as identifying the O2 brand.¹²³ 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.¹²⁴ 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 typical paper-based methodology under UK law, the assessment should be limited to a ‘straight comparison between the sign complained of and the registered mark’.¹²⁵ The analysis should therefore exclude the so-called external matter composing the advertisement and neglect the circumstance that the sign had been used for comparing competing products.¹²⁶ But the adoption of a more abstract test mirroring the assessment of likelihood of confusion conducted at the registration level, as it used to be the practice in the UK,¹²⁷ would favour a finding for infringement. Both mark and sign were actually similar. It was Hutchison’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, which would prevail 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

¹²³ *ibid* [11]. See also *O2 Holdings (CJEU)* (n 13), para 20.

¹²⁴ *O2 Holdings (EWCA)* (n 120) [33]-[38]. Although framing the CJEU question as one of ‘trade mark use’, Jacob LJ conceded there would still be no likelihood of confusion should Art.5(1)(b) TMD be applicable.

¹²⁵ *ibid* [26].

¹²⁶ *ibid* [107]-[110].

¹²⁷ Ch III(1). 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.

context, that the sign was being used in a comparative advertising piece including, *inter alia*, the accompanying voice-over, the soundtrack, and the text displayed over the video.

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.¹²⁸

By following an abstract assessment focusing upon the mark and sign to be compared in isolation, determination of confusion is reduced to a question of whether consumers are likely to 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.¹²⁹

As such, *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 a relief valve the CJEU had adopted under double identity.¹³⁰ 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. Indeed, the CJEU rejected a trade mark use approach and, contrary to what Jacob LJ and AG Mengozzi had proposed, chose not to immunise comparative advertisement from

¹²⁸ *O2 Holdings (CJEU)* (n 13), para 25.

¹²⁹ See *O2 Holdings (EWCA)* (n 120) [34], calling it an artificial approach.

¹³⁰ *Adam Opel (CJEU)* (n 5) is referred to substantiate trade mark use and set out the general conditions for infringement. See *O2 Holdings (CJEU)* (n 13), paras 56-57.

liability.¹³¹ It further indicates that determination of confusion in infringement is also tethered to source identification judgment through the perceptions of the average consumer. In attempting to reconcile the provisions of Art.5(1) TMD and Art.3(a)(1) MCAD, the CJEU equated the notions of confusion in trade mark law and unfair commercial practices law.¹³² This seemingly converged on a concept of misleading¹³³ that is nonetheless consistent with the materiality requirement that the Court had introduced in *Adam Opel* under the origin function.¹³⁴

Hence application of 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 realities, is needed. Thus as in *Adam Opel*,¹³⁵ an abstract analysis focusing on the comparison of marks alone sounds unsuitable. An argument can be made that the approach of insulating a sign for conducting a paper-based comparison (that is, mark for mark) takes a wrong turn 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*.¹³⁶ 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 the two

¹³¹ Cf. *O2 Holdings (EWCA)* (n 120) [33]; *O2 Holdings (CJEU)* (n 13), AG Opinion, paras AG28-AG35.

¹³² *O2 Holdings (CJEU)* (n 13), paras 45-46.

¹³³ Ohly, ‘Interfaces’ (n 28).

¹³⁴ Text to n 28.

¹³⁵ *Adam Opel (CJEU)* (n 5).

¹³⁶ Case C-251/95 *Sabel BV v Puma AG* EU:C:1997:528.

are not confused'.¹³⁷ It does not explain 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 advertising piece in question. This is methodologically (and materially) different from Hutchinson trying to register such a sign as a trade mark which would be a matter of granting a right of exclusivity rather than accepting use. Since there is a difference between securing exclusive rights via registration and allowing use of a sign in the marketplace, where different rationales may be at work, there are good reasons for drawing such a methodological distinction. Normatively, implications of each kind of assessment are clearly contrastable: registration analysis centres on the granting of an exclusive right which can be opposed against third parties, whereas infringement deals with the use of a sign in a particular situation.¹³⁸

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

Article 4(1)(b) [TMD], 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

¹³⁷ *ibid*, para 15.

¹³⁸ See for example Rebecca Tushnet, 'Registering Disagreement: Registration in Modern American Trademark Law' (2017) 130 HLR 867, 875 ('I believe that trademark serves multiple goals. But whatever the purpose of trademark protection, trademark *registration* is different: it implements the concept of trademark by creating an administrative procedure to define and record trademarks on a publicly accessible registry.'). Specifically, a registration system may be framed in different ways and attune to a set of objectives which may not be wholly consistent with trade mark policy. See also Burrell and Weatherall (n 112) 8; Dinwoodie, 'Territorial Overlaps' (n 101), addressing the issue from a unitary rights perspective.

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) [TMD], 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.¹³⁹

As a result, determination of confusion in infringement (or, rather, harm to the origin function)¹⁴⁰ is now tethered to the specific context in which the sign was actually used by the defendant.¹⁴¹ And as we have seen, assimilation of context requires consideration of consumer understandings and market practices,¹⁴² and external matter affecting how the sign is perceived in the marketplace.¹⁴³ Hence 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 seems to be part of a larger a movement of the CJEU in placing the average consumer as the centrepiece of trade mark law.¹⁴⁴ The functions theory requires some regard for market realities in that such a consumer be (to

¹³⁹ *O2 Holdings (CJEU)* (n 13), paras 66-67.

¹⁴⁰ *ibid*, para 59 ('... use of a sign which is identical with, or similar to, the trade mark which gives rise to a likelihood of confusion on the part of the public affects or is liable to affect the essential function of the mark.').

¹⁴¹ *ibid*, para 64.

¹⁴² *Adam Opel (CJEU)* (n 5).

¹⁴³ *O2 Holdings (CJEU)* (n 13).

¹⁴⁴ See for example 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 2016). Discussed in Ch V.

some or a large extent) constructed based upon the perceptions of actual consumers rather than reduced to a purely notional, hypothetical person.

2. Arsenal revisited: the autonomous and uniform concept of trade mark use

Once the doctrinal and methodological distinction between trade mark use and functions is established, I argue that *Arsenal* can be given a more coherent reading within this European trade mark law framework.

*Arsenal*¹⁴⁵ is a typical merchandising case which became known for articulating the trade mark functions theory, where the CJEU hinted at the notion of harm to the essential function as the litmus test for infringement. While this is a story which has been fully recounted in the literature,¹⁴⁶ I would propose a different reading. Instead of focusing on the functions language that the CJEU articulated on the occasion, I argue that the contribution of *Arsenal* now lies elsewhere. As the functions theory was further developed in cases such as *Adam Opel*, and as confusion-based infringement (i.e. harm to the origin function) departed from a more abstract logic of the registrar to assimilate contextual matter, *Arsenal* should be understood as a trade mark use case, but in the US trade mark use sense.¹⁴⁷ It is not all that important for articulating the functions theory, the origin of which can be traced back to earlier repackaging cases, but for establishing that *use* in Art.5(1) TMD is an autonomous and uniform concept of European law.

¹⁴⁵ *Arsenal* (CJEU) (n 4).

¹⁴⁶ See for example John N Adams, 'Arsenal v Reed: No Favours from ECJ' [2003] IPQ 229; Po-Jen Yap, 'Making Sense of Trade Mark Use' (2007) 29 EIPR 420; Dawson (n 58).

¹⁴⁷ Text to n 30.

Specifically, *Arsenal* conceals the normative question that came to be resolved in *Adam Opel* under the functions theory,¹⁴⁸ a question that Graeme Dinwoodie and Mark Janis, in their critique of the expansionist vision of trade mark use as a limiting doctrine, framed as follows:

The modern view of trademarks as more than mere indications of source clearly reflects how consumers actually use marks in a brand-conscious society, and thus, scholarly and judicial disagreement centers on the normative question: should trademark law protect signals of affiliation and endorsement? Should trademark law protect the full panoply of human reactions and consumer meaning induced by brands?¹⁴⁹

We have seen that in *Adam Opel* context was brought into the assessment through the origin function to deal with a potential threat that the expansion of trade mark law had created.¹⁵⁰ This expansion movement was made possible because of the notion of *use* as a European-wide concept. In holding that the term *use* in Art.5(1) TMD should be afforded uniform interpretation, the CJEU carried out a harmonisation effort to ensure that possible differences in the *potential application* of trade mark law among Member States were disavowed. This is fundamentally a question of how far trade mark law is able to reach, not infringement.

Arsenal, the English football club, brought an infringement claim against Matthew Reed, an unofficial retailer who used to sell both licensed and unlicensed Arsenal merchandise. In the course of proceedings, the defendant argued that the Arsenal signs being reproduced on unlicensed merchandise were a badge of allegiance or support, so there would be no trade mark use. Consumers would purchase the products to pay

¹⁴⁸ *Adam Opel (CJEU)* (n 5).

¹⁴⁹ Dinwoodie and Janis (n 16) 1653.

¹⁵⁰ Ch II(1).

tribute or show support to the club, not because they would believe that the merchandise came from the club or had been endorsed by it. Based on the evidence produced in connection with the passing-off claim, Laddie J had found there was no such trade mark use.¹⁵¹ But that did not conclude the discussion. Arsenal further argued that because s.10 TMA 1994, mirroring the Art.5(1) TMD provision, referred to a *sign* (as opposed to a *trade mark*), protection under double identity would not depend on the sign complained of being used ‘as a trade mark’. The TMA 1938, which had been repealed, expressly referred to ‘use as a trade mark’ in s.4(1), a provision having no counterpart in the 1994 Act. Laddie J conceded that such a difference in language could yield different results:

However, there is difficulty created by the form of drafting adopted both by the Directive and our Act. In particular, section 10 defines infringement in terms of the use of a ‘sign’ by the defendant, not the use of a ‘trade mark’.¹⁵²

Discussion then centred on whether Art.5(1) TMD was limited to so-called trade mark use, or whether other non-trade mark uses should be caught by the provision.¹⁵³ Or, to put it another way, ‘for AFC to succeed on trade mark infringement, it has to rely on the non-trade mark use of those signs, that is to say the wide construction of section 10’.¹⁵⁴ In *British Sugar*, Jacob J (as he then was) had given such a broad reading in that descriptive use of the sign *treat* would not evade infringement assessment under the guise of non-trade mark use.¹⁵⁵ Laddie J, believing it to be a controversial issue in European law, sought guidance from the Court of Justice.

¹⁵¹ *Arsenal (EWHC 1)* (n 60) [42], [58].

¹⁵² *ibid* [60].

¹⁵³ *ibid* [54]-[58].

¹⁵⁴ *ibid* [58].

¹⁵⁵ *British Sugar Plc v James Robertson & Sons Ltd* [1996] RPC 281 (EWHC) 291-293. The defendant was saved upon a broad reading of s.11(2) (corresponding to Art.6 TMD at the time) defence which had its scope narrowed by the CJEU in *Adam Opel (CJEU)* (n 5), paras 42-45.

To the bewilderment of many, including Laddie J himself,¹⁵⁶ the CJEU answered something else entirely. First, contrary to what the referring court had assumed,¹⁵⁷ the reproduction of the Arsenal sign in unlicensed merchandise amounted to trade mark use, it being ‘immaterial that, in the context of that use, the sign is perceived as a badge of support for, loyalty or affiliation to the trade mark proprietor’.¹⁵⁸ Secondly, the European Court, launching *Arsenal* to stardom, held that:

It follows that the exclusive right under Art.5(1)(a) [TMD] was conferred in order to enable the trade mark proprietor to protect his specific interests as proprietor, that is, to ensure that the trade mark can fulfil its functions. The exercise of that right must therefore be reserved to cases in which a third party's use of the sign affects or is liable to affect the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods.¹⁵⁹

While the full extent of this judgment remains controversial, *Arsenal* should be re-examined in the light of the methodological distinction between the trade mark use, as a rule-like doctrinal device, and the functions theory operating through a contextual assessment that I have proposed. The CJEU’s holding there had been trade mark use should mean only that the practice carried out by the defendant, that is, sales of unofficial merchandise, was not insulated from trade mark liability per se. While the European Court indicated that trade mark use was the wrong question to be asked in the *Arsenal*

However results could have been different under current law. There are reasons to believe that the sign would be defined more broadly and much of the analysis that Jacob J carried out under the defence would now take place within likelihood of confusion (as an issue of harm to the origin function). Ch III examines how this statutory change from mark to sign may have reflected in the nature of the comparison in infringement.

¹⁵⁶ *Arsenal Football Club Plc v Reed* [2002] EWHC 2695 (Ch) [27]-[29].

¹⁵⁷ *Arsenal (EWHC I)* (n 60) [54]-[58]. Laddie J had conceived only that s.10 could be construed broadly to cover other non-trade mark uses, never that the use of the signs made by the defendant was tantamount to trade mark use.

¹⁵⁸ *Arsenal (CJEU)* (n 4), para 61.

¹⁵⁹ *ibid*, para 51.

case,¹⁶⁰ to which the EWCA conceded,¹⁶¹ it has never held that trade mark functions and use were mutually exclusive. Rather, CJEU would later indicate in *L'Oréal v Bellure* that both coexist and serve different purposes under European trade mark law.¹⁶²

There are good reasons to believe that the CJEU's finding of trade mark use in *Arsenal* was essentially normative and, therefore, was not primarily concerned with consumer perceptions of a particular sign. Instead, the judgment in *Arsenal* seems to have placed more weight on the *practice* of merchandising, that is, the affixation of a sign on such goods intended for sale.¹⁶³ The impact that such a decision otherwise could have brought about on merchandising activities and, in particular, on the business model and financing of football clubs in Europe should not be underplayed. Indeed, AG Mengozzi's account of 'football as an economic phenomenon' may have been decisive.¹⁶⁴ And protection to sports merchandise under trade mark law has been widely recognised in other jurisdictions. In *Boston Hockey*, a case involving sales of embroidered emblems reproducing the symbols of several teams from the National Hockey League (NHL) in the US, the Court of Appeals for the Fifth Circuit held that:

The conclusion is inescapable that, without plaintiffs' marks, defendant would not have a market for his particular product among ice hockey fans desiring to purchase emblems embroidered with the symbols of their favorite teams. It becomes clear that defendant's use of plaintiffs' marks is

¹⁶⁰ See also *Arsenal Football Club Plc v Reed* [2003] EWCA Civ 96 [42]. Cf. *Hearst Holdings* (n 20), a merchandising case framing the issue under the functions theory.

¹⁶¹ *Arsenal (EWCA)* (n 160) [33] ('The relevant consideration was whether the use complained about was likely to damage that property right or, as the ECJ put it, is likely to affect or jeopardise the guarantee of origin which constitutes the essential function of the mark. That did not depend on whether the use complained of was trade mark use.')

¹⁶² *L'Oréal v Bellure (CJEU)* (n 74), paras 61-63.

¹⁶³ See for example *Arsenal (CJEU)* (n 4), para 55, distinguishing *Hölterhoff* (n 65) on the basis that 'the use of the sign takes place in the context of sales to consumers'.

¹⁶⁴ *ibid*, paras A73-A87.

in connection with the sale, offering for sale, distribution, or advertising of goods ...¹⁶⁵

Now, should the term *use* be afforded uniform interpretation throughout the Community,¹⁶⁶ a finding for non-trade mark use could put merchandising activities at peril. Hence a decision that there had been such use, that is, that merchandising was a matter of concern to trade mark law is hardly unprecedented, let alone surprising. And I contend that while the merchandising practice of *Arsenal* is subject to trade mark liability, infringement would still depend upon showing harm to functions. In *Adam Opel*,¹⁶⁷ double identity infringement was dismissed because the practice carried out by the defendant, while amounting to trade mark use, was not liable to adversely affect the functions of the trade mark.¹⁶⁸ Consumers would not attach the origin significance that the claimant asserted the registered trade mark to have (i.e. the Blitz sign *for toys*, not cars). Thus we could only speculate that the difference in *Arsenal*, another merchandising case, would be one of consumer perceptions or even timing; harm to the functions was never considered because it was not a question existing in trade mark infringement until the CJEU gave its judgment. According to the EWCA at the time:

... the judge did not come to any conclusion as to whether Mr Reed's use was liable to affect or jeopardise the guarantee of origin which was the essential feature of Arsenal's trade mark rights. No doubt this was not argued as an issue and because of that he did not consider it to be relevant.¹⁶⁹

¹⁶⁵ *Boston Professional Hockey Association Inc v Dallas Cap & Emblem MFG Inc* 510 F2d 1004 (5th Cir 1975).

¹⁶⁶ *Arsenal (CJEU)* (n 4), para 45.

¹⁶⁷ *Adam Opel (CJEU)* (n 5).

¹⁶⁸ Ch II(1)(A).

¹⁶⁹ *Arsenal (EWCA)* (n 160) [42].

Furthermore, this notion of harm to functions as a case-specific approach to infringement that emerged in *Arsenal* was not entirely novel. The language of the essential function of the trade mark had been used before to define the so-called specific subject-matter of the right in exhaustion cases. In *BMS*, for example, the CJEU held that:

In answering the question whether a trade mark owner's exclusive rights include the power to oppose the use of the trade mark by a third party after the product has been repackaged, account must be taken of the essential function of the trade mark, which is to guarantee to the consumer or end user the identity of the trade-marked product's origin by enabling him to distinguish it without any risk of confusion from products of different origin ...

Therefore, the right conferred upon the trade mark owner to oppose any use of the trade mark which is liable to impair the guarantee of origin so understood forms part of the specific subject-matter of the trade mark right, the protection of which may justify derogation from the fundamental principle of the free movement of goods...¹⁷⁰

There the notion of essential function was used to gauge whether enforcement of trade mark rights against parallel importers repackaging medicaments would amount to a disguised restriction on trade between Member States (therefore in breach of freedom of goods). While often reduced to a trade mark exhaustion issue, repackaging or relabelling of the product entailed the reproduction of the mark by the parallel importer.¹⁷¹ At the time, affixation of the mark was treated as ancillary to the intra-community marketing of the products; however, given the broad CJEU reading of use of a trade mark to identify the correct source of the product,¹⁷² these could also be defined as double identity cases. And consideration of such cases further suggests that determination of infringement was

¹⁷⁰ Joined Cases C-427, 429 & 436/93 *Bristol-Meyers Squibb v Paranova* [1997] 1 CMLR 1151, paras 47-48.

¹⁷¹ *ibid*, AG Opinion, para 4. See also Case C-348/04 *Boehringer Ingelheim KG v Swingward Ltd* [2007] 2 CMLR 52.

¹⁷² Case C-337/95 *Parfums Christian Dior SA v Evora BV* EU:C:1997:517; Case C-63/97 *Bayerische Motorenwerke AG v Ronald Karel Deenik* [1999] 1 CMLR 1099 (CJEU); *O2 Holdings (CJEU)* (n 13).

a fairly contextual exercise gauging consumer perceptions of the packaging. Indeed, different instances of repackaging, relabelling, cobranding, rebranding and de-branding of products called for separate assessments.¹⁷³ It is not particularly surprising that the European Court chose to adopt familiar language when it suggested that *Arsenal* was a (more contextual) question of harm to the functions rather than the ubiquitous trade mark use. Perhaps much of the confusion that ensued can be ascribed to the CJEU appropriating trade mark use terminology, which had its own significance in European jurisdictions such as the UK¹⁷⁴ and Germany,¹⁷⁵ to give it entirely new meaning.

The CJEU approach suggests a more complex understanding of uses that can be made of a trade mark, and that, contrary to what commentators have argued at the time (without the benefit of hindsight),¹⁷⁶ consumer perceptions are not relevant to that enquiry – something which later became apparent in *Google France*.¹⁷⁷ In holding that motivation factors for purchase (such as an urge to support a team) are immaterial to trade mark use, the European Court also appears to reject a single meaning rule in trade mark law, because accepting that use of a sign as such would trigger non-trade mark use corresponds to notionally assuming that consumers would perceive (and react to) it in the same way. As such, infringement would be reduced to a binary question having community-wide effects, a blanket rule with no room for exception, while the CJEU jurisprudence seems to be moving the other direction.¹⁷⁸ In the next chapter, I examine

¹⁷³ Case 102/77 *Hoffmann-la Roche & Co AG v Centrafarm Vertriebsgesellschaft Pharmazeutischer Erzeugnisse mbH* [1978] 3 CMLR 217 (CJEU); *BMS* (n 170); *Boehringer (CJEU II)* (n 171).

¹⁷⁴ Ch II(1)(B).

¹⁷⁵ Ch IV(1).

¹⁷⁶ Yap (n 146) 422.

¹⁷⁷ *Google France* (n 8).

¹⁷⁸ See for example *DHL* (n 106); *Combit v Commit* (n 107). See also Graeme B Dinwoodie, 'Territorial Overlaps' (n 101).

how a single meaning rule enforced by a notional, hypothetical person is giving way to a more pluralistic approach drawing on the context of perceptions of various classes of consumers inhabiting the marketplace; the construction of the average consumer being key in this process.

3. Specsavers: context to rule them all?

While not directly addressing an issue of trade mark functions,¹⁷⁹ *Specsavers* added to the prior CJEU rationale of assimilating, as context, market realities through the views the average consumer. The relevance of this judgment resides in allowing external matter reflecting the actual use of the registered mark to be factored in infringement. It challenges the historical assumption that infringement assessment should be limited to the information made available on the register.

Interestingly, the factual background to *Specsavers* somewhat resembles *O2 Holdings*; both defendants sought to produce a non-confusing association with the mark of a market leader in offering their own products.¹⁸⁰ Asda had intentionally targeted Specsavers. It decided to assume the same business model of its main competitor and then focus on price competition. The Specsavers brand and business model were the starting point of a marketing strategy designed to draw consumer attention to similar attributes of the leading brand.¹⁸¹

¹⁷⁹ In later parts of this thesis, I attempt to demonstrate that this movement of incorporating matter extraneous to the registration finds support in functional analysis carried out by national courts.

¹⁸⁰ *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2010] EWHC 2035 (Ch) [6].

¹⁸¹ *ibid* [20].

While some have defined *Specsavers* as another comparative advertisement dispute,¹⁸² I would prefer to frame 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. By recalling the leading brand, Asda intended to transmit the values sought by the consumers on that particular market, suggesting that the products on offer were similar or shared the same characteristics.¹⁸³ Arguably, consumers would adapt and learn to distinguish, in context, branded products from their private label counterparts.¹⁸⁴

Perhaps understandably, 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. However, it explicitly rejected evidence on the distinctiveness that the Specsavers mark would have acquired upon the use of the colour green in the marketplace.¹⁸⁵ Exclusion of matter extraneous to the mark as registered was the norm

¹⁸² *Total Ltd v YouView TV Ltd* [2014] EWHC 1963 (Ch) [97].

¹⁸³ This is consistent with the so-called ‘lookalike effect’. See for example Philip Johnson, Johanna Gibson and Jonathan Freeman, *The Impact of Lookalikes* (Intellectual Property Office, 2013) 30-31 (‘... lookalikes reduce consumer doubt or uncertainty about unfamiliar or new products as similar packaging will communicate similar features ... Similar packaging can also evoke contrast feelings, leading consumers to compare the characteristics of the brand leader and the lookalike.’).

¹⁸⁴ 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).

¹⁸⁵ *O2 Holdings Ltd v Hutchison 3G Ltd* [2006] EWHC 534 [118]-[122].

under UK law,¹⁸⁶ with a similar attempt having being rejected in *O2 Holdings*.¹⁸⁷ On appeal, the EWCA sought CJEU guidance on whether circumstances of actual use of the registered mark should be taken into account. Without the submission of the Advocate-General,¹⁸⁸ the CJEU held 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.¹⁸⁹

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 gauged by consumer perceptions inferred from the marketplace.

To be sure, the judgment in *Specsavers* can be understood as part of a larger movement of the CJEU delivering a series of judgments tempering the formality of the register. (1) The use of a separate mark in conjunction with another mark having a reputation may establish acquired distinctiveness of the former.¹⁹⁰ (2) Genuine use assessment became more flexible in view of the specification of goods claimed in the

¹⁸⁶ Ch III(1).

¹⁸⁷ *O2 Holdings (EWHC)* (n 185) [80].

¹⁸⁸ This may suggest that the court felt there was no new point of law to be considered.

¹⁸⁹ Case C-252/12 *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2013] ETMR 46 (CJEU), para 38.

¹⁹⁰ Case C-353/03 *Societe des produits Nestle v Mars UK Ltd* [2005] ECR I-6135; Case C-12/12 *Colloseum Holding AG v Levi Strauss & Co* [2013] ETMR 34 (CJEU), paras 28 and 36.

registration.¹⁹¹ (3) Territorial scope of the EUTM may not extend to parts of the single market 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.¹⁹² So there is some coherence in *Specsavers* emerging within this trajectory of re-locating the centre of gravity from the registrar to the figure of the consumer. This puts in question subsequent interpretations seeking to narrow the scope of *Specsavers* as an exceptional decision.

Perhaps surprisingly, the CJEU seemed not to weigh the implications of allowing matter extraneous to the registered mark into infringement. While drawing on the momentum the European Court had built, it seems to neglect the policy considerations at issue in the national court proceedings. *Adam Opel* and *O2 Holdings* were cases where context was brought to enable non-infringing use of signs under particular circumstances; however, *Specsavers* enabled context to expand the scope of protection of the mark. The question was one of enhanced distinctiveness limited to a single colour: as consumers became used to the green colour in which the mark was effectively used in the marketplace, confusion was held more likely. Normally, enhanced protection under the *Sabel* rationale¹⁹³ would require enhanced distinctiveness to be established for all colours, or, rather, irrespective of any colour. The *Specsavers* mark had been registered in black and white, yet continuous use in green could bolster likelihood of confusion against the use of the same colour in the sign complained of. As a result, the assessment became more flexible and the threshold for enhanced protection was lowered.

¹⁹¹ C-40/01 *Ansul BV v Ajax Brandbeveiliging BV* [2003] ECR I-2439, paras 41-42.

¹⁹² *DHL* (n 106).

¹⁹³ *Sabel* (n 136), para 24.

Nonetheless, the full implications of *Specsavers* remain unclear.¹⁹⁴ Discussion has centred on whether floodgates were opened so other external matter may be factored in the test,¹⁹⁵ or whether it should be interpreted as a circumstantial decision limited to an issue of colours.¹⁹⁶ By examining developments at the national level, I identify a strand of decisions supporting a broader (or perhaps, faithful) reading of *Specsavers*. While courts may insist in nominally rejecting extraneous matter, decisions such as *Hearst Holdings*,¹⁹⁷ in the UK, and *Colloseum Holdings*,¹⁹⁸ in Germany, suggest that context surrounding the use of the mark may shape the scope of protection by reference to the origin function. Likewise, the emergence of so-called wrong way round confusion and the increasing relevance of actual confusion in the UK indicate that matter extraneous to (or broadly, providing context for) the registered mark may be dispositive.¹⁹⁹ Thus adequate representation of the mark²⁰⁰ may be a requirement for registration, but consumer understanding is injected into the assessment to provide a more comprehensive view of marks being used and, sometimes, acting as effective brands, in the marketplace.²⁰¹

Specsavers also raises other questions which remain unanswered to date. Is actual use of the registered mark used only to bolster the case in favour of the claimant, or should such context be factored in the assessment to discount confusion? Once enhanced

¹⁹⁴ Ohly, 'Interfaces' (n 28) 45.

¹⁹⁵ Bently and others (n 1) 1106; Dinwoodie and Gangjee (n 144) 359-363.

¹⁹⁶ *JW Spear & Sons Ltd v Zynga Inc* [2015] EWCA Civ 290 [41]-[48].

¹⁹⁷ *Hearst Holdings* (n 20). Discussed in Ch III(2)(C).

¹⁹⁸ *Colloseum Holding AG v Levi Strauss & Co* I ZR 206/10, darts-557-115-A-en (BGH). Discussed in Ch IV(4).

¹⁹⁹ Ch III(2)(C).

²⁰⁰ Although the standard has changed to adequate representation, the EUIPO still follows the criteria set out in Case C-273/00 *Sieckmann v Deutsches Patent- und Markenamt* EU:C:2002:748.

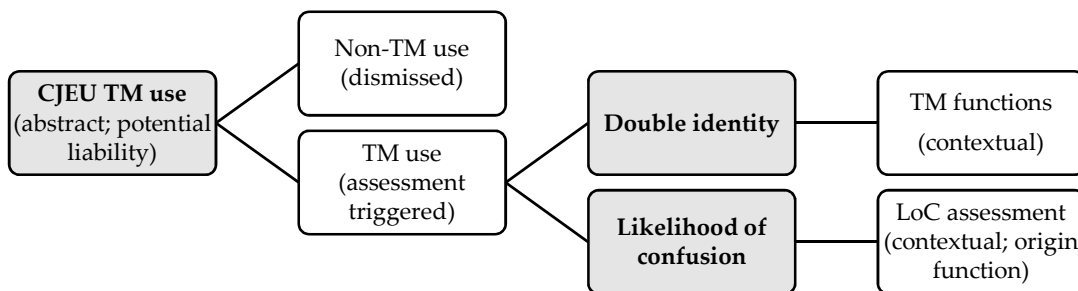
²⁰¹ See for example *Hearst Holdings* (n 20) [101].

distinctiveness is established in a particular form or within a particular market segment falling short of the full width of the specification, should extended protection be limited accordingly? The answer to these questions presupposes more careful analysis of CJEU guidance being applied by national courts. I revisit this issue in the next two chapters when considering the development of a mark for sign comparison standard in UK law and operation of trade mark use doctrine in Germany.

III. CONTEXT IN THE UK

In the previous chapter, I proposed a coherent reading of the CJEU jurisprudence by emphasising the theoretical distinction between the trade mark use doctrine, as a defensive theory of immunisation, and the functions theory operating through a contextual assessment. Instead of following the conventional account that functions had replaced trade mark use (hence operating in substantially the same way under another name), I took the view that they are doctrinal devices coexisting to perform distinct roles in European trade mark law.

Figure 3



We have seen that the CJEU has attempted to balance a broader reading of trade mark use, expanding potential liability to practices like merchandising and comparative advertising, with favouring incorporation of market-related evidence through the notion of context in infringement.¹ Where trade mark use is taken broadly, determination of confusion requires additional layers of context. Comparative advertising is subject to trade mark liability; however infringement assessment should grasp the circumstances characterising the use of the sign and confusion requires more than a finding of similarity

¹ Ch II(1).

on paper. It is not enough that bubbles used by a competitor in advertising resemble to or remind the public of the leading brand; there is a need to establish that the average consumer would think that O2 products were from Hutchinson or that both were economically linked.² Hence I have suggested that this methodological change driven by context was made possible by the operation of the average consumer together with the functions theory. Both are inextricably intertwined. 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.³

To support this proposition, I investigate the development of context in UK law in this chapter. The first part provides a descriptive account of UK law preceding the CJEU guidance on context examined in Chapter II. This shows that infringement assessment followed a methodology where the sign complained of was insulated from market realities to be compared with the mark as registered. It was essentially identical to the paper-based methodology adopted in relative grounds for refusal. Drawing on a more notional construction of the average consumer, it often reduced the enquiry to a finding of confusing similarity between marks.⁴ The second part examines how

² Ch II(1)(C).

³ See for example Case C-533/06 *O2 Holdings Ltd v Hutchinson 3G UK Ltd* EU:C:2008:339, [2008] 3 CMLR 14, paras 57-60; Case C-223/15 *Combit v Commit* [2016] BusLR 1393 (CJEU), para 27.

⁴ See also Robert Burrell and Kimberlee Weatherall, 'Towards a New Relationship Between Trade Mark Law and Psychology' CLP <<https://doi.org/10.1093/clp/cuy001>> accessed 24 December 2018, 9 ('The similarity of marks/goods enquiries are generally treated as determinative of the likelihood of confusion: i.e. we assume there will be confusion if both the marks, and the goods or services, are objectively similar.')

incorporation of context through a methodological shift to a mark for sign comparison affected infringement assessment in UK law. This analysis indicates that the sign is more loosely defined, sometimes reflecting different instances of use, and recourse to market-related evidence is not only encouraged: it now seems a requirement. There is an identifiable departure from the more abstract, registrar-like methodology. This further indicates that contrary to conventional views of the average consumer as an increasingly normative device,⁵ a recent strand of cases otherwise suggests that it can (and should) reach for market realities. A more contextual reading of the average consumer is not only possible, but desirable.

1. Prior UK law: the mark for mark comparison

In UK law preceding the development of the functions theory and context in the CJEU jurisprudence,⁶ the assessment of likelihood of confusion in infringement was normally conducted at a more abstract level.⁷ It followed a paper-based methodology mirroring relative grounds for refusal, which Jacob J (as he then was) would define 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 the way the defendant uses its mark, discounting external added matter or circumstances. The comparison is mark for mark.⁸

⁵ See for example Alice Blythe, 'In Search of Mr Average: Attempting to Identify the Average Consumer and His Role within Trade Mark Law' (2015) 37 EIPR 709. In other fields of European law, however, commentators have argued that the European Court may be leaning towards a more realistic approach to the average consumer. Cf. Hanna Schebesta and Kai Purnhagen, 'The Behaviour of the Average Consumer: A Little Less Normativity and a Little More Reality in the Court's Case Law? Reflections on Teekanne' (2016) 41 ELRev 590, 595.

⁶ Ch II.

⁷ For a summary of the pre-EU approach, see TA Blanco White and Robin Jacob, *Kerly's Law of Trade Marks and Trade Names* (10th Edition edn, Sweet & Maxwell 1986) 270-274.

⁸ *Origins Natural Resources Inc v Origin Clothing Limited* [1995] FSR 280 (EWHC) 284.

In attempting to more closely reflect statutory language found in s.10 TMA 1994, Jacob J would eventually relabel such an approach as one of *mark for sign*.⁹ But this nominal shift from mark to sign in *British Sugar* was chiefly concerned with a trade mark use threshold issue that had surfaced in the proceedings.¹⁰ Methodologically, it retained a strict definition of the sign foreclosing extraneous matter to arrive at an object of comparison which would resonate with a mark for mark comparison carried out under relative grounds. I therefore adopt *mark for mark* terminology to refer to the prior UK approach which substantially conflated registration level and infringement assessment methodology; in my view, a mark for sign standard would truly emerge in *Specsavers*.¹¹ Essentially, this prior mark for mark comparison unveiled a process of insulating infringement assessment from market realities. In *United Biscuits*, a conflict between brands of chocolate-coated biscuits sold in supermarkets, the sign ‘Puffin’ should be compared with ‘Penguin’ alone, as though both were isolated marks, with no recourse to similarities in their packaging.¹² The sign of the defendant would be 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.¹³ Although reference was made to the consumer as the addressee of the products, and the theoretical subject of confusion, her perceptions were often assumed by judges; evidence of extant consumer understandings were not determinative.¹⁴

⁹ *British Sugar Plc v James Robertson & Sons Ltd* [1996] RPC 281 (EWHC) 293.

¹⁰ Text to n 41.

¹¹ *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2012] EWCA Civ 24. Text to n 63.

¹² *United Biscuits (UK) Limited v Asda Stores Limited* [1997] RPC 513 (EWHC).

¹³ *Compass Publishing BV v Compass Logistics Ltd* [2004] EWHC 520 (Ch).

¹⁴ See Jennifer Davis, ‘Locating the Average Consumer: His Judicial Origins, Intellectual Influences and Current Role in European Trade Mark Law’ [2005] IPQ 183.

Infringement assessment thus displayed a more normative character, framed as a formal reassurance of property rights, where actual use of the marks and evidence reflecting market conditions carried less weight (if any weight were to be afforded at all). Rather, the concept of ensuring a fair and notional use across the full width of the specification prevailed even when enforcing such rights would mean reserving market space where the mark had not been used to the detriment of other economic operators.¹⁵ A common justification for such an approach was advanced in consequentialist terms, as a means to provide incentives to the development of brand strategy and business planning.¹⁶ Rebecca Tushnet, for example, identifies such registrations as matter of industrial policy by managing business relations, facilitating the use of trade marks in licensing, and serving as security for loans.¹⁷ Another recurrent 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.¹⁸ Infringement assessment was framed on the basic registration-system assumption that exclusive rights arise from the registration itself, which acted as the sole source of information of pre-existing rights to economic operators. According to Laddie J:

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

¹⁵ *Origin Clothing* (n 8), where the registered mark had not been used in the UK before infringement proceedings commenced.

¹⁶ Burrell and Weatherall (n 4) 8. Ansgar Ohly, '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. Cf. Mark A Lemley and Mark P McKenna, 'Owning Mark(et)s' (2010) 109 *MichLRev* 137.

¹⁷ Rebecca Tushnet, 'Registering Disagreement: Registration in Modern American Trademark Law' (2017) 130 *HLR* 867, 875-877.

¹⁸ *Compass Publishing* (n 13) [22].

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.¹⁹

It follows that through such a process of determination, the scope of rights equated to a zone of exclusion that Jacob J referred to as a penumbra of protection extending over the core of the specification of goods claimed in the registration.²⁰ Because this penumbra reached similar products, scope of protection potentially spread through ancillary markets beyond the actual or intended use of the registered mark. Trade mark rights were enforceable irrespective of real market conditions, regardless of any intention of the registrant to expand to these activities.

Against this backdrop, the figure of the consumer did not play a role as the centrepiece of trade mark law where the CJEU would have placed her more recently.²¹ Taken as the formal addressee of the products, the consumer was constructed as a single hypothetical person.²² 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'.²³ Likewise, Robert Burrell and Kimberlee Weatherall recently criticised untested assumptions of consumer behaviour driving comparison of marks as 'the product of early

¹⁹ *ibid.*

²⁰ *Laboratoire De La Mer Trade Marks* [2002] ETMR 34 (EWHC) [19]; *British Sugar* (n 9) 296.

²¹ See for example 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 2016). Discussed in Ch III(2)(B).

²² Davis (n 14).

²³ *ibid* 185.

twentieth century judicial guesswork.²⁴ Infringement assessment was an almost entirely notional exercise where the hypothetical person of the consumer displayed a singular reaction, often mirroring the judge's own perceptions (and possibly, biases), to the mark and sign confronted in isolation. Even in disputes potentially involving more than one kind of consumer dealing with the products concerned, a finding of likelihood of confusion within a single class would be extrapolated to reach a general determination of infringement, followed by a blanket prohibition on the use of the mark.²⁵ Consequently, the outcome would often turn on analysis of 'best cases' broaching the perceived views of a more vulnerable class of consumers; an approach finding yet another parallel in registration level methodology.²⁶

Indeed, the abstract assessment that took place within trade mark infringement, driven by a comparison of isolated marks, and the more factually-intensive test of passing-off, relying on a higher level of market-related evidence and perceptions of the relevant public, were taken as methodologically diverging.²⁷ The comparison of marks insulated from market realities meant in practice that steps that the defendant had taken to prevent actual confusion or circumstances characterising the effective use of the sign

²⁴ Burrell and Weatherall (n 4) 21. While I argue that the development of a contextual assessment has offset some of the formalism in infringement, it still prevails at the registration level.

²⁵ David Keeling and others, *Kerly's Law of Trade Marks and Trade Names* (16 edn, Sweet & Maxwell 2017), para 20-061.

²⁶ See for example EUIPO Guidelines, Part C, Opposition, 6 ('If the goods or services of both marks target both the general public and specialists, the likelihood of confusion will be assessed against the perception of the part of the public displaying the lower degree of attentiveness as it will be more prone to being confused.').

²⁷ See also Ohly (n 16).

in the marketplace were not defences to infringement.²⁸ In *Saville Perfumery*, Sir Wilfred stated that:

The Statute law relating to infringement of trade marks is based on the same fundamental idea as the law relating to passing-off. But it differs from that law in two particulars, namely (1), it is concerned only with one method of passing-off, namely, the use of a trade mark, and (2), the statutory protection is absolute in the sense that once a mark is shown to offend, the user of it cannot escape by showing that by something outside the actual mark itself he has distinguished his goods from those of the registered proprietor.²⁹

Specifically, a mark for mark comparison standard entailed that any elements extraneous to the mark – such as product packaging, colour combinations, trade channels³⁰ or disclaimers³¹ – were immaterial to likelihood of confusion. *United Biscuits* is a telling example with the court finding passing-off while dismissing trade mark infringement.³² There the terms ‘penguin’ and ‘puffin’ were sufficiently distinctive when confronted in isolation, as a mark for mark comparison would so require. 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’.³³

While a mark for mark comparison intended to deliver a more objective assessment tethered to the information made available on the register, results were not

²⁸ *Saville Perfumery Ld v June Perfect Ld* (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].

²⁹ *Saville Perfumery* (n 28) 161. See also *Decon v Fred Baker* (n 28) [8]; *O2 Holdings Ltd v Hutchison 3G Ltd* [2006] EWCA Civ 1656 [52].

³⁰ *Origin Clothing* (n 8); *United Biscuits* (n 12).

³¹ *Wagamama* (n 28) 720; *Arsenal Football Club Plc v Reed* [2003] EWCA Civ 96.

³² *United Biscuits* (n 12) 540.

³³ *ibid* 538.

always that predictable. The exclusion of so-called added matter in defining the mark of the defendant object of the comparison was a subjective process sometimes producing questionable results. Courts would often cut down the defendant's mark so it would fall within the double identity provision where confusion is presumed. In a dispute involving the use of marks to design car maintenance and repair services, the terms 'independent' and 'specialist', used together with the mark 'Volvo' by a former authorised dealer, were excluded as added matter; infringement assessment was thus narrowed into a comparison between Volvo marks.³⁴ Likewise, 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 never used 'Decon' in isolation either.³⁵

British Sugar is perhaps the prime example of infringement methodology prevailing at the time. There the sign 'Robertson's Toffee Treat' was reduced to the mark 'Treat' which would be confronted on paper with the registration for Treat.³⁶ It was also a dispute imbued with a policy concern - 'Can the [registrant] avail himself of the Act to get a monopoly in the common word?'³⁷ - which made limitations of abstraction apparent. The claimant was the manufacturer of a series of products of the brand 'Silver Spoon', in particular sweet syrup to pour on ice cream which received the name of 'Silver Spoon Treat'. Following the enactment of the TMA 1994, which had broadened the spectrum of registrable marks, the claimant successfully registered 'Treat' in respect of dessert sauces and syrups. There was no evidence of the mark ever being used in isolation and

³⁴ *Aktiebolaget Volvo and Another v Heritage (Leicester) Limited* [2000] FSR 253 (EWHC).

³⁵ *Decon v Fred Baker* (n 28).

³⁶ *British Sugar* (n 9).

³⁷ *ibid* 285.

advertising direct to the public was limited at best. While the claimant's sweet syrup had always been labelled and marketed under the Silver Spoon brand, advertising to the trade would on occasion use puns such as 'Treat yourself to a complete range' and 'We have a Treat in store for you'.³⁸ The defendant was a company selling a range of jams and preserves branded 'Robertson's'. In a brand expansion attempt, it launched a new kind of toffee-flavoured spread called 'Robertson's Toffee Treat' that the court would define as follows:

It comes in a slightly oval jam jar, with a typical circular lid. The label is primarily dark mauve (with words such as 'yum yum', 'fab', 'luscious') faintly legible. The key wording on this background is 'Robertson's Toffee Treat' coupled with a description 'Irresistibly rich toffee spread'. 'Robertson's' is in clear white capital lettering. 'Toffee Treat' is in a fancy script. 'Toffee' is at least twice the size of 'Treat'.³⁹

Being one of the first decisions under the 1994 Act, which came into force to implement the TMD, *British Sugar* prompted the question of whether trade mark use remained a requirement to infringement. We have seen previously that UK courts typically relied on a trade mark use requirement to grapple with complex claims.⁴⁰ In *Mothercare*, non-trade mark use followed from the court considering the words *mother* and *care* being placed on a book cover together with *other care*, and the meaning they would convey to consumers.⁴¹ An abstract infringement assessment would otherwise establish that using such simple words in a book title would infringe the Mothercare mark registered for publications. Trade mark use was therefore a means to offset a mark for mark comparison by infusing the assessment with market realities, to deal with problems of abstraction by

³⁸ *ibid* 285.

³⁹ *ibid* 287.

⁴⁰ Text to n 47 in Ch II.

⁴¹ *Mothercare UK Ltd v Penguin Books Ltd* [1988] RPC 113 (EWCA).

recourse to a more realistic construction of infringement. However, s.4(1) TMA 1938 expressly referred to ‘use as a trade mark’, a provision having no counterpart in the current legislation. The defendant had argued that the word *treat* had been used in a non-trade mark fashion, it being understood as a laudatory term within the context of the Robertson’s Toffee Treat product. Indeed, the sign considered together with its surrounding context – its placement on the label with other visual elements and the way the products were marketed – would render consumer confusion unlikely. The claimant not arguing passing-off implied that only through an abstract determination, which would insulate the sign from all such matter, could confusion possibly exist. By favouring a more literal reading of s.10 referring to ‘sign’ instead of ‘mark’, Jacob J found that a trade mark use requirement ceased to exist under the 1994 Act; a reasoning which loses much of its force once we consider that UK courts had developed the doctrine before it became statutory language.⁴² Following this rejection, infringement assessment had to be carried out with no recourse to market realities. The defendant’s sign was narrowed to ‘Treat’, with ‘Robertson’s’ and ‘Toffee’ being ruled out as added matter for the purposes of likelihood of confusion.⁴³ Instead, the context surrounding the use of the ‘Treat’ sign would be factored in the descriptive use defence analysis, namely:

... unlike section 10, one must here look at the whole context of the use. You cannot tell whether the use is descriptive or not from the use of the sign alone. I think so much is implicitly conceded by British Sugar when they concede that their registration could not stop use of a phrase such as “An irresistible toffee spread for a treat on any occasion!”⁴⁴

A mark for mark comparison thus led to a somewhat arbitrary limitation of the sign to reflect the registration rather than being concerned with how consumers could perceive

⁴² Ch II(1)(B).

⁴³ *British Sugar* (n 9) 294.

⁴⁴ *ibid* 298.

it. The weight afforded on the label to Robertson's, written in clear white capital lettering, and 'Toffee', at least twice the size of 'Treat', makes such a dissection hard to justify from a consumer perspective.⁴⁵ It suggests an assessment more committed to a proprietary logic, with (methodological) limitations which would become apparent in *O2 Holdings*.⁴⁶ Here likelihood of confusion would ultimately be dismissed upon the goods being found dissimilar under a rationale which can be characterised as more normative than empirical. Specifically, Jacob J argued that the concept of similarity would be tantamount to the 'goods of the same description' test adopted in the 1938 Act, more focused on the characteristics of the goods than consumer perception.⁴⁷ He went on to consider, for example, that the products were of different physical nature, hardly in direct competition, and offered in different supermarket sections.⁴⁸ In reaching such a determination, Jacob J stated that:

It may be noted that if I am wrong in this view (and as to my views under section 11(2) and on validity) then this case will demonstrate that comparatively short user of a highly laudatory word will have given the trade mark proprietor a very wide monopoly. If spreads are similar goods then British Sugar have gained a monopoly of such a word in the £190 million per annum sector of the market of which their product is not even a member in addition to the ice-cream topping sector. Moreover the monopoly would not stop there. Other goods would also probably be similar: desserts for instance. I cannot think that the Council and Commission intended such formidable monopolies to be created so readily when they made the Directive. It goes far beyond that which is needed to protect the word as a badge of trade origin for syrups and dessert sauces.⁴⁹

⁴⁵ See for example Keeling and others (n 25), para 16-071, fn 121.

⁴⁶ Ch II(1)(C).

⁴⁷ See also Davis (n 14) 184, identifying the same phenomenon under the assessment of distinctiveness at the registration level ('Yet what these factors have in common is that they relate to the characteristics of the mark and the goods and services to which it attaches, rather than to its audience.').

⁴⁸ *British Sugar* (n 9) 297.

⁴⁹ *ibid* 297.

The finding of dissimilarity was thus informed by a concern that the registrant would otherwise be granted too wide a monopoly in the use of a word, injecting something akin to a requirement of availability in likelihood of confusion. Perhaps more importantly, *British Sugar* evidences the difficulty in, or methodological limitation of, an abstract assessment to deal with more complex claims attendant on the expansion of subject matter in trade mark law. Thus motivated by normative (yet, persuasive) reasons that would counsel a narrower scope of protection, Jacob J would be pressed to limit the reach of the concept of similarity while stretching the scope of the descriptive use defence. Conversely, the traditional UK (contextual) trade mark use approach, which had been rejected as a point of law, could have rendered a more straightforward, transparent assessment by explicit reference to market realities. The contextual matter factored in the defence analysis would easily establish the absence of such use, with the added benefit of an overarching methodology accommodating complex claims of another nature. It would extend to situations involving identical products or signs falling short of descriptive use such as merchandising and comparative advertising.

Yet, Jacob J's attempt at reconciling a mark for mark comparison with other policy concerns would dissonate with subsequent CJEU jurisprudence. In *Adidas v Marca Mode*, an availability requirement in likelihood of confusion was explicitly rejected, namely:

The fact that there is a need for the sign to be available for other economic operators cannot be one of those relevant factors ... the answer to the question as to whether there is a likelihood of confusion must be based on the perception by the public of the goods covered by the mark of the proprietor on the one hand and the goods covered by the sign used by the third party on the other.⁵⁰

⁵⁰ Case C-102/07 *Adidas AG v Marca Mode CV* [2008] ETMR 44 (CJEU), para 30.

The CJEU would place emphasis on perceptions of consumers in a manner which sits awkwardly with Jacob J's normative stance on similarity of goods. The broader reading of the descriptive use defence effectuated in *British Sugar* would also be challenged by this judgment, with the European Court holding that the decorative character of two parallel stripes placed on clothing would not amount to an indication concerning characteristics of the goods.⁵¹ About a year before, *Adam Opel* had already established that the reproduction of the Blitz mark in toy replica models would consist of 'an element in the faithful reproduction of the original vehicles' falling short of descriptive use.⁵² The narrow reading that the defence has received in the CJEU jurisprudence, together with the constraining character of the honest practices proviso,⁵³ would hardly support the use a registered mark in the context of a phrase – such as 'An irresistible toffee spread for a treat on any occasion!' – to which Jacob J had alluded.

The *British Sugar* approach was a laudable effort at reconciling a trade mark proprietary logic with other policy concerns, but it was self-limiting. While a restrictive (or rather, normative) reading of similarity of goods may have provided a way out for a defendant selling a new kind of sweet toffee spread, it would not encompass situations involving identical products like book titles and publications, shape marks or merchandising that used to be adjudicated as a trade mark use issue. And if relative grounds analysis may be an indication, courts are seldom concerned with 'granting too wide a monopoly' in assessing similarity of goods.⁵⁴

⁵¹ *ibid*, para 48.

⁵² Case C-48/05 *Adam Opel AG v Autec AG* [2007] ECR I-1017, [2007] ETMR 33, para 44.

⁵³ See for example Case C-228/03 *The Gillette Company v LA-Laboratories Ltd Oy* EU:C:2005:177; Case C-63/97 *Bayerische Motorenwerke AG v Deenik* EU:C:1999:82.

⁵⁴ See for example Case T-48/06 *Astex Therapeutics Ltd v OHIM* [2008] ECR II-161, finding 'insecticides for killing dust mites' similar to 'pharmaceutical preparations taken by persons

Indeed, the rejection of a trade mark use requirement in UK law would give rise to the order of reference in *Arsenal* a few years later.⁵⁵ With the requirement being jettisoned from infringement, Laddie J went on to consider whether s.10 TMA 1994, by referring to ‘sign’, should be construed broadly to encompass non-trade mark use situations.⁵⁶ However in *Arsenal* the goods were identical, with no leeway for infringement to be dismissed on a more normative reading of description of goods, neither was there a descriptive use defence to be considered. As we have seen in the previous chapter, the same methodological conundrum resurfaced in *O2 Holdings*.⁵⁷ There the claimant argued that a mark for mark comparison would neglect that the bubble imagery had been used in the context of comparative advertising or that consumers, in real marketplace conditions, would not be confused by such a use. Infringement assessment would thus be reduced to an exercise of comparing images of bubbles on paper as though a typical registrar analysis were being carried out. While Jacob LJ seemed to advocate for a (abstract, CJEU-like) trade mark use approach withdrawing the practice of comparative advertising from trade mark law entirely,⁵⁸ the CJEU would just render likelihood of confusion assessment contextual. Limitations of abstraction were addressed by the functions theory performing a role similar to the former UK trade mark use doctrine. Yet with a significant methodological change: instead of a separate threshold question, trade mark functions operate directly within confusion analysis. Following the CJEU judgment in *O2 Holdings*, this methodological shift to what I call a true mark for sign comparison has had the effect of assimilating contextual matter that

suffering from respiratory problems’; *Belvedere’s Trade Mark Application* [2007] ETMR 18 (Irish Patents Office), finding ‘vodka’ similar to ‘cigarettes’.

⁵⁵ Ch II(2).

⁵⁶ *Arsenal Football Club Plc v Reed* [2001] 2 CMLR 23 (EWHC) [58]-[60].

⁵⁷ Ch II(1)(C).

⁵⁸ *O2 Holdings (EWCA)* (n 31) [34].

used to be factored in trade mark use. Application of the functions theory unfolded into *downstream* confusion analysis.

2. Current UK law: the mark for sign comparison

This section turns to UK case law following CJEU guidance examined in Chapter II as an attempt to investigate the potential impact of context on adjudication of confusion-based claims.

I contend that the process of assimilating context into infringement through a mark for sign comparison is twofold. First, courts seem more prone to incorporating external matter reflecting the use of the sign by the defendant in the marketplace; the assessment has become 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 methodology that informs unfair competition and unfair commercial practices law.⁵⁹ Secondly, the average consumer construct, though formally defined as a normative benchmark,⁶⁰ is increasingly infused with an array of consumer perceptions, departing from the notional construction of a single hypothetical consumer that used to be the norm in UK law. It neither presupposes nor is constrained by a singular reaction to the mark and sign perceived in the marketplace,⁶¹ though some inconsistencies in the process of framing this more complex average consumer remain to be addressed.

⁵⁹ Ohly (n 16); Dinwoodie and Gangjee (n 21) 360.

⁶⁰ *Interflora Inc v Marks & Spencer plc* [2014] EWCA Civ 1403 [124].

⁶¹ *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].

Nonetheless, there is identifiable resistance from UK courts to consider circumstances characterising the use of the registered mark by the claimant. *Specsavers* has been narrowly interpreted as limited to enhanced distinctiveness and colours only,⁶² while other external matter such as product get up or actual circumstances of use remain foreclosed from the assessment. A few decisions still rely on the prior standard of comparison driven by a 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*. In *Specsavers*, Kitchin LJ held that:

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 likely to make on him. The sign is not to be considered stripped of its context.⁶³

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. The development of the notion of context by the CJEU resulted in a clear methodological distinction, in terms of the nature of the

⁶² Text to n 191.

⁶³ *Specsavers (EWCA)* (n 10) [87].

comparison, between the analyses of likelihood of confusion under relative grounds for refusal and infringement.⁶⁴

Likelihood of confusion unfolds into two methodologically diverse assessments: one conducted at a more abstract level and, therefore, of more notional character; the other, more empirically driven by incorporating a level of context that would be excluded as added matter or immaterial circumstances in prior UK law.⁶⁵ At the registration level, the assessment under relative grounds for refusal still adheres to a mark for mark comparison standard. The senior and junior marks must be compared in all possible (notional) uses across the specification of goods claimed therein.⁶⁶ Or, in CJEU parlance, ‘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’.⁶⁷ Conversely, infringement assessment follows a mark for sign comparison which must consider the specific circumstances characterising the use of the sign by the defendant in the marketplace,⁶⁸ that is, ‘the sign is not to be considered stripped from its context’.⁶⁹

Once infringement analysis was released from the shackles of the abstract realm of relative grounds by embracing a mark for sign comparison, courts began to factor in external matter that normally would have been excluded. As context is assimilated into

⁶⁴ Dinwoodie and Gangjee (n 21) 357-360.

⁶⁵ A methodological divide which is now widely acknowledged in UK law. See for example *Daimler AG v Sany Group Co Ltd* [2009] EWHC 1003 (Ch) [21]; Case C-265/09 *BORCO-Marken-Import Matthiesen GmbH & Co KG v OHIM* [2011] ETMR 4 (CJEU) [76]; *DataCard Corp v Eagle Technologies Ltd* [2011] EWHC 244 (Pat) [275].

⁶⁶ See for example *Rousselon Frères et Cie v Horwood Homewares Ltd* [2008] EWHC 881 (Ch) [99]; *Van Gulck v Wasabi Frog Ltd* [2014] RPC 33 [9].

⁶⁷ *O2 Holdings (CJEU)* (n 3), para 66.

⁶⁸ *ibid*, para 67.

⁶⁹ *Specsavers (EWCA)* (n 10).

infringement, the sign that used to be taken in isolation when compared with the registered mark (*i.e.* as a mark of its own) is more broadly defined and infused with various elements such as 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 only where such a consumer would not perceive it as part of the sign.⁷⁰ There is a more comprehensive definition of the sign in that, for example, a conflict between ‘Ideal Home’ and ‘Ideal Home Show’ is one of likelihood of confusion rather than double identity.⁷¹ It may be the case that more than a single sign is identified to reflect the different instances of use made by the defendant.⁷²

One important implication of such a methodological divide is that refusal of registration of a sign in the light of a prior mark existing in the register does not trigger an automatic finding for infringement of the same mark.⁷³ 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 can be material, and defences based on circumstances of use and consumer perceptions are now arguably available in infringement upon consideration of context.⁷⁴ In the later part of this thesis, I take the view that enforcing this

⁷⁰ Lionel Bently and others, *Intellectual Property Law* (5 edn, Oxford University Press 2018) 1107.

⁷¹ *IPC Media Ltd v Media 10 Ltd* [2013] EWHC 3796 (IPEC) [48]-[49]. Cf. *British Sugar* (n 9); *Volvo* (n 34); *Decon* (n 28).

⁷² *Thomas Pink Ltd v Victoria's Secret UK Ltd* [2014] EWHC 2631 (Ch) [128].

⁷³ *Daimler* (n 65) [26].

⁷⁴ 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

methodological distinction more seriously could render a more coherent and normatively desirable legal framework.⁷⁵

The effects of the contextual assessment developed by the CJEU are clearly evidenced in UK law. As we have 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 factually-intensive analysis gauged by the perceptions of the average consumer of the context surrounding the advertising piece.⁷⁶ Instead of 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 advertisement itself were not excluded as added matter. At the time the CJEU reference had been made, Jacob LJ underscored that the sign in the context of the advertisement, all things considered, would not bring about an adverse effect on the origin function of the O2 marks.⁷⁷

O2 Holdings heralds in a more significant change from a mark for mark comparison standard under which the use of the mark ‘Volvo’ to indicate the 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.⁷⁸ In *BMW v Technosport*, the use of a car manufacturer mark to designate independent repair services would be now taken together with its surrounding matter, including the repair garage’s own mark,

infringement are materially the same. See *B&B Hardware Inc v Hargis Industries Inc* 135 SCt 1293 (2015).

⁷⁵ Ch V.

⁷⁶ *O2 Holdings Ltd v Hutchison 3G Ltd* [2006] EWHC 534 [118]; *O2 Holdings (EWCA)* (n 29) [34].

⁷⁷ *O2 Holdings (EWCA)* (n 29) [33]-[38].

⁷⁸ Text to n 34.

turning into an issue of likelihood of confusion what would have been double identity in the past.⁷⁹ There is an identifiable departure from the former infringement methodology, with the assessment becoming increasingly contextual and potentially affecting outcomes.⁸⁰ As Floyd LJ would frame it, the difference between informative use, which should be allowed, and misleading use, impinging harm upon the origin function, ‘depends on a close consideration of the detail and context’.⁸¹

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.⁸² 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,⁸³ both usually held as immaterial to the assessment in prior law.⁸⁴ The straplines ‘be a real spec saver at Asda’ and ‘spec savings at Asda’ were also considered in their entirety.⁸⁵ In weighing all factual context in which the Asda logo had been used, Mann J found there was no likelihood of confusion:

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 circumspsect 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

⁷⁹ *Bayerische Motoren Werke Aktiengesellschaft v Technosport London Limited* [2017] EWCA Civ 779. Cf. *Volvo* (n 34).

⁸⁰ Some recent judgments now display a ‘contextual assessment’ heading. See for example *Sky Plc v Skykick UK Limited* [2018] EWHC 155 (Ch) [268]; *W3 Limited v Easygroup Limited* [2018] EWHC 7 (Ch) [211].

⁸¹ *BMW v Technosport* (n 79) [18].

⁸² *Specsavers (EWCA)* (n 10) [70].

⁸³ *ibid* [69].

⁸⁴ See for example *Origin Clothing* (n 8).

⁸⁵ *Specsavers (EWCA)* (n 10) [88].

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.⁸⁶

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*.⁸⁷ Here external matter was not excluded from the assessment, which, in the end, dismissed likelihood of confusion. And the Asda brand being factored in the assessment as external matter reopens the discussion on the role of disclaimers in trade mark infringement. While normally ruled out under a mark for mark comparison, disclaimers might be determinative⁸⁸ in a contextual assessment guided by consumer perceptions, where actionable confusion (i.e. harm to the origin function) appears to require more than a comparison between signs in isolation.⁸⁹

Other recent decisions follow the same rationale of infusing the assessment with external matter. In *Jack Wills*, a case dealing with the imitation by a department store of a mark composed of an anthropomorphised 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

⁸⁶ *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2010] EWHC 2035 (Ch) [137]. This part of the judgment was affirmed in *Specsavers (EWCA)* (n 10).

⁸⁷ *British Sugar* (n 9). See also *Keeling and others* (n 25), para 16-071, fn 121, suggesting that results could be different in current UK law.

⁸⁸ See William McGeeveran and Mark P McKenna, 'Confusion Isn't Everything' (2013) 89 *NotreDameLRev* 253, 316-317, encouraging disclaimers in trade mark law.

⁸⁹ See for example *Specsavers (EWCA)* (n 10) [77]; *BMW v Technosport* (n 79) [28], [31]. Cf. *Wagamama* (n 28) under prior UK law. Nonetheless disclaimers have been recently rejected under the guise of the post-sale confusion doctrine in *Hearst Holdings Inc v AVELA Inc* [2014] EWHC 439 (Ch) and *Thomas Pink* (n 72). Ch V(4)(A) addresses whether post-sale confusion should be actionable infringement under origin function harm.

channels.⁹⁰ In *Hearst Holdings*, a merchandising case involving the Betty Boop cartoon character, the assessment considered consumer understandings developed through marketing efforts that the claimant had made to become known as the sole source of products.⁹¹ It also unfolded into an analysis of specific pieces of clothing including swing tags and labels.⁹²

But incorporation of context also made infringement assessment increase in complexity. The methodological shift towards a more factually-dependent analysis accounting for circumstances of use of the sign favoured a pliable assessment that may run the risk of triggering a full-blown factual review. In *Stichting BDO*, it was held that ‘[i]f 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’.⁹³ 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 (or perhaps, significant)⁹⁴ contexts in time was recognised, courts began to infuse the comparison of the mark with an 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

⁹⁰ *Jack Wills* (n 61).

⁹¹ See *Hearst Holdings* (n 91) [77]-[111], referring to ‘the impact of many years of trading’ on consumer perceptions. An argument can be made that here the underlying context would be different from *Adam Opel (CJEU)* (n 52) where there was no harm to the origin function. In *Hearst Holdings* consumers were held to believe the products came from a single source.

⁹² *Hearst Holdings* (n 91) [86]-[94], [109], [119].

⁹³ *Stichting BDO v BDO Unibank Inc* [2013] EWHC 418 (Ch) [94].

⁹⁴ See for example *Frank Industries Pty Ltd v Nike Retail BV* [2018] EWHC 1893 (Ch) [6] (‘In principle, as counsel for Nike pointed out, the Court is required to make a separate assessment in respect of each sign in each context. It would be burdensome to do so exhaustively, and I do not believe that it is necessary. I propose to make findings in respect of what I consider to be a representative selection of uses.’). Discussed in Ch V(4)(B).

would call for a mere comparison of marks in isolation, the contextual assessment was broken down into three categories of use. Likelihood of confusion was then assessed separately under the contexts of (1) isolated use of the logo; (2) use in combination with descriptive words denoting secondary brands (e.g. Prestige, Chauffeur or Privilege); and (3) use together with the mark Europcar and with the strapline ‘moving your way’.⁹⁵ While all such uses were found infringing on the evidence,⁹⁶ Arnold J recognised in principle that they needed not share the same result.⁹⁷ 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’.⁹⁸ The analysis was then segmented into four categories of use, namely, (1) Victoria’s Secret Pink with all surrounding matter considered (defined as ‘lock-up format’); (2) Pink atop the Victoria’s Secret mark; (3) Pink ‘as an element in a slogan in various different configurations’; and (4) Pink in isolation.⁹⁹ While the first category was ruled out from the assessment insofar as the claimant had failed to establish that use of the sign under those conditions had taken place in the UK or EU,¹⁰⁰ Birss J was inclined to dismiss infringement in that specific context.¹⁰¹

Enterprise Holdings and *Thomas Pink* may therefore suggest a departure from the rationale that likelihood of confusion in part of the public would warrant an overarching

⁹⁵ *Enterprise Holdings* (n 61) [71]-[81].

⁹⁶ *ibid* [208]-[216]. Evidence of actual confusion was material for finding infringement in the two latter categories of use.

⁹⁷ *ibid* [217].

⁹⁸ *Thomas Pink* (n 72) [129].

⁹⁹ *ibid* [128].

¹⁰⁰ *ibid* [131]-[137]. There was no evidence showing use of the words in lock-up format other than a Facebook page which had not targeted consumers in the UK or Europe.

¹⁰¹ *ibid* [181].

finding of infringement, with practical ramifications that I will address later.¹⁰² Subsequent case law appears to confirm there is legal significance in segregating the assessment to reflect materially significant circumstances of use. In *Merck v Merck*, the first instance judgment was remanded because the judge had failed to adjudicate the various contexts in which the Merck sign had been used.¹⁰³ According to Kitchin LJ:

As it is, the judge has proceeded, largely unaided, to make findings, most of which are cast in very general terms. As I have explained, he has found (at paragraph [171]) that, in relation to web pages, the infringements consist of five kinds of use. In my judgment there are a number of problems with these findings. First, they only deal with web pages. There is no finding here about all the other classes of alleged infringement identified at paragraph [56] above. Secondly, it is impossible to discern from this summary which page of which website is the subject of any one of these findings. As a result, Merck US cannot ascertain how the judge has reached his decision (save for the general approach summarised at paragraphs [264] to [270] above), which particular activities or uses constitute an infringement for which it is liable or what it may or may not do.¹⁰⁴

In prior UK law, a more generalising approach focusing on the ‘best case’ would perhaps have sufficed. However the pliable assessment emerging under a mark for sign comparison can be possibly explained as a doctrinal development of the CJEU rationale of infusing infringement analysis with contextual matter. Because limiting the assessment to a single instance of use while neglecting other circumstances which had been identified may be just another means of producing an abstract assessment. Indeed, extrapolating the results from one single instance to generate an overarching determination of infringement could be tantamount to enforcing a single meaning rule. As the relevant public is believed to react in the same way to the sign, regardless of materially different circumstances of use, infringement is still presented as a binary choice. And this would not be significantly

¹⁰² Ch V(4).

¹⁰³ *Merck KGaA v Merck Sharp & Dohme Corp* [2017] EWCA Civ 1834 [261]-[285].

¹⁰⁴ *ibid* [278].

different from the subjective process of cutting down the sign object of comparison under the prior approach. In *Merck v Merck*, however, Kitchin LJ refused to make a determination on the scope of injunctive relief pending the trade mark infringement issue¹⁰⁵ which, once reheard, should be subject of a more specific final order.¹⁰⁶

Furthermore, this method of partitioning infringement assessment raises two questions of relevance to this work. The first is to what extent assimilation of context would require a segmented confusion analysis where perceptions of the classes of consumers dealing with the products concerned differed. The second is whether (and in which circumstances) a finding of 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.¹⁰⁷ An argument can be made that a blanket prohibition may be unsuitable where infringement is limited to a singular instance of use of the sign. The next section attempts to investigate how UK law has been addressing the first question. The second question will be addressed as an issue of scope of protection in Chapter V.

B. The average consumer in context

As we have examined in Chapter II, the CJEU notion of context is not limited to infusing the assessment with external matter. It also calls for consideration of consumer perceptions of the mark and sign at issue as well as established market practices to determine whether the origin function has been harmed.¹⁰⁸ However, as Jennifer Davis

¹⁰⁵ *ibid* [317]-[319].

¹⁰⁶ *ibid* [320].

¹⁰⁷ Qualified injunctions have been a longstanding practice under the tort of passing off. See *Keeling and others* (n 25), paras 22-076.

¹⁰⁸ See also *Adam Opel (CJEU)* (n 52); Jennifer Davis, 'Revisiting the Average Consumer: An Uncertain Presence in European Trade Mark Law' [2015] IPQ 15.

points out, there is ‘increasing uncertainty displayed by the CJEU, national courts and indeed the OHIM as to how the views of the average consumer are to be ascertained’.¹⁰⁹

In this section, I suggest a reading of recent UK case law that would paint a more complete, richer picture of the average consumer; a pluralistic approach to this legal construct which is instrumental to the functional model devised in the later part of this thesis. We have seen earlier in this chapter that a mark for mark comparison often entailed the average consumer being framed as a single hypothetical person.¹¹⁰ And while the expansion of context to encompass the circumstances surrounding use of the sign by the defendant has been largely accepted, there remains some scepticism when it comes to the characterisation of the average consumer.

The *Interflora* litigation has been taken as limiting the average consumer to a strictly normative construction in the UK.¹¹¹ Commentators cling onto the court’s aversion to survey evidence as an outright rejection of any sort of empiricism in the construct.¹¹² The average consumer would retain the mantle of a rational actor whose mindset could be readily discerned by judges through a process that would dispense with market realities. Normatively, an overly restrictive conception of the average consumer

¹⁰⁹ Davis, ‘Revisiting’ (n 109) 16. See also Burrell and Weatherall (n 4) 6 (‘... in the trade mark field the hypothetical consumer is a less certain figure.’)

¹¹⁰ See also Davis, ‘Locating’ (n 14).

¹¹¹ *Marks & Spencer Plc v Interflora Inc* [2012] EWCA Civ 1501; *Interflora (EWCA II)* (n 60).

¹¹² See for example Blythe (n 5) 712; Kimberlee Weatherall, ‘The Consumer as the Empirical Measure of Trade Mark Law’ (2017) 80 MLR 57, 66. Cf. Dinwoodie and Gangjee (n 21) 340. See also Davis, ‘Revisiting’ (n 109) 19, conceding that ‘[i]t is possible to see Lewison LJ’s decisions, which considered the admissibility of survey evidence, as firmly endorsing the classic view of the average consumer as a legal construct’, though proposing that courts effectively took another path.

is problematic for a set of reasons that will be addressed later.¹¹³ But even descriptively, it does not appear to reflect how UK courts have been framing such a construct either.

Rather, I contend that this restrictive reading of the average consumer is misplaced. It equates empirical evidence to surveys and, in so doing, reduces the notion of a more empirically-grounded average consumer to a debate about the desirability and effectiveness of surveys in trade mark litigation. It is premised on a synecdoche which neglects a broader notion of empiricism, failing to consider there can be many ways of infusing such a legal construct with the perceptions of consumers inhabiting the marketplace. The broader definition of the sign encompassing the circumstances of use by the defendant is but one example of market realities being fed into the average consumer. Defining the sign as the strapline ‘be a real spec saver at Asda’ or having multiple signs to be compared to the registered mark is reflective of the circumstances in which consumers perceive them on the market. And if we consider behavioural studies showing that consumers place heavy reliance on visual elements surrounding the trade mark in source-identification judgment,¹¹⁴ this broader definition of the sign already rules out (at least at a conceptual level) a purely notional construction of the average consumer. Furthermore, evidence of actual confusion increasingly factored in the assessment is another indication of an average consumer infused with market-related evidence.¹¹⁵ While the weight that courts have afforded to such evidence may be controversial, actual confusion attempts to reflect perceptions that consumers have of the products of the

¹¹³ Ch V.

¹¹⁴ See for example Thomas R Lee, Eric D DeRosia and Glenn L Christensen, ‘An Empirical and Consumer Psychology Analysis of Trademark Distinctiveness’ (2009) 41 *ArizStLJ* 1033; Jacob Jacoby, ‘The Psychological Foundations of Trademark Law: Secondary Meaning, Genericism, Fame, Confusion and Dilution’ (2001) 91 *TMR* 1013.

¹¹⁵ *DataCard* (n 65), *Enterprise Holdings* (n 61) and *Comic Enterprises Ltd v Twentieth Century Fox Film Corporation* [2016] EWCA Civ 41 are examples of evidence of actual confusion being material to infringement.

litigating parties as they exist on the market.¹¹⁶ Being reflective of marketplace conditions, it reaches beyond the fictional reality of registrar analysis.

Although surveys may be an instrument to gauge consumer perceptions, there are other means to arrive at a more realistic (or perhaps, hybrid) framing of the average consumer. The EWCA, in particular, has never really shut the door on other evidence reflecting consumer behaviour and market practices. In *Interflora I*, the watershed decision on surveys, Lewison LJ held that:

That is not to say that there can never be evidence called in a case of trade mark infringement. The court may need to be informed of shopping habits; of the market in which certain goods or services are supplied; the means by which goods or services are marketed and so on.¹¹⁷

Indeed, UK courts have sought other market-related evidence on consumer perceptions and market practices more generally. Some anecdotal examples are academic papers investigating consumer reactions in the Internet keywords context,¹¹⁸ internal market research produced outside the litigation context,¹¹⁹ reports sent by in-store demonstrators and vendors in the course of business,¹²⁰ twitter feeds and online reviews of products bearing the marks concerned,¹²¹ search engine results,¹²² and social media analytics.¹²³ While such evidence traditionally came about in passing-off cases, they began to spread over to trade mark law as infringement assessment became increasingly contextual; a

¹¹⁶ Ch V.

¹¹⁷ *Interflora (Survey)* (n 111) [137].

¹¹⁸ *Interflora Inc v Marks and Spencer Plc* [2013] EWHC 1291 (Ch) [142]-[160].

¹¹⁹ *Whirlpool Corp v Kenwood Ltd* [2008] EWHC 1930 (Ch) [32].

¹²⁰ *ibid* [61]-[63].

¹²¹ *JW Spear & Sons Ltd v Zynga Inc* [2015] EWCA Civ 290 [163]-[182].

¹²² *Hasbro Inc v 123 Nahrungsmittel GmbH* [2011] EWHC 199 (Ch) [117]-[133].

¹²³ *Argos Limited v Argos Systems Inc* [2018] EWCA Civ 2211.

methodological shift that we have identified as gaining momentum after the CJEU formally segregated registration level and infringement analysis of confusion.¹²⁴

Hence the EWCA's reluctance to admit survey evidence is something more deeply rooted in the nature of infringement assessment. It can be explained as a rejection of determination of confusion as a statistical exercise of counting heads, that is, a dismissal of infringement assessment as a purely empirical endeavour. It is not only about eradicating any sort of confusion (as a pure search costs rationale would endorse);¹²⁵ other policy concerns should be weighed in. Put differently, *Interflora* can be understood as just affirming prior case law that infringement assessment is a value judgment¹²⁶ or, as Kitchin LJ would phrase it more recently, a balancing exercise between competing interests like consumer protection, promotion of free trade and single market integration.¹²⁷ This reading is consistent with the notion of trade mark functions operating as a theory of harm that I propose. The average consumer is moulded into a conduit through which market realities make their way to infringement assessment, so that a (informed) normative determination can be reached.¹²⁸ The conduit role of the average consumer allows confusion analysis to assume a contextual character and internalise normative concerns with no need to resort to external doctrines such as the German trade mark use approach.¹²⁹

¹²⁴ Ch II(1)(C).

¹²⁵ See for example Alfred C Yen, 'The Constructive Role of Confusion in Trademark' (2014) 93 NCLRev 77; McGeeveran and McKenna (n 88). Cf. Stacey L Dogan and Mark A Lemley, 'A Search-Costs Theory of Limiting Doctrines in Trademark Law' (2007) 97 TMR 1223.

¹²⁶ *Reed Executive Plc v Reed Business Information Ltd* [2004] EWCA Civ 159 [82].

¹²⁷ *Interflora (EWCA II)* (n 60) [113], [129].

¹²⁸ Ch V develops the notion of an empirically-informed, normative benchmark. Ch VI further proposes that a more reality-based construction of the average consumer could be key in taming other functions, eschewing more abstract, generalised assumptions of harm.

¹²⁹ Ch IV.

Thus *Interflora* is, and should be read as, a strong statement against attempts to outsource decision making by placing excessive emphasis on a particular type of evidence (i.e. surveys) that is inherently objectionable. It synthesises a critique that has long resonated with the CJEU jurisprudence and legal scholarship more generally.¹³⁰ Because if we were to accept, for example, that likelihood of confusion would be established every time a survey indicated that 50 per cent of the consumers got confused, other policy concerns would be jettisoned from the assessment. The notion of *actionable* confusion would take the shape of an algorithm-like process, leaving judges with no real margin to decide, which is hardly desirable.¹³¹ But recognising the nature of such an assessment as a value judgment does not mean to say that a purely notional, strictly normative approach to the average consumer is the logical or only possible outcome either. The proposition that infringement assessment is not a statistical test by no means entails a legal construct unhinged from reality, stemming from the questionable assumption that consumer perceptions would be easily discernible by anyone carrying it out. Jennifer Davis contends that ‘the average consumer cannot be taken for granted by registering authorities or the courts and, instead, must be ascertained through the collection of empirical data’.¹³² Philipp Hacker, more generally, criticises a strictly normative model of decision-making for failing to account for human behaviour in the context of consumer protection, namely ‘that it is barred from taking empirical findings into account and thus easily becomes detached from reality ... It leads to factual

¹³⁰ See for example Case C-217/13 *Oberbank AG v Deutscher Sparkassen- und Giroverband eV* [2014] ETMR 56 (CJEU), rejecting the traditional German approach of setting a pre-determined threshold, in the form of abstract percentages, to establish acquired distinctiveness of a mark. See also Burrell and Weatherall (n 4) 4; Weatherall (n 112); McGeeveran and McKenna (n 88) 256.

¹³¹ Ch V.

¹³² Davis, ‘Revisiting’ (n 109) 18.

miscalibrations and normative doctrinalism.¹³³ Robert Burrell and Kimberlee Weatherall further argue that ‘[r]eliance on the hypothetical consumer can obscure the weight that is being given to pro-competition concerns and other policy goals’.¹³⁴

Later in *Interflora II*, the EWCA would define the average consumer as a normative benchmark,¹³⁵ while leaving considerable latitude for it to reflect real life consumers. By rejecting a single meaning rule,¹³⁶ the court held that:

... in assessing whether a practice is deceptive from the perspective of such a person, we see no reason why, as a matter of principle, a national court may not properly have regard to the effect it has upon a significant number of the persons.¹³⁷

At trial, Arnold J had relied on academic papers to grapple with consumer behaviour on the Internet;¹³⁸ an approach left undisturbed on appeal.¹³⁹ More recently, in another keyword advertising case, Carr J had resort to expert reports on the number of times actual consumers clicked on advertisement for a brand when Google searching for another (so-called click through rates).¹⁴⁰ In giving judgment, he found that such data ‘establishe[d], on a balance of probabilities, that confusion is occurring on a very substantial scale as a result of the acts complained of.’¹⁴¹

¹³³ Philipp Hacker, ‘The Behavioral Divide: A Critique of the Differential Implementation of Behavioral Law and Economics in the US and the EU’ (2015) 11 ERCL 299, 317.

¹³⁴ Burrell and Weatherall (n 4) 6.

¹³⁵ *Interflora (EWCA II)* (n 60).

¹³⁶ *ibid* [116].

¹³⁷ *ibid* [124].

¹³⁸ *Interflora (EWHC)* (n) [142]-[160].

¹³⁹ *Interflora (EWCA II)* (n 60).

¹⁴⁰ *Victoria Plum Limited v Victorian Plumbing Limited* [2016] EWHC 2911 (Ch).

¹⁴¹ *ibid* [115].

Hence a more coherent reading of the case law may find its answer in interpreting the average consumer as a normative-empirical hybrid. In examining recent developments in European trade mark law, Graeme Dinwoodie and Dev Gangjee argue that:

This blending of empirical and normative assessments highlights that the binary choice between an empirical or normative approach to legal tests involving the consumer concept is a false one. In the end, 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.¹⁴²

UK courts appear to be aware of such a distinction and, indeed, have developed the average consumer in interesting ways. Following *O2 Holdings*, there is a strand of decisions indicating that the process of incorporating consumer understandings when comparing mark and sign in context has changed the nature of the benchmark for infringement. It is a movement preceding *Interflora* which does not seem to have drastically changed thereafter. Instead of simply assuming, for example, that the relevant public was mostly illiterate,¹⁴³ courts are now more open to employing market-related evidence in the construction of different profiles of consumer.

Whirlpool v Kenwood, a judgment handed down in the wake of *O2 Holdings*, 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.¹⁴⁴ In so

¹⁴² Dinwoodie and Gangjee (n 21) 353.

¹⁴³ Davis, 'Locating' (n 14) 192.

¹⁴⁴ *Whirlpool (EWHC)* (n 119) [69].

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, 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.¹⁴⁵

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.¹⁴⁶

This approach centred on consumer perceptions is clearly contrastable with the mark for mark comparison standard we have seen earlier in this chapter,¹⁴⁷ where the figure of the consumer equated to a single notional person. There the consumer was an archetype shaped as a (predictable) rational actor who always assumed the same purchasing habits

¹⁴⁵ *ibid* [70].

¹⁴⁶ *Jack Wills* (n 61) [63].

¹⁴⁷ Text to n 7.

and perceived the marks object of comparison in the same way.¹⁴⁸ 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. The UK contextual approach is also markedly different from the German conception of likelihood of confusion as ‘a normative determination of the distance which the more recent design has to keep from the older trade mark, particularly also in view of their scope of protection’.¹⁴⁹ There likelihood of confusion assessment retained a formalist character which had to be offset by a standalone trade mark use doctrine working as a gateway to market realities.¹⁵⁰

Interflora does not seem to have materially changed this identifiable trend towards a more pluralistic approach to the average consumer in infringement. Although underscoring the normative character of the construct,¹⁵¹ UK courts have explicitly rejected a single meaning approach on more than one occasion.¹⁵² The average consumer departed from the mindset of a single notional person to become 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.¹⁵³ In *Enterprise Holdings*, the average consumer included residents of foreign countries who consisted of a relevant share of customers of car hiring services.¹⁵⁴

¹⁴⁸ Davis, ‘Locating’ (n 14).

¹⁴⁹ *Adidas AG v C&A Mode Co* [2004] ETMR 3 (LG Munchen) [25], [59].

¹⁵⁰ Ch IV(1).

¹⁵¹ See for example *Interflora (EWCA II)* (n 60) [122]-[124].

¹⁵² *Enterprise Holdings* (n 61) [135]; *Zynga* (n 121) [36]-[38].

¹⁵³ *Thomas Pink* (n 72) [118].

¹⁵⁴ *Enterprise Holdings* (n 61) [138]-[139].

Again, this pliable assessment should not come out as surprising. 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,¹⁵⁵ consideration of various classes of consumers dealing with the products can be seen as predictable doctrinal development. The process of weighing such classes of consumers is arguably consistent with the single market integration rationale promoted by the CJEU.¹⁵⁶ 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 EUTM is being asserted. But it also has the potential for discounting consumer biases and addressing cognitive restraints that are widely known in behavioural sciences but remain largely neglected in a rational choice model, offering interesting normative possibilities that I will address later.¹⁵⁷

There is nothing in *Interflora*, or in the underlying CJEU jurisprudence, precluding the average consumer from being composed of more than one relevant public, or for infringement assessment to consider multiple average consumers. Rather, the notion of a hypothetical consumer always displaying a singular reaction to the registered mark — even if by focusing on a more vulnerable class of consumer while neglecting others — is hard to reconcile with recent case law on unitary rights. *DHL* and *Combit* appear to suggest that a mark can be perceived differently throughout the Community, and construction of meaning in European trade mark law is more reflective of cultural

¹⁵⁵ Text to n 93.

¹⁵⁶ See also Dinwoodie and Gangjee (n 21) 377 ('The approach that has been adopted in the infringement context seems to us to be a pragmatic reconciliation of normative market integration goals and other objectives of trade mark law that are more tied to the realities of how real consumers react to marks.').

¹⁵⁷ Ch V(3).

and linguistic differences than we may have anticipated.¹⁵⁸ In *Combit*, the European Court held that:

... in a situation in which — as in the case in the main proceedings — an EU trade mark court finds that the use of the similar sign in question for goods that are identical to those for which the EU trade mark at issue is registered does not, in a given part of the European Union, create any likelihood of confusion, in particular for linguistic reasons, and therefore cannot, in that part of the Union, adversely affect the trade mark's function of indicating origin, that court must limit the territorial scope of the aforementioned prohibition.¹⁵⁹

Specifically, there is an overarching principle that the origin function is unharmed where the relevant public in a Member State ascribes different meaning to a sign. *Ornuia* further suggests that variation in meaning may be attendant on real marketplace conditions such as the marks coexisting for decades in part of the Community.¹⁶⁰ If nothing else, unitary rights jurisprudence built upon the functions theory is a strong indication that the average consumer need not be limited to emulating the reactions of a single archetype nor are courts bound by single meaning. If a relevant part of the public perceives the sign differently, likelihood of confusion need not (or would not) reach them. Tethering scope of protection to trade mark functions in this fashion could provide, for example, a more nuanced (and arguably, balanced) approach to non-traditional marks within infringement than the all-or-nothing rationale currently prevailing at the registration level.¹⁶¹

¹⁵⁸ Case C-235/09 *DHL Express France SAS v Chronopost SA* [2011] ETMR 33 (CJEU); Case C-223/15 *combit Software GmbH v Commit Business Solutions Ltd* [2016] Bus LR 1393 (CJEU).

¹⁵⁹ *Combit* (n 158), para 31.

¹⁶⁰ Case C-93/16 *Ornuia Co-operative Ltd v Tindale & Stantion Ltd Espana SL* [2017] ETMR 37 (CJEU).

¹⁶¹ Ch V(4)(A).

Likewise, recent attempts to interpret *Interflora* as endorsing a single meaning proposition¹⁶² do not seem to find support in the EWCA judgment, the CJEU jurisprudence or subsequent UK case law. In *London Taxi*, Kitchin LJ held that ‘the notion of an average consumer requires the court to consider *any relevant class* of consumer, and not to average them.’¹⁶³ The more abstract, paper-based construction of the consumer is now reserved to relative grounds for refusal, and maybe it is for the best. Recent studies indicating that registrar analysis rarely considers contextual, market-related factors¹⁶⁴ give all the more reason for the average consumer to assume a more realistic profiling at the infringement stage.¹⁶⁵

However, the role that differing consumer classes perform in the process of framing the average consumer and, furthermore, determination of confusion is not entirely clear. In *DataCard*, the average consumer was composed of both resellers and end users,¹⁶⁶ though the first class was seemingly excluded from an assessment focusing on end users alone.¹⁶⁷ In *Hearst Holdings*, 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.¹⁶⁸ Again, the first two categories were ruled out from the assessment, which became limited to the perceived

¹⁶² See for example Blythe (n 5).

¹⁶³ *The London Taxi Corporation Limited v Frazer-Nash Research Limited* [2017] EWCA Civ 1729 [31] (emphasis added).

¹⁶⁴ See Ilanah Fhima and Catrina Denvir, ‘An Empirical Analysis of the Likelihood of Confusion Factors in European Trade Mark Law’ (2015) 46 IIC 310, indicating that relative grounds analysis carried out by the EUIPO and the General Court has not given weight to factors of enhanced distinctiveness and actual confusion.

¹⁶⁵ Ch V(3).

¹⁶⁶ *DataCard* (n 65) [300]-[302].

¹⁶⁷ *ibid* [332]-[338].

¹⁶⁸ *Hearst Holdings* (n 89) [72]-[75].

views of purchasing public.¹⁶⁹ In *Supreme Petfoods*, the court constructed two average consumers: one of pet owners, the other of trade purchasers.¹⁷⁰ It did not explicitly consider the weight that each would carry in determining confusion neither was the global assessment segmented to account for their different perceptions.¹⁷¹

The current state of UK law thus remains to some extent unclear as to how such classes of consumers should be dealt with in infringement assessment. In some instances, more direct engagement with such differences may be desirable.¹⁷² It can be argued that focusing on a particular section of the public to reach a general finding for infringement is tantamount to enforcing a single meaning rule at a significantly lower threshold. For example, it has been recently suggested that ‘most trade mark litigators would say that 20 per cent was more than enough to prove infringement’,¹⁷³ though injunctive relief would remain in the usual form of a general order.¹⁷⁴ While such an approach may well be warranted in more conventional disputes involving word or image marks - by streamlining the assessment, thereby reducing transaction costs and rendering decision-making more efficient - it raises serious concerns in respect of non-traditional marks and other unauthorised uses of a mark. Arguably, 20 per cent of the relevant public being potentially confused would still leave a significant proportion affected by a general prohibition order which should factor in concerns other than reducing search costs. Indeed, claims of greater complexity often pose normative considerations – such as

¹⁶⁹ *ibid* [150]-[162].

¹⁷⁰ *Supreme Petfoods Limited v Henry Bell & Co (Grantham) Limited* [2015] EWHC 256 (Ch) [50]-[55].

¹⁷¹ *ibid* [184]-[186].

¹⁷² Ch V(3)-(4).

¹⁷³ Keeling and others (n 25), para 3-042.

¹⁷⁴ *ibid*, para 22-069.

competition constraints and economic efficiency; freedom of expression, occasionally – which could suggest a general injunction to be disproportionate. In such circumstances, a clearer engagement with different profiles of consumer may allow a departure from the conventional binary mindset so that infringement be limited to the relevant public being affected, with scope of relief being more carefully designed to address (and be commensurate with) such harm.¹⁷⁵

There is indication, however, that for a section of the public to be legally relevant, it should be a potential consumer of the concerned products or at least be in the position to influence purchase decisions. Here UK case law points toward yet another intersection between the process of framing this complex, rather pliable average consumer and the origin function that a trade mark is expected to perform. In *Supreme Petfoods*, retailers were weighed in as average consumer because of a particular practice of theirs in offering animal food to consumers. Accordingly, some pet shops would purchase animal food and decant it into a bin for consumers to buy smaller quantities. As such consumers were unaware of the brand of the product, perceptions the retailer would have of the mark and sign in dispute could be material.¹⁷⁶ In *London Taxi*, a trade mark infringement case over the shape of the ubiquitous London cab, the claimants framed their argument on the average consumer encompassing not only the obvious choice of taxi drivers but primarily taxi passengers. They had argued that confusion would lie in taxi passengers believing that the similarly-shaped taxi of the defendant originated from the same source of or was otherwise associated with the London cab. In rejecting such a construction of the average consumer, Arnold J had found that ‘there [was] no evidence that taxi drivers would be

¹⁷⁵ See for example Graeme B Dinwoodie, ‘The Death of Ontology: A Teleological Approach to Trademark Law’ (1998) 84 IowaLRev 611, 746-751, attempting to reconcile injunctive relief with functionality in the US.

¹⁷⁶ *Supreme Petfoods* (n 170) [53]-[55].

more likely to purchase the new Metrocab if some of their passengers thought that it emanated from the same source as LTC's taxis'.¹⁷⁷ While the finding would be reversed on appeal, the EWCA held that, as a question of principle, 'the term average consumer includes any class of consumer to whom the guarantee of origin is directed and who would be likely to rely on it, for example in making a decision to buy or use the goods.'¹⁷⁸ According to the court, the approach would find its justification on 'the purpose of the trade mark which, broadly speaking, is to operate as a guarantee of origin to those who purchase or use the product.'¹⁷⁹ (Admittedly, the likelihood of confusion argument that the claimants had put forward by focusing on taxi passengers would be more akin to a dilution claim.¹⁸⁰ Floyd J seemingly shared this view in conceiving the *theoretical* possibility that the defendant's car malfunctioning could reflect poorly on the claimant's brand.)¹⁸¹

London Taxi is interesting in at least two aspects. First, it appears to confirm the proposition that the relevant public for the purposes of the average consumer need not be limited to a particular demographic or an entirely abstract archetype of consumer; the construct could (or rather, should) be reflective of more than one relevant public inhabiting the marketplace. This view of the consumer endorses Kitchin LJ's proposition in *Interflora* that 'we see no reason why, as a matter of principle, a national court may not properly have regard to the effect that [the sign complained of] has upon a significant

¹⁷⁷ *The London Taxi Corporation Limited v Frazer-Nash Research Limited* [2016] EWHC 52 (Ch) [148].

¹⁷⁸ *London Taxi (EWCA)* (n 163) [34].

¹⁷⁹ *ibid.*

¹⁸⁰ See in particular *London Taxi (EWHC)* (n 177) [247] ('Although I have accepted that taxi drivers will take the perceived reactions of consumers of their services into account, I fail to understand how a likelihood of confusion on the part of consumers of taxi services, even if there was one, could be relevant given the absence of any likelihood of confusion on the part of the taxi driver.').

¹⁸¹ *London Taxi (EWCA)* (n 163) [35].

number of the persons to whom it is addressed'.¹⁸² Once single meaning is jettisoned from trade mark law, it is difficult to reject a pluralistic construction of the average consumer embracing different understandings and variation in behaviour amongst those dealing with the products concerned. Such a process would deliver a more comprehensive picture of the market and, in so doing, provides for transparent trade-offs, broaching normative choices that otherwise would remain buried in the assessment.¹⁸³ It is also consistent with the view that:

... if, having regard to the perceptions and expectations of the average consumer, the court concludes that a significant proportion of the relevant public is likely to be confused such as to warrant the intervention of the court then we believe it may properly find infringement.¹⁸⁴

Because determination of confusion is not a statistical test, but a balancing exercise, nothing precludes infringement assessment from accounting for more than one demographic as relevant public, or finding that confusion in a specific demographic (i.e. a particular public) would trigger infringement (i.e. harm the origin function). The question remains as to which kind of intervention is warranted, or the extent to which courts should intervene.¹⁸⁵ There is an argument to be made that qualified remedies would be more adequate if, hypothetically, confusion were limited to a single class of the consumers identified in *London Taxi* – could disclaimers be enough if only taxi passengers were being affected, for example?¹⁸⁶

¹⁸² *Interflora (EWCA II)* (n 60) [128].

¹⁸³ Ch V(3).

¹⁸⁴ *Interflora (EWCA II)* (n 60) [129].

¹⁸⁵ Ch V(4)(A).

¹⁸⁶ Qualified injunctions in the so-called 'without clearly distinguishing' form have been developed under the law of passing off. See for example *Havana Cigar and Tobacco Factories Ltd v Oddenino* [1923] 2 Ch 243; *Diageo North America Inc v Intercontinental Brands (ICB) Limited* [2010] EWHC 173 (Pat).

Secondly, decisions in the vein of *London Taxi* indicate that for there to be infringement, the average consumer, however she – or they – may be defined, should be able to ascribe significance to the sign. Where the public merely visualises the sign complained of as a feature of the product or does not rely on it to distinguish one product from another, there can be no harm to the origin function. To put it another way, actionable confusion requires something more than confronting similar marks on paper. In dismissing likelihood of confusion, Arnold J held that:

Counsel for the Defendants submitted that the overall impression conveyed by the new Metrocab was that it looked like a licensed London taxi, as it was designed to do; but that it does not look like an LTC taxi, and in particular either of the Trade Marks. I agree with this.¹⁸⁷

Here we may draw another parallel with *Adam Opel*: taking a London taxi as such (that is, a typical licensed taxi in London) would be no different from consumers expecting that miniature toy models bear the mark of the original car being replicated. Both cases indicate that the functions theory, at least when it comes to confusion-based infringement,¹⁸⁸ is a theory of harm. Consumer expectations developed in the marketplace may be key in distinguishing between a product feature deprived of significant meaning and something else affecting source identification judgment.¹⁸⁹ But *London Taxi* goes further by tethering the construction of the average consumer to the sections of the relevant public to whom the registered mark *could* perform an origin function - or perhaps conceiving such consumers as potential addressees of the mark -

¹⁸⁷ *London Taxi (EWHC)* (n 177) 259. While the trial decision would be reversed so that the definition of the average consumer would be enlarged to encompass taxi passengers, the non-infringement finding was left undisturbed in *London Taxi (EWCA)* (n 163) [83]-[85].

¹⁸⁸ The extent to which harm to other trade mark functions or even the tailored keyword test share the same characteristic is debatable.

¹⁸⁹ See for example *London Taxi (EWCA)* (n 163) [47]-[48].

even if infringement assessment would later prove such a function to be unharmed.¹⁹⁰ This approach may have a meaningful impact by assimilating categories of consumers who display different attitudes toward the mark; an analysis centred on the vulnerable archetype of consumer could otherwise foreclose the part of the public who may not attach significance to the sign.

The particular process of framing the average consumer that we have identified in this section further raises the question of whether external matter affecting the perceptions of one category of consumers should be artificially (or perhaps, 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 matter extraneous to the mark as registered is being incorporated in the assessment in UK law. I now turn to this issue.

C. The registered mark in context

We have seen in Chapter II that *Specsavers* openly introduced matter extraneous to the mark as registered in infringement assessment.¹⁹¹ The CJEU judgment allowed for context to expand the scope of protection of the mark upon consideration of enhanced distinctiveness limited to a single colour that had not been claimed in the registration, but instead reflected circumstances in which it had been used in the marketplace.

¹⁹⁰ *ibid* [34]-[35].

¹⁹¹ Ch II(3).

Specsavers has been narrowly interpreted by courts as applying to enhanced distinctiveness and colours only,¹⁹² while other external matter (e.g. product get up and limited use of the registered mark) would remain foreclosed. This suggests that external matter is factored more frequently to strengthen a case for infringement, rarely the other way around. Almost every attempt at bringing context of the registered mark to discount confusion has been formally rejected in recent decisions which are based on a premise that does not seem a suitable justification any longer: the informational function of the register.¹⁹³ To be sure, the CJEU jurisprudence preceding *Specsavers* had already allowed for distinctiveness to bolster confusion. In *Sabel*, the court had conceived the rule of thumb that ‘the more distinctive the earlier mark, the greater will be the likelihood of confusion’ where such a distinctive character could derive from the recognition of the mark on the market.¹⁹⁴ The same rationale was followed in *Canon* to factor in the reputation of the registered mark in determining whether the goods or services were similar to those of the junior mark.¹⁹⁵

However, some UK decisions have attempted to interpret *Specsavers* as restricting the breadth of enhanced protection under the *Sabel* rationale, by reference to the context in which the registered mark had been used and perceived by consumers in the marketplace. In this reality-influenced view, enhanced protection would not extend to all products claimed in the registration simply because the mark enjoys some level of reputation or recognition.¹⁹⁶ Where the mark became recognised for some particular

¹⁹² *Zynga* (n 121) [41]-[48].

¹⁹³ Ch V(2)(B).

¹⁹⁴ Case C-251/95 *Sabel BV v Puma AG* EU:C:1997:528, paras 22-24.

¹⁹⁵ Case C-39/97 *Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc* EU:C:1998:442.

¹⁹⁶ *Thomas Pink* (n 72) [189]-[190] followed a similar rationale in establishing the ‘link’ requirement for marks with a reputation under Art.9(1)(c) CTMR.

products, though 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), enhanced protection should be limited accordingly. 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 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.¹⁹⁷

A similar approach was undertaken in the *ASOS* judgment at first instance.¹⁹⁸ Rose J had 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:

... 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.¹⁹⁹

¹⁹⁷ *Jack Wills* (n 61) [61].

¹⁹⁸ *Assos of Switzerland SA v Asos Plc* [2013] EWHC 2831 (Ch).

¹⁹⁹ *ibid* [88].

Here the infringement assessment also factored in other contextual matter such as sophistication of the consumers of the claimant, which itself had been engaged in the premium clothing sector with no apparent intention of expanding to other markets. It further considered the claimant had not marketed the products strongly on the Internet, which consisted of the main business platform of the defendant.²⁰⁰ But this rationale of trimming enhanced protection to the context of consumer perceptions and actual use of the registered mark faced resistance at the appellate level. In reversing the judgment, Kitchin LJ would say thus:

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.²⁰¹

As a justification for rejecting the factual context of the registered mark, the court 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’.²⁰² Put differently, it retreated to a more abstract assessment by reinstating the standard of a notional and fair use of the mark;²⁰³ a standard which is arguably unsuitable to the contextual assessment developed in the CJEU jurisprudence.²⁰⁴

²⁰⁰ *ibid* [89]-[92].

²⁰¹ *Assos of Switzerland SA v Asos plc* [2015] EWCA Civ 220 [84].

²⁰² *ibid* [85].

²⁰³ Text to n 7.

²⁰⁴ Ch V(2)(A).

It is 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.²⁰⁵ All contextual matter relating to the mark as registered was jettisoned through a reasoning of fair and notional use of the mark citing *Compass Publishing*²⁰⁶ which is difficult to reconcile with other recent EWCA judgments. In *IPC Media*, 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 harmed.²⁰⁷ In *Zynga*, the extent of side-by-side use of the mark SCRABBLE and the sign SCRAMBLE was held material in dismissing likelihood of confusion infringement, 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.²⁰⁸

In both judgments marketplace conditions reflecting the mark as used were determinative. Conversely, *ASOS* proposes a (notional) right to expansion rationale that not only is criticised in scholarship²⁰⁹ but unsubstantiated by the factual context at hand. The EWHC had established on the evidence that ‘there is no suggestion that [the claimant] intends to expand beyond the premium clothing sector and the few cheaper items that it currently sells’.²¹⁰ It may appear that *ASOS*²¹¹ and other cases like *Zynga*

²⁰⁵ *ASOS (EWCA)* (n 201) [114].

²⁰⁶ *Compass Publishing* (n 13).

²⁰⁷ *IPC Media Ltd v Media 10 Ltd* [2014] EWCA Civ 1439.

²⁰⁸ *Zynga* (n 121) [181].

²⁰⁹ See for example Lemley and McKenna (n 17), claiming trade marks are not tools for pure market preemption.

²¹⁰ *ASOS (EWHC)* (n 198) [92].

²¹¹ See also *Total Ltd v YouView TV Ltd* [2014] EWHC 1963 (Ch); *British Sky Broadcasting Group Plc v Microsoft Corporation* [2013] EWHC 1826 (Ch).

represent opposite views of assessing infringement in a post-*Specsavers* reality. This apparent inconsistency affects the way likelihood of confusion is assessed under a mark for sign comparison, notably the weight afforded to contextual matter influencing perceptions of the registered mark (e.g. circumstances characterising the use of such a mark and evidence of actual confusion) and how the average consumer is to be constructed.

Moreover, tethering enhanced protection to the context of consumer perceptions of the mark as used in the marketplace is not the only debatable issue relating to the mark as registered. Assimilation of context into infringement assumes more controversial contours when it comes to other matter extraneous to the mark as registered. In *Zynga*, external matter such as product get up and circumstances of use of the registered mark were formally excluded from confusion analysis.²¹² In so doing, the EWCA relied on the prior UK law position stated in *L'Oréal v Bellure*²¹³ while narrowly interpreting *Specsavers* as an exceptional case allowing for enhanced distinctiveness and colours only. However, the same court would later endorse a wrong way round confusion doctrine which reflected perceptions that consumers have had of the mark *as used* in marketplace conditions, that is, together with all extraneous matter nominally foreclosed from infringement.²¹⁴

In *Comic Enterprises*, the claimant was known to operate comedy clubs under the name of The Glee Club. In 2001 it registered a series of two device marks consisting of ‘the words “the glee CLUB” written in a particular script presented in a cone of light

²¹² *Zynga* (n 121) [41]-[48].

²¹³ *L'Oréal SA v Bellure NV* [2007] EWCA Civ 968 [110].

²¹⁴ *Comic Enterprises (EWCA)* (n 115).

from a spotlight.²¹⁵ By the end of 2010, four venues were operating in the UK. The older Birmingham and Cardiff venues used ‘external signage very similar, if not identical,’ to the registered mark.²¹⁶ Oxford and Nottingham, both opening later in 2010, displayed a mark emphasising the word ‘Glee’ without the spotlight represented in the registration.²¹⁷ The isolated word ‘Glee’ was also seen as a backdrop to the stage in every venue of the claimant.²¹⁸ It is fair to say that but for the external signage found in Birmingham and Cardiff, the actual use of the mark was not coextensive with the registration. Fox, the defendant, was the US entertainment company responsible for the Glee television series. Released in late 2009, Glee became a hugely popular series in a matter of a couple of years, notably the highest-ranked on non-terrestrial television in the UK, amassing a number of Emmy, Golden Globe and Bafta awards. Shortly thereafter, the claimant brought trade mark infringement proceedings arguing, in particular, to be suffering damage ‘being caused to the business conducted through the Oxford and Nottingham venues because the older ones had stronger customer support’.²¹⁹

At first instance, Roger Wyand QC (sitting as Deputy Judge) found infringement on the basis of so-called wrong way round confusion. Consumers would not believe that the Glee series originated from or were associated with the claimant, but just the opposite: witness testimony indicated that those frequenting Glee club establishments would think they were a sort of spin-off, as though a brand extension strategy, from the defendant’s television series.²²⁰ On appeal, the EWCA endorsed the wrong way round confusion

²¹⁵ *ibid* [4].

²¹⁶ *ibid* [6].

²¹⁷ *ibid* [7]-[9].

²¹⁸ *ibid* [10].

²¹⁹ *ibid* [16].

²²⁰ *Comic Enterprise Ltd v Twentieth Century Fox Film Corp* [2014] EWHC 185 (Ch).

doctrine and, after reviewing the corresponding witness evidence, upheld the infringement finding. As it turns out, the bulk of the evidence related to the Oxford and Nottingham venues,²²¹ with witness testimony on the Cardiff establishment seemingly placing more weight on the Glee mark used as backdrop to the stage rather than the external signage which more closely matched the mark as registered.²²² Now, if infringement may be justified in these terms by recourse to evidence reflecting the mark *as used* (i.e. the emphasised word ‘glee’, neglecting the spotlight or other features of the registration), a restrictive reading of *Specsavers* loses much of its force. It is hard to say that matter extraneous to (or broadly, context of) the registered mark is irrelevant. If anything, it was proven to be dispositive.

Hearst Holdings makes another interesting example of market realities reflecting the use of the registered mark playing a more prominent role in scope of protection.²²³ The claimant was a company known for licensing and marketing products with the Betty Boop cartoon character. Following investments made over decades, the various classes of consumers in consideration were found to believe that all relevant products (or licences) originated from a single source. Thus Betty Boop became a brand. The defendant was another company which had acquired copyright in old Betty Boop cartoon footage and went on to licence it to third parties for use in products competing with the claimant. At trial, Birss J held that confusion analysis should not be confined to the graphic representation of the mark in register, but rather reflect the attitudes that consumers have developed towards Betty Boop.²²⁴ Scope of protection was enhanced not

²²¹ *Comic Enterprises (EWCA)* (n 115) [53]-[63].

²²² *ibid* [52].

²²³ *Hearst Holdings* (n 89).

²²⁴ *ibid* [151].

by shrinking the registered mark as it had happened in *Specsavers*, but as an expansion to the *concept* of a cartoon character. Specifically, '[t]he fact that one cannot register a character or a concept as a trade mark does not mean that the public do not in fact recognise a character as having origin significance'.²²⁵ The word mark Betty Boop could be infringed by the character being depicted on products, and the image mark would not be constrained by the pose of the character as registered.²²⁶ The assessment of similarity thus crossed the boundaries of graphic representation to embrace the concept of a brand. This conceptual construction of a cartoon character as the real subject of protection of a registered mark cannot be explained if not by recourse to extrinsic market realities. It pierced through the fictional reality of the register to mould scope of protection in accordance with consumer understandings developed over time, and indeed reflected, the mark *as used*. In the register, Betty Boop is nothing but a name.

The expansion heralded in *Hearst Holdings* may find an explanation in the origin function that trade marks are expected to perform and the more intricate process of construction of meaning in brands broached in the literature.²²⁷ But it may also reveal a strong protection of goodwill component if we consider protection is afforded (or perhaps, warranted) insofar as the Betty Boop brand reflects consumer understandings in the marketplace. Here a parallel may be drawn with the goodwill requirement in UK merchandising cases under the tort of passing off.²²⁸ There is an arguable distinction between the Ninja Turtles television show which gave rise to a range of merchandise

²²⁵ *ibid* [101].

²²⁶ *ibid*.

²²⁷ See for example Dev Gangjee, 'Property in Brands: The Commodification of Conversation' in Helena Howe and Jonathan Griffiths (eds), *Concepts of Property in Intellectual Property Law* (Cambridge University Press 2013) 29; Deven R Desai, 'From Trademarks to Brands' (2012) 64 FlaLRev 981. Discussed in Ch V(3).

²²⁸ Text to n 54 in Ch II.

material²²⁹ and the mere granting of a licence for the Kojak character without any underlying market exploitation.²³⁰ Likewise, there may lie an appreciable difference in asserting trade mark rights against the use of (1) a cartoon character which was recognised as emanating from a single official source and (2) a car manufacturer's mark in replica toy models which came to be developed as an expected feature on the market.²³¹

Other recent UK decisions appear to embrace a contextual iteration of the functions theory in interesting ways. In *IPC Media*, likelihood of confusion between Ideal Home and Ideal Home Show was dismissed on the basis that following the marks living side-by-side for decades, in an honest concurrent use situation, there was no harm to the origin function.²³² At first instance, Baldwin QC (sitting as a Deputy Judge) 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'.²³³ While there have been laudable efforts to frame honest concurrent use as a standalone defence doctrine,²³⁴ perhaps with excessive emphasis on a test for honesty, I argue that a simpler, more coherent explanation can be found in the overarching concept of trade mark functions as a theory of harm.²³⁵ Such a finding is made possible upon a more realistic construction of the registered mark to reflect consumer attitudes as developed, or the more limited use that the registrant has made of the mark over time. Otherwise, honest concurrent use cannot be so easily (if at all)

²²⁹ *Mirage Studios v Counter-Feat Clothing Company Ltd* [1991] FSR 145 (EWHC).

²³⁰ *Tavener Rutledge Limited v Trexapalm Limited* [1975] FSR 479 (EWHC).

²³¹ *Adam Opel (CJEU)* (n 52).

²³² *IPC Media (EWCA)* (n 207).

²³³ *IPC Media (EWHC)* (n 71) [12].

²³⁴ *Victoria Plum* (n 140) [59]-[79].

²³⁵ Ch V(2). See also *Walton International Limited v Verweij Fashion BV* [2018] EWHC 1608 (Ch) [209]-[216], following a more functions-based approach to honest concurrent use.

explained under a more conventional infringement assessment adhering to a notional fair use approach. Specifically, this reality-based construction of infringement is hard to reconcile with the EWCA judgment in *ASOS*. There a survey commissioned by the claimant had indicated that consumers would not believe that the mark ASOS for casual clothing shared the same source or was otherwise associated with ASSOS sportswear. In dismissing likelihood of confusion, Rose J had stated that ‘the claimant cannot take the benefit of any results in its favour but then dismiss a negative result on the basis that no evidence of actual confusion is required.’²³⁶ On appeal, however, the EWCA would find infringement by focusing on a notional fair use of the registered mark which ultimately neglected the context of market realities that the evidence had provided.²³⁷ Again, nominal rejection of external matter may have a tendency to surface when it would limit scope of protection, rarely the other way around.

I contend that much of the inconsistency in recent case law can be explained as an unwarranted retreat to the prior mark for mark comparison. The notional standard of comparison established in cases such as *Compass Publishing* and *L’Oréal v Bellure* is no longer suitable (nor desirable) to address instances where the mark has been used. In the later part of this thesis, I propose a coherent reading addressing the inconsistencies identified in UK case law.²³⁸ I argue that the CJEU’s movement of incorporating context into infringement has put methodological choices under the prior UK comparison standard in question. I further suggest that to full-embrace a functional model for trade mark law presupposes that matter extraneous to the mark as registered should be more openly factored in infringement analysis. While incorporation of such matter is formally

²³⁶ *ASOS (EWHC)* (n 198) [96].

²³⁷ *ASOS (EWCA)* (n 201). See also text to n 221 in Ch V.

²³⁸ Ch V(4).

rejected in the jurisprudence, recent decisions suggest they already play a role in determination of confusion. Rather, context of the use of the mark of the claimant is more commonly brought into the assessment under different labels to bolster a case for infringement, of which emerging ad hoc doctrines such as wrong way round confusion are symptomatic. It may have been more accurate to say that external matter is foreclosed from the threshold question of similarity between marks, which is but one of the factors in likelihood of confusion,²³⁹ though it may influence determination of confusion itself.

But first I will examine in the following chapter how the notions of trade mark functions and context developed by the CJEU have been applied in Germany. There is a recent line of cases suggesting that infringement assessment is being infused with the context of market practices and circumstances characterising the use of the sign by the defendant. However courts do not seem to differentiate between the trade mark use doctrine and the functions theory; both are used interchangeably and bring about considerations that should be left to the validity stage. This analysis will set the stage for the normative foundations and theoretical development of the functions-based model for infringement that I propose in the remainder of this thesis.

²³⁹ *Sabel* (n 194); *Zynga* (n 121) [49]-[60].

IV. DEVELOPMENT OF FUNCTIONS AND CONTEXT IN GERMANY

In this chapter, I examine the extent to which German courts have assimilated the functions theory and the notion of context developed by CJEU jurisprudence. The purpose of this analysis is not to provide a definitive statement of German trade mark law, but investigate how they have been applied in that jurisdiction. It is thus a methodological enterprise seeking possible insights into and lessons that can be extracted from their experience in the application of the legal concepts examined in the prior chapters. As such, the main research sources consisted of decisions reported in English which were complemented by translations available on the Darts-IP database. While working with such sources presented its own challenges, the decisions examined in this chapter reveal some trends in the application of trade mark law, that is, the methodology underlying the operation of the trade mark use doctrine and functions theory, which are of relevance to this work.

I contend that German law in this area reveals a slightly different story to the UK. In Germany, assimilation of context in infringement seemed to have taken a route which is not strictly bound by the CJEU decision in *O2 Holdings*.¹ Instead of being incorporated into confusion analysis directly, external matter was introduced *upstream* via trade mark use assessment while likelihood of confusion retained a formalistic, abstract character. Hence trade mark use worked as a gateway to context, to offset the formality of the conventional paper-based approach to infringement; whenever an issue of trade mark use was raised, infringement assessment would be infused with market realities.

¹ Case C-533/06 *O2 Holdings Ltd v Hutchinson 3G UK Ltd* EU:C:2008:339, [2008] 3 CMLR 14.

Infringement thus followed a two-stage approach in Germany: courts would first carry out a trade mark use assessment and, only if such a use is found, confusion analysis would take place. While likelihood of confusion analysis adhered to a formal comparison of mark and sign in isolation, trade mark use would factor in a myriad of external matter like distinctiveness of the registered mark, the use of the sign by the defendant, market practices and consumer understandings. This gateway function could explain trade mark use emerging as an enquiry separate to likelihood of confusion, which retains a registrar-like assessment till today. Despite some identifiable inconsistencies in its application, I argue that such an approach had the merit of allowing context to be brought into an otherwise abstract infringement assessment,² to deal with more complex claims, sharing some similarities with the development of the functions theory in the CJEU jurisprudence.³

The analysis carried out in this chapter further indicates that a methodological shift towards a more contextual assessment in Germany may neither be as abrupt nor recent as initially suggested in the literature.⁴ Ansgar Ohly, for example, argues that following *O2 Holdings* infringement analysis is bridging the gap with the laws of unfair competition and unfair commercial practices.⁵ Indeed, a recent strand of cases suggest that infringement assessment is being more openly infused with the context of market

² See for example *Adidas AG v C&A Mode Co* [2004] ETMR 3 (LG Munchen) [59] ('... the examination of the legal concept of the risk of confusion does not mean a decision which forecasts whether consumers reach the assumption that they would purchase Adidas products if they faced the attacked design, because solely a normative determination of the distance to be kept from the older design is involved.'). Cf. *Whirlpool Corp v Kenwood Ltd* [2008] EWHC 1930 (Ch) [70].

³ Ch II.

⁴ See for example Ansgar Ohly, '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) 42-45.

⁵ *ibid* 45.

practices and circumstances characterising the use of the sign by the defendant.⁶ And from a broader perspective, courts are offsetting some of the formality of the registrar by operating trade mark use assessment in infringement, which can be understood as an approximation to the mark for sign comparison standard that we have seen developed in the UK.⁷

However, I propose a fundamental distinction can be drawn when it comes to methodology. The case law examined in this chapter indicates that infringement analysis is a twofold assessment surrounded by rules of thumb, often displaying a more normative character. German courts do not seem to differentiate between trade mark use doctrine and functions theory; both are employed interchangeably while likelihood of confusion unfolds into a separate enquiry. Unlike UK courts incorporating trade mark functions into confusion analysis directly,⁸ German courts have retained their traditional approach of assessing trade mark use (now relabelled as ‘functions’) independently; an approach posing a set of issues which I consider later.⁹ A more coherent reading would suggest that the contextual question of trade mark use (or rather, functions) is a standalone assessment only under double identity.¹⁰ In likelihood of confusion, the part-empirical, part-normative exercise that is carried out in the guise of trade mark use should instead take place within determination of confusion.¹¹ There also appears to exist some inconsistency in the treatment of external matter pertaining to the mark as registered

⁶ Ch IV(2).

⁷ Ch III(2).

⁸ Ch III.

⁹ Ch V(1).

¹⁰ See for example *Adam Opel GmbH v Autec* [2010] ETMR 50 (BGH).

¹¹ See for example *IPC Media Ltd v Media 10 Ltd* [2014] EWCA Civ 1439.

sharing similarities with developments in UK law.¹² The use of the registered mark by the claimant is considered in the broader context of market practices and consumer understandings, but remains foreclosed from the definition of the mark object of comparison.

The methodological differences identified during the research made it difficult to replicate the structure adopted in the prior chapter. Some of the issues which have been openly debated in the UK such as definition of the sign, possible constructions of the average consumer and consideration of external matter in infringement all fall under the umbrella of trade mark use in Germany. Hence delimitation of the legal issues of interest to this work, notably the role of context in the application of trade mark functions, required identification of legal concepts beyond the labels they have received in the jurisprudence. For the same reason, given the inconsistent treatment that German courts have afforded to trade mark functions, and lest it be conflated with the coherent reading of the CJEU jurisprudence that has been proposed earlier,¹³ I will rather adopt trade mark use terminology in the course of this analysis. Then, in the following chapter, I will address the identified inconsistencies in proposing a functional model for infringement.

1. Use as a trade mark

In Germany, the so-called trade mark use doctrine emerged before the functions theory came to be articulated by the CJEU in *Arsenal*.¹⁴ However, perhaps influenced by its earlier adoption, trade mark use became an umbrella term which has been applied

¹² Ch III(2)(C).

¹³ Ch II.

¹⁴ See for example *Pullover Lettering (Pulloverbeschriftung)* (1995) 26 IIC 570 (BGH) 571; *Three Stripes Trade Mark* [2002] ETMR 52 (BGH); *Les Paul Guitars* (2001) 32 IIC 238 (BGH).

inconsistently throughout the years. Even today, trade mark use terminology refers to both factual and legal issues underscoring the (possible) uses of a trade mark. There is no clear separation between the more abstract, rule-like determination of trade mark use and the contextual, case-specific assessment which should now take place under functions.¹⁵

In some instances, the notion of trade mark use assumes the character of use enshrined in recent CJEU jurisprudence, that is, an abstract determination of whether some categories of use of a sign are insulated from potential liability per se. For example, German courts typically understood that reference to the actual source of the products in comparative advertising would not amount to trade mark use;¹⁶ a legal determination removing the market practice from trade mark law entirely, with unfair competition stepping in to perform a regulation role.¹⁷

A more recent example are the metatag cases posing a legal question of use of a trade mark akin to keyword advertising in *Google France*,¹⁸ in which the sign is not visible to consumers. In *Impuls*, for example, the OLG Dusseldorf had held that reproducing a mark in metatags would not amount to trade mark use for such a practice does not entail a ‘perceptible process’.¹⁹ At the time, the appellate courts in Munich and Hamburg had endorsed the opposite view that metatags did involve use of a trade mark,

¹⁵ Ch II(1).

¹⁶ See for example Ansgar Ohly and Michael Spence, *The Law of Comparative Advertising: Directive 97/55/EC in the United Kingdom and Germany* (Hart Publishing 2000) 30. Interestingly, Jacob LJ and AG Mengozzi had defended the same insulating approach in the *O2 Holdings* litigation. See text to n 131 in Ch II.

¹⁷ Frauke Henning-Bodewig, *Unfair Competition Law: European Union and Member States* (Kluwer Law International 2006) 130-131.

¹⁸ Joined Cases C-236/08 to 238/08 *Google France SARL v Louis Vuitton Malletier SA* [2010] ECR I-2417, [2011] BusLR 1.

¹⁹ *Impuls Medienmarketing* 20 U 21/03 (OLG Dusseldorf).

being, therefore, subject to trade mark liability.²⁰ On appeal, the BGH reversed the OLG Dusseldorf's decision, finding trade mark use as follows:

In this context, the decisive point is not that the keyword is not visible to the user on the relevant internet site but that, with the assistance of the keyword, the result of the selection procedure is influenced and the user is guided to the corresponding internet site by such means. The keyword thus serves to draw the user's attention to the enterprise advertising on that site, and to the related offers.²¹

This finding follows a similar rationale to the CJEU holding in *Google France* that advertisers (unlike search engine providers) bidding for keywords similar or identical to a registered trade mark would be using it in relation to goods and services, namely:

In the case of the referencing service, it is common ground that the advertiser, having chosen as a keyword a sign identical with another person's trade mark, intends that internet users who enter that word as a search term should click not only on the links displayed which come from the proprietor of the trade mark, but also on the advertising link of that advertiser ...

In that situation, characterised by the fact that a sign identical with a trade mark is selected as a keyword by a competitor of the proprietor of the mark with the aim of offering internet users an alternative to the goods or services of that proprietor, there is a use of that sign in relation to the goods or services of that competitor.²²

While search engine operators ended up insulated from trade mark liability based upon a non-trade mark use finding in *Google France*,²³ the practice carried out by advertisers was subjected to case-specific infringement assessment under the functions theory. Even where the trade mark is not displayed in the resulting advertisement, non-visible use still

²⁰ Malte Hartmann, 'Invisible but Infringing: When Metatags Are Trade Mark Use' (2007) 2 JIPLP 201.

²¹ *Impuls Medienmarketing GmbH's Application* [2007] ETMR 46 (BGH) [17].

²² *Google France* (n 18) paras 67-69.

²³ Text to n 67 in Ch II.

falls within the grasp of trade mark law.²⁴ This approach underscores the CJEU notion of trade mark use as a doctrinal device which is not dependent upon neither does have to account for consumer perceptions.²⁵ It rather unfolds a normative question of theoretical application of trade mark law, with no recourse to processes of construction of meaning.²⁶

Likewise, the question of whether using metatags on a website would amount to trade mark use is one of a more general, abstract character. Once answered, it extends to other economic operators fitting same conditions (e.g. website admins relying on metatags to improve search engine results, competitors bidding for keywords). It would be difficult, if at all possible, to find that a non-visible metatag would be used as a trade mark in one instance, and not in another. Such cases are consistent with the CJEU holding that the term *use* in Art.5(1) TMD is an autonomous concept to be afforded uniform interpretation in European trade mark law.²⁷ There is no place for market realities or case-specific, factual analysis. Here the question is of a normative, rule-based character – how far is trade mark law allowed to go? Thus far the CJEU has answered that it extends to market practices like merchandising,²⁸ comparative advertising²⁹ and advertisers bidding for keywords,³⁰ but does not reach spoken use,³¹ search engine operators selling

²⁴ Cf. *Rescuecom Corp v Google Inc* 562 F3d 123 (2nd Cir 2009).

²⁵ See also *AIDOL* (2008) 7 IIC 745, 748 ('[T]his is not in conflict with the fact that a metatag is not perceptible to the average internet user and is therefore not visible as a search word on the internet pages listed following a search on the internet.').

²⁶ Ch II(1)-(2).

²⁷ Case C-206/01 *Arsenal Football Club Plc v Reed* [2002] ECR I-10273, para 45.

²⁸ *ibid.*

²⁹ *O2 Holdings (CJEU)* (n 1).

³⁰ *Google France* (n 18).

³¹ Case C-2/00 *Hölterhoff v Freiesleben* [2002] ECR I-4187.

keywords³² and filling plants acting at the behest of third parties;³³ metatags are yet another formulation of the same legal question.

However there is a more prevalent line of German decisions indicating that trade mark use plays a role akin to the British concept identified in early 20th century cases like *Young v Grierson*.³⁴ Instead of limiting scope of protection by abstract rule, this other facet of trade mark use operates through a contextual assessment accounting for the use of the sign by the defendant, established market practices and how consumers would perceive the registered mark. This contextual approach to trade mark use often emerges in controversial claims that would be considered an expansion of conventional trade mark law to non-traditional marks, merchandising, and, more recently, referential use.³⁵ One such example is the case known as *Alles Wird Teurer*.³⁶ Deutsche Telekom, the German telecommunications giant, brought a claim against a competitor over the distribution of postcards criticising their pricing policy. The claimant had registered the mark ‘Telekom’ in respect of printed products. The registration claimed the letter ‘T’ in red and grey together with a combination of red and grey dots spread over the Telekom word. The defendant, a competing telecommunications company, had devised what could be understood as a marketing strategy challenging Deutsche Telekom’s pricing policy. It began distributing postcards with the inscription ‘Toll Alles wird Teurer’ (‘Great! Everything is getting more expensive’) with a little twist: the word Teurer (‘more

³² *Google France* (n 18).

³³ Case C-119/10 *Frisdranken Industrie Winters BV v Red Bull GmbH* [2012] ETMR 16 (CJEU).

³⁴ *Young & Co Ld v Grierson Oldham & Co Ld* (1924) 41 RPC 548 (EWCA). Here I refer to the notion of trade mark use that UK courts used to adopt under prior law, later replaced by the functions theory. See text to n 40 in Ch II.

³⁵ Following the extension of potential trade mark liability to referential use in Case C-63/97 *Bayerische Motorenwerke AG v Deenik* EU:C:1999:82 and *O2 Holdings* (CJEU) (n 1).

³⁶ *Alles Wird Teurer* [1999] ETMR 49 (OLG Berlin) (n 14).

expensive’) was written in red with grey dots between the letters as a clear reference to Deutsche Telekom’s brand.³⁷ The claimant applied for an interim injunction claiming trade mark infringement and unfair competition. The OLG Berlin upheld the lower court’s decision finding there had been no trade mark use, namely:

The use of the distinguishing features of the plaintiffs' mark in question by the defendants does not constitute use as a trade mark.

It is without question that the colour scheme used and the insertion of the grey dots between the letters are typical of the “hallmark” of the plaintiff, however, the word “Teurer” is considerably different to the word “Telekom”. Even the most fleeting observation would take in the whole text and recognise that the mark is used not so as to distinguish the origin of the postcards from postcards of a different origin but as a criticism of the pricing policy of the plaintiffs. The adoption of the characteristics of the plaintiffs' mark is obviously used to identify who is being ironically attacked.³⁸

While this case was decided back in 1996, some years ahead of the CJEU judgment in *Arsenal*,³⁹ it may suggest a parallel with the development of the functions theory intertwined with context that we have examined earlier.⁴⁰ Trade mark use allowed the German court to account for a broader context and, in so doing, imposed a materiality requirement beyond the mark for mark comparison that would take place at likelihood of confusion stage.⁴¹ Given that non-confusion association was necessary for the postcards to convey the message successfully, the sign merely recalling Deutsche Telekom, as a telecommunications company, would not infringe the registered mark *for postcards*. Rather, the use of such a sign in postcards should refer to the products claimed in the

³⁷ *ibid.*

³⁸ *ibid* [51].

³⁹ *Arsenal (CJEU)* (n 27).

⁴⁰ Ch II(1).

⁴¹ Mark for mark is used as a shorthand to the registrar-like assessment comparing mark and sign taken in isolation similar to the former UK comparison standard examined in Ch III(1).

registration (i.e. postcards). Hence trade mark use was framed as a threshold filter demanding that consumers associate the sign with the mark *as registered*; about a decade later, *Adam Opel* would require that consumers think of the Blitz mark for toys rather than the car manufacturer.⁴²

There are reasons to believe that operation of trade mark use in *Teurer* was driven by normative considerations. Indeed, the underlying facts, and how they came to be examined under the unfair competition claim, indicate the court was gravely concerned with freedom of expression.⁴³ And while it had not engaged in same depth within trade mark use assessment, the route that the court would take suggests some similarities to the CJEU later segregating determination of confusion at the infringement and registration levels in *O2 Holdings*.⁴⁴ Instead of simply comparing both marks in isolation, as though the Teurer sign would make consumers think of Deutsche Telekom, the non-trade mark use analysis reached for the broader context in which the sign had been used and perceptions that consumers would have of the mark and sign in the marketplace. It departed from a paper-based comparison to arrive at a result which could have been different were the court adjudicating an issue of relative grounds of refusal, that is, if the defendant had applied for a trade mark registration instead of using the sign on products.

However there are some methodological differences of relevance to this work. In *O2 Holdings*, context was brought into infringement assessment by the functions theory operating confusion analysis, so that all such considerations of external matter fed into

⁴² Text to n 25 in Ch II.

⁴³ *Teurer* (n 14) [52]-[54].

⁴⁴ Ch II(1)(C).

likelihood of confusion directly.⁴⁵ There was no preliminary enquiry into harm to the functions which, once established, would still require a likelihood of confusion assessment to be carried out. Rather, likelihood of confusion is an enquiry of harm to origin function.⁴⁶ Only in double identity, where there is no formal likelihood of confusion analysis, that harm to the origin function would be posed as an autonomous enquiry.⁴⁷ UK courts, for example, have proceeded this way.⁴⁸ Conversely, trade mark use makes a separate stage of infringement preceding an assessment of likelihood of confusion which still retains its formalistic, abstract character. Contextual matter is thus introduced *upstream*, within the threshold question of trade mark use, while the functional approach in *O2 Holdings* operates *downstream*. But methodological differences aside, such decisions indicate that German courts may be more amenable to market realities than conventional wisdom suggest, and, furthermore, that an infringement assessment accommodating broader policy concerns normally foreclosed from a paper-based confusion analysis is attainable.

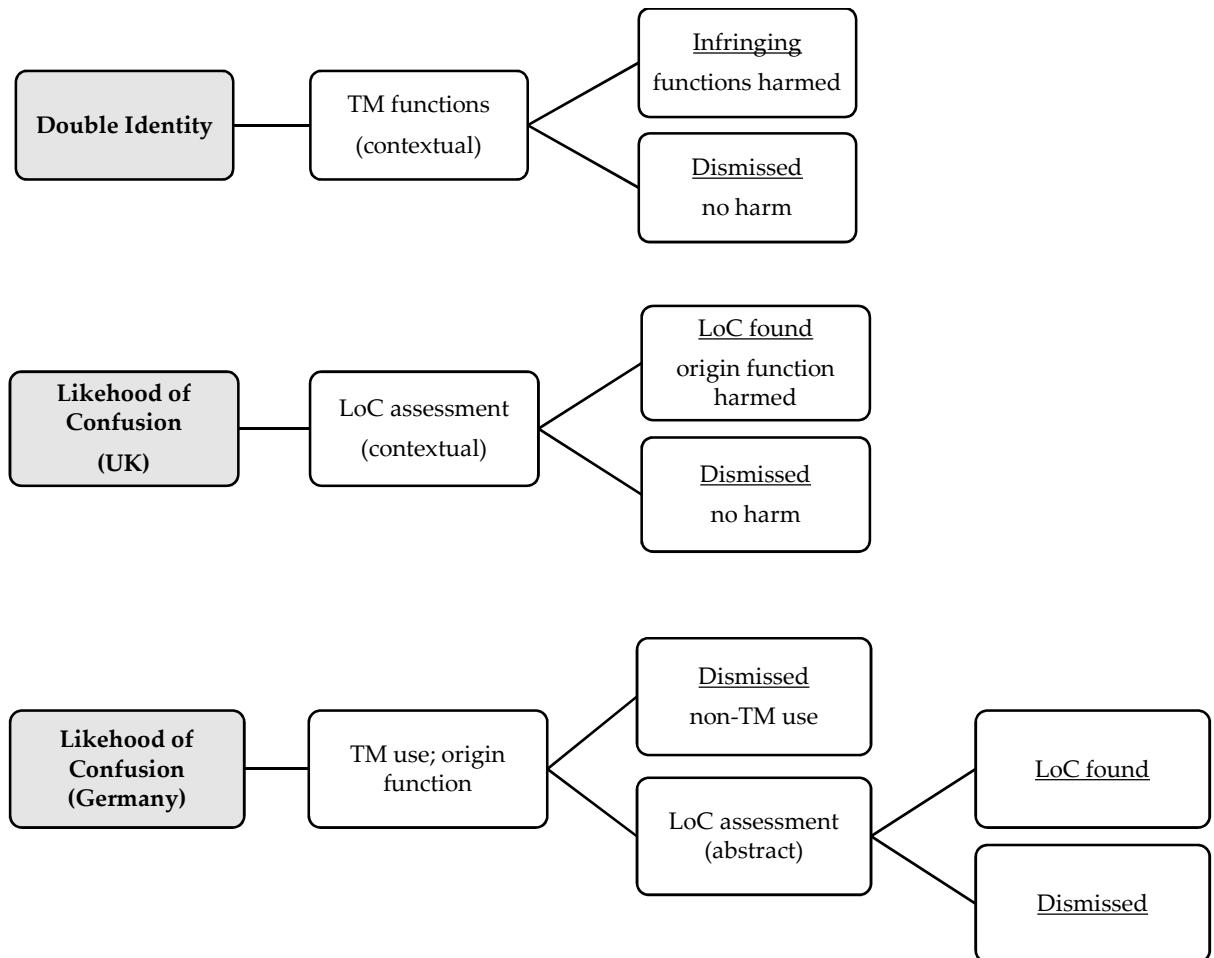
⁴⁵ Ch III(1)(C).

⁴⁶ *O2 Holdings (CJEU)* (n 1), para 59.

⁴⁷ See for example *Supreme Petfoods Limited v Henry Bell & Co (Grantham) Limited* [2015] EWHC 256 (Ch); *Cosmetic Warriors Ltd v Amazon.Co.Uk Ltd* [2014] EWHC 181 (Ch).

⁴⁸ Ch III(2).

Figure 4



Another illustration of a more contextual approach to trade mark use, now in a post-*Arsenal* reality,⁴⁹ is the litigation over the *Oscar* statue.⁵⁰ The claimant was the north-American foundation which became known for organising the Academy Awards. In 1928 it commissioned a statue that would be given to recipients of the award as from the following year. Such a statue had initially received the name ‘Academy Award of Merit’, which soon changed to ‘Oscar’, and has retained the same appearance and character over the course of decades. Since 1953 the award ceremony has been annually broadcast on

⁴⁹ *Arsenal (CJEU)* (n 27).

⁵⁰ *Academy of Motion Picture Arts and Sciences v Hendrik van Beusekom Metallwarengesellschaft mbH* 16 0 631/03, darts-928-592-A-en (LG Berlin).

worldwide television, including in Germany. In 1984 the design of the Oscar statue was registered as a trade mark with the German Patent and Trade Mark Office. The defendant, a local manufacturer of medals, cups and figures, sold miniature statues which were replicas of the Oscar. In the infringement proceedings, the defendant argued that ‘claims under trademark law were unavailable because the product was identical with the trademark. The design of the statuettes in question was not taken as an indication of origin.’⁵¹ The court, however, refused to frame trade mark use as an issue of subject matter, namely:

[I]n certain circumstances a product itself taking the form of a trademark may constitute an indicator of the product’s origin ... The trademark may serve a double purpose in the sense of on the one hand defining the design of the product and on the other serving as an indicator of its origin.⁵²

Finding upon the evidence that the Oscar statue had a reputation in Germany, the court subsequently held that:

The public will regard an ‘Oscar-like’ statute as an indicator for a specific manufacturer because of it is only natural to assume that such statues will be manufactured only by the trademark owner (or by the business that conducts the annual award ceremonies) or by a licensee.⁵³

This judgment raises some relevant issues. The proposition put forward by the defendant that trade mark protection should not be available for product design appears to suggest a notion of trade mark use akin to the CJEU approach of abstract immunisation.⁵⁴ It underscores a legal question that is not wholly different from *Arsenal* finding that merchandising amounts to trade mark use.⁵⁵ A decision that there is no trade mark use

⁵¹ *ibid.*

⁵² *ibid* 16-17.

⁵³ *ibid.*

⁵⁴ Ch II(1)(B).

⁵⁵ *Arsenal (CJEU)* (n 27), paras 39-41.

when mark and design coincide is an abstract legal determination extending to other cases of product design. Such an outcome would end up insulating product design from trade mark liability in the same manner that a non-trade mark use finding in *Arsenal* would bar merchandise protection throughout the Community.⁵⁶ As such, it is a matter of application of trade mark law according to the autonomous and uniform concept of use carved out by the CJEU jurisprudence.

But as the German court refused to frame trade mark use as a purely legal (or rather, normative) issue, it went on to inquire whether consumers would perceive the Oscar statue as an indication of origin. Put differently, the court readily rejected an overarching approach of immunisation (product design can never be a trade mark) to carry out a case-specific determination gauged by consumer perceptions. This again indicates an approach to trade mark use different to the rule-like concept operating at the EU level, one sharing more similarities with the contextual assessment that we have seen developed under the functions theory following the CJEU judgment in *Adam Opel*.⁵⁷ In *Oscar*, it was only after weighing the extensive use of the registered mark throughout the years, the manner in which the media gave attention to and often depicted the Oscar statue in connection with the award ceremony, and the underlying licensing scheme that the claimant had put in place that the judge made a trade mark use finding. The contextual

⁵⁶ Ch II(3). There are (good) normative reasons for limiting the immunisation doctrine of trade mark use, and by extension its CJEU counterpart, to exceptional circumstances so a contextual assessment may determine whether protection is warranted in a case-by-case basis. See for example Graeme B Dinwoodie and Mark D Janis, 'Confusion over Use: Contextualism in Trademark Law' (2006) 92 IowaLRev 1597, 1622 ('Trademark use theory may function as a back-door mechanism for dismantling protections against product design trade dress infringement and infringement by unauthorized merchandising. In these key areas, where legitimate countervailing arguments about the scope of protection deserve a full airing and nuanced resolution, trademark use theory would squelch the debate by deciding the matter a priori.').

⁵⁷ Ch II(1)(A).

character of this approach, where varying circumstances may produce different outcomes, is set out more clearly in the following *dictum* of the judgment:

This case differs from the cases that dealt with the illustration of trademarks on toy models of cars. It does not constitute a trademark use if the manufacturer of toy models of famous motor vehicles faithfully displays the car manufacturer's marks on the models (OLG Munich, OLG 1997, 138). However, the use on toy cars does not indicate a specific manufacturer; this kind of use is intended to provide a faithful rendering of reality. A toy racetrack simulates reality, and displaying marks such as "Ferrari" or "BMW" serves solely this purpose. Regarding the Oscar, it would not constitute a trademark use if a film studio were to be produced as a dollhouse and mini-Oscars were to be found in such a dollhouse; this would merely be a reference to reality, and the Oscar would be nothing but part of a scenery rendering reality on a smaller scale (similar to a miniature racetrack).⁵⁸

By enabling the possibility of diverging results within the same category (e.g. product design), a contextual approach is inconsistent with the rationale of insulating certain practices from trade mark law to pursue pre-determined policy objectives that trade mark use theorists have defended.⁵⁹ A product design mark may be infringed upon sales of replicas but not when used as a mere reference, that is, where consumers would not ascribe trade mark-relevant origin to the sign. Taking the example of Internet keywords heralded in trade mark use literature,⁶⁰ a contextual assessment would render inconsistencies which do not comport with the overarching justification that keywords increase flow of information thought (or rather, assumed)⁶¹ to be beneficial to consumers. Put this way, contextualism is a rejection of untested assumptions: some uses of keywords may be found infringing, others may not. There is a clear distinction between (1) an abstract ruling that search engine operators are not engaging in trade mark use by virtue

⁵⁸ *Oscar* (n 50) 17.

⁵⁹ See for example Stacey L Dogan and Mark A Lemley, 'Trademarks and Consumer Search Costs on the Internet' (2004) 41 *HousLRev* 777. See also text to n 30 in Ch II.

⁶⁰ *ibid.*

⁶¹ Cf. Dinwoodie and Janis (n 56).

of their economic activity alone and (2) keyword advertisers who may be found infringing or not depending upon the circumstances surrounding the use of the sign.⁶² Likewise, accepting that not every reproduction of the *Oscar* statue would infringe means to embrace the tenet of contextualism that changing circumstances may deliver different outcomes.

But *Oscar* also provides a parallel with the facts in *Adam Opel*,⁶³ suggesting that the contextual approach that the CJEU came to adopt under trade mark functions was not entirely novel. Even before *Adam Opel*, this fairly contextual enquiry of trade mark use allowed different outcomes by reference to market practices and consumer understandings. In assessing trade mark use, the court in *Oscar* had resort to market-related evidence that is not typical to trade mark infringement. Were it a word or image mark, an enquiry as to how consumers would (and if they would) perceive the registered mark would hardly be triggered; the registered mark would be taken as granted and be readily compared to the sign stripped from its context. Here it would mean only to compare the Oscar statue and the replica manufactured by the defendant, resulting in a straightforward finding for infringement given how highly similar they were.

Nonetheless, one could argue that trade mark use doctrine had its place in German law. The absence of such a threshold filter could mean that many other (potentially more) controversial cases would risk infringement under the paper-based likelihood of confusion and double identity assessments that courts carry out. *Teurer* is one such example.⁶⁴ This reinforces the notion of trade mark use as a gateway to context allowing

⁶² Text to n 68 in Ch II.

⁶³ Case C-48/05 *Adam Opel AG v Autec AG* EU:C:2007:55, [2007] ETMR 33.

⁶⁴ Text to n 14.

an otherwise abstract infringement assessment to be infused with market realities. It is different to the immunisation doctrine advanced in cases such as *Impuls*, having *Google France* as its counterpart, which can be characterised as a binary question of application of trade mark law.⁶⁵ I contend that a significant part of the criticism surrounding the functions theory may be ascribed to courts conflating two methodologically diverging (and perhaps irreconcilable) constructions of trade mark use. Such concepts differ not only in nature, but also by their effects. Having both legal concepts clearly distinguished is a methodologically sound endeavour which should facilitate the development of the functions theory in a more clear and structured (hence, predictable) environment.⁶⁶

Another example of inconsistent application of trade mark use are the Adidas ‘three stripes’ series of cases. The three-stripes mark has been characteristically defined by German decisions as ‘three parallel-running stripes of equal width and length, arranged at equal distances from each other and placed in characteristic spot’.⁶⁷ Defendants were actioned for using two parallel stripes on sportswear⁶⁸ or even fashion clothing.⁶⁹ Because mark and sign were not identical, this was an issue of likelihood of confusion. Yet, courts often carried out trade mark use analysis based on variations of the argument that ‘two stripes were frequently used as decoration in sports fashions and leisure fashions’.⁷⁰ It is apparent that this enquiry into trade mark use fleshed out what were essentially matters of likelihood of confusion.⁷¹ In *Adidas v Dolce & Gabbana*, the

⁶⁵ Text to n 19.

⁶⁶ Ch V.

⁶⁷ *Three Stripes Trade Mark* (n 14) [7].

⁶⁸ *Adidas-Salomon AG v Nike International Ltd* [2006] ETMR 37 (OLG Koln).

⁶⁹ *Adidas-Salomon AG v Dolce & Gabbana Germany GmbH* [2006] ETMR 38 (OLG Munchen).

⁷⁰ *ibid* [10]. See also *Adidas v C&A Mode* (n 2) [16].

⁷¹ See also Dinwoodie and Janis (n 56) 1645-1647, criticising US trade mark use for unfolding into confusion analysis with no autonomous analytical contribution.

court had to consider a range of contextual factors including, inter alia, the distinctiveness and reputation of the three-stripes mark, the D&G mark that had been affixed to the products complained of, different trade channels, and consumer perceptions of both mark and sign object of the comparison.⁷² In *Adidas v Nike*, the OLG Koln weighed the effect that the Nike ‘swoosh’ mark would have upon consumers in determining whether two parallel stripes affixed to sportswear were used as a trade mark, namely:

The application of an additional mark used as a trade mark does not immediately preclude the use as a trade mark of the sign used in addition to it. It cannot be found that the public which sees two different signs on a good will only attribute an indication of origin to one of these signs — or even to neither of them — right from the start. It was also not possible to find that, in the opinion of the addressed consumers, in such cases that marking will always move into the background which is based on an ornamental stripe decoration and which is always located at the same position on the articles of clothing for which protection exists. The focus must rather be on the circumstances of the individual case. Accordingly, the application of the additional sign, however, does not impair the function of origin of the opposed stripe marking.

However, when a further indication of origin is applied to the sportswear in addition to the stripe decoration, the public will entertain doubt as to whether the stripes should also have an indication of origin in view of this. The public will assume this the less, the more a manufacturer's emblem clearly and indisputably draws attention to itself and the further the stripe ornamentation is away from the design familiar to it — the public — as the marking practice of a large manufacturer of sports articles. When this interaction between the design of the second marking and the degree of similarity is used as the basis, it is not possible to deny the function of origin to the opposed stripes.⁷³

This particular approach to trade mark use turns on issues that UK courts have recently developed within likelihood of confusion such as the definition of the sign, the role of disclaimers and, more recently, the context in which the sign has been used by the

⁷² *Adidas-Salomon AG v Dolce & Gabbana Germany GmbH* 17HK O 11742/04 (LG Munchen); *Adidas v Dolce & Gabbana (OLG Munchen)* (n 69) affirmed.

⁷³ *Adidas v Nike* (n 68) [12].

defendant.⁷⁴ While in *Specsavers* likelihood of confusion assessment openly engaged with the Asda mark used together with the sign complained of,⁷⁵ such matter would have been factored in trade mark use in Germany. Indeed, the OLG Koln in *Adidas v Nike* conducted a rather pervasive analysis of the role of the Nike ‘swoosh’ mark in defining the use of the two parallel stripes which is essentially a confusion test.⁷⁶ Thus in the guise of trade mark use the court carried out a fairly contextual analysis gauged by the circumstances characterising the use of the sign by the defendant, consumer perceptions and market practices which however precedes likelihood of confusion assessment. But once it gets into confusion analysis itself, there is nothing left to say – everything had been addressed within trade mark use already. In the *Adidas v Nike* example, following a trade mark use determination, likelihood of confusion was found in two single paragraphs lacking much depth of analysis.⁷⁷ Moreover, some of the trade mark use considerations amounted to typical matters of post-sale confusion such as how consumers would perceive mark and sign at sports events or on television, that is, circumstances immaterial at the moment of purchase.⁷⁸

Again, this predisposition of courts to engage in confusion-based analysis within trade mark use may be resolved via the coherent reading of the CJEU jurisprudence I propose. Following *O2 Holdings*, courts may drop such a trade mark use approach – *use* now being limited to the abstract, overarching CJEU question of application or potential

⁷⁴ Ch III(2).

⁷⁵ *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2010] EWHC 2035 (Ch); *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2012] EWCA Civ 24.

⁷⁶ *Adidas v Nike* (n 68) [13]-[14].

⁷⁷ *ibid* [16]-[17].

⁷⁸ *ibid* [16]. See also *Novartis AG v ratiopharm GmbH* 33 O 14355/13, darts-032-241-D-en (LG Munchen). Ch V(4)(A) addresses whether post-sale confusion should be actionable infringement under origin function harm.

liability – and render confusion analysis more contextual. Because such matter may now feed into likelihood of confusion directly, a standalone gateway device of trade mark use is no longer required. The reasons for pursuing such a methodological change are manifold.⁷⁹ However recent case law shows that unlike in the UK,⁸⁰ trade mark use has not been fully replaced by functional analysis. Rather, German courts have only shifted language from trade mark use to functions, using both interchangeably, though the same old methodology remains unchanged.

In the *Medusa* case, the fashion house Gianni Versace brought a trade mark infringement claim against a company selling marble mosaics with motifs of the Greek mythology's Medusa.⁸¹ The claimant had registered a series of Medusa designs in respect of building materials, furniture and marbles, and marketed tabletop and floor tiles with them. The defendant sold marble mosaics on the Internet which included six pieces with motifs of the Medusa. The trial judge found that the designs were not used as a trade mark because they had been protected by copyright, that is, 'if a work within the meaning of Sec. 2(1) No. 4 of the Copyright Act has become part of the public domain, it should not be monopolised by means of trade mark law'.⁸² Here the judge approached trade mark use as the normative question of application of trade mark law that could be framed thus: should trade mark law overlap with copyright protection, or rather be allowed to subtract works from the public domain (even if to pursue different policy objectives)? It is an overarching legal, non-factual determination which, as I have argued, would be more consistent with the CJEU's trade mark use concept. It deals with use as an autonomous

⁷⁹ Ch V(3).

⁸⁰ Ch III(2).

⁸¹ *Medusa* (2013) 44 IIC 732 (BGH).

⁸² *ibid* [19].

and uniform concept which calls for an EU-wide answer like *Google France* and *Winters v Red Bull* as opposed to a case-specific determination.⁸³ By deriving a determination exclusively from the subject matter being a copyright work, the assessment is unable to discern different circumstances of use of a sign that could warrant multiple (possible) outcomes under the functions theory.

Not surprisingly, the appellate court reversed the decision and went on to examine whether consumers would perceive the Medusa designs as an indication of origin. It retreated to functions-like analysis, approaching the question contextually like in *Oscar* and *Adam Opel*,⁸⁴ and found there had been such use. The BGH, however, disagreed with the finding, not as a matter of law but consumer perceptions, as follows:

[T]he appeal court applied an incorrect standard to its examination of whether the representations of the Medusa on the defendant's three mosaics in suit were used as trade marks. It wrongly failed to base the assessment of the use as a trade mark on the opinion of the average consumer.⁸⁵

In so doing, the BGH stressed that '[t]he finding whether the contested design is interpreted by the public as an indication of origin essentially lies with the trial judge'.⁸⁶ Trade mark use is therefore a factually-dependent assessment rather than a purely legal determination of application of trade mark law. The court then established that the average consumer would not perceive the registered mark as an indication of origin. The survey evidence adduced in the proceedings indicated that only 5 per cent of the public

⁸³ Text to n 27.

⁸⁴ Text to n 57.

⁸⁵ *Medusa* (n 81) [21].

⁸⁶ *ibid* [18].

had knowledge of the mark, which would not allow the court to infer that the average consumer would behave accordingly.⁸⁷ As a result, the BGH held that:

The defendant does not use the contested motif of the Medusa on the mosaics as a trade mark. The public will only regard the motifs of the Medusa as being part of the design of the goods themselves. The decorative nature of the motifs was also the starting point of the appeal court's considerations. The trade marks in suit are largely unknown to the public circles involved.⁸⁸

Being a judgment handed down in 2011, thus after *Adam Opel* and *O2 Holdings* had been delivered, *Medusa* indicates that the BGH retained its former trade mark use methodology instead of approaching the dispute under the functions theory. A functional approach would suggest that the analysis, though retaining its contextual character, should take place within likelihood of confusion assessment. Instead of making a trade mark use determination, the court could have held there was no likelihood of confusion for the origin function had been unharmed.⁸⁹ It should no longer be framed as a trade mark use issue, which now should be reserved to the application of the abstract CJEU concept we have examined, but an enquiry into the use of the sign by defendant affecting the origin function or not. Given that the European Court equated likelihood of confusion with the origin function,⁹⁰ where the underlying assessment should consider the manifold circumstances in which the sign is used by the defendant, a paper-based approach becomes unsuitable. What German courts would normally characterise as non-trade mark use would now translate, via functions theory, to absence of likelihood of confusion following a mark for *sign in context* comparison. Yet the BGH has diffidently put the

⁸⁷ *ibid* [28].

⁸⁸ *ibid* [30].

⁸⁹ In the UK, see for example *Whirlpool (EWHC)* (n 2); *Specsavers (EWCA)* (n 75); *IPC Media Ltd v Media 10 Ltd* [2013] EWHC 3796 (IPEC).

⁹⁰ Text to n 130 in Ch II.

functions theory in the trade mark use box without any significant change to methodology, as follows:

Use under trade mark law or — what corresponds to it — use as a trade mark requires that when distributing the product or providing the service the designation at least *inter alia* serves the differentiation of the goods or services of one company from another company [citing to *Arsenal; Rillenkoffer*]. The rights deriving from a trade mark pursuant to the provision of s.14, para.2, No. 2 German Trade Mark Act which requires the existence of a likelihood of confusion are restricted to those cases in which the use of the designation by third-parties impairs or at least might impair its main function, i.e. the guarantee of the origin of the goods or services *vis-à-vis* the consumer (reg. art.5(1)(b) Trade Mark Directive *O2 Holdings Ltd v Hutchison 3G UK Ltd* (C-533/06) [2008] E.C.R. I-4231; [2008] E.T.M.R. 55; *L'Oréal v Bellure NV* (C-487/07) [2009] E.C.R. I-5185; [2009] E.T.M.R. 55; reg. s.14, para.2, No. 2 German Trade Mark Act *Pralinenform*, Bundesgerichtshof, BGHZ 171, 89 Marginal No. 22 = GRUR 2007, 780...).⁹¹

The court expressly cites *O2 Holdings* only to conflate the EU-wide notion of use and contextual analysis within the trade mark use umbrella, while retaining a registrar-like (mark for mark) approach to likelihood of confusion. It follows that a coherent methodology for infringement should separate the diverging approaches to trade mark use that have been identified in German law, namely, (1) the more abstract, rule-like determination and (2) the contextual, standard-based analysis gauged by market practices and consumer perceptions of the sign.⁹²

Though the overarching German construction of trade mark use had its merits in facilitating a reality-based approach to infringement,⁹³ it has contributed to much of the confusion by encroaching on the functions theory. The approach is methodologically

⁹¹ *Re Trade Mark Infringement by German Democratic Republic Emblems on Clothing* [2011] ETMR 14 (BGH (Germany)) [19]. See also *Praline Shapes II* [2011] ETMR 29 (BGH (Germany)) [25]; *Medusa* (n 81) [17].

⁹² Ch V(1).

⁹³ Ch IV(1).

questionable for dealing with matters of consumer perceptions and market practices that are best addressed within likelihood of confusion.⁹⁴ Contextual factors relating to the use of mark and sign, market practices and consumer perceptions belong to confusion analysis, as part of the enquiry as to whether the use of the sign is liable to harm the origin function.⁹⁵ Where the average consumer does not understand the sign complained of to be a trade mark, that is, where such a sign does not convey the source-identification meaning claimed in the registration, there is no actionable confusion (the origin function thus being unharmed). There is little reason to frame this question of use separately, which leads to backward reasoning. Once trade mark use is resolved, confusion analysis turns on a retrospective construction lacking analytical or substantive benefit.⁹⁶ Rather, the BGH's decision in *Bounty* further suggests that the abstract character of likelihood of confusion may sometimes feed back into trade mark use and limit the breadth of infringement assessment;⁹⁷ a formulation which, as I argue later, would deprive trade mark use from much of its purpose.⁹⁸

2. The context of market practices and consumer understandings

We have seen in Chapter II that in *Adam Opel* the CJEU introduced contextual matter to limit the scope of protection of the Blitz mark which had been registered for toys. With the case returning to Germany, the national court dismissed infringement upon finding

⁹⁴ *O2 Holdings (CJEU)* (n 1), para 59.

⁹⁵ *ibid*, para 67.

⁹⁶ Behavioural studies suggest that confusion analysis spreading over to trade mark use could have an impact on decision-making. See for example Jon D Hanson and Douglas A Kysar, 'Taking Behavioralism Seriously: The Problem of Market Manipulation' (1999) 74 NYULRev 630, 647 ('... if individuals construct their initial hypothesis at a time when their basis for, or ability to, make such a judgment is particularly weak, they may be unable to interpret correctly subsequent better information that is inconsistent with that hypothesis.'). See also Ch V(3).

⁹⁷ *Mars v Şölen Çikolata I ZR 23/14 (BGH)*.

⁹⁸ Text to n 46 in Ch V.

that consumers associated the mark with Opel cars, not the toys and replica models claimed in the registration.⁹⁹ Other German decisions followed this process of infusing infringement assessment with the context of market practices and consumer understandings that used to be neglected in a mark for mark comparison.

In this section, I turn to the nature of market-related evidence to which recent German decisions have had resort. This analysis indicates general acceptance to such evidence, though following a methodology different to the UK.¹⁰⁰ Infringement assessment is becoming increasingly contextual through the operation of trade mark use as a (contextual) threshold filter while likelihood of confusion analysis is kept insulated from market realities. Furthermore, German courts sometimes appear more concerned with market practices and (normative) inferences of human behaviour rather than accurately reflecting consumer perceptions. This could suggest that the process of construction of the average consumer does not carry same weight, or is not as determinative as, that we have seen in recent UK developments.¹⁰¹ Rather, decisions examined in the course of the research often displayed an imprecise concept of relevant public, and courts do not seem to have openly engaged with the impact that segments of consumers could have in confusion analysis or whether the average consumer would (or could) comprise more than a single relevant public.¹⁰² Likewise, most assumptions of consumer behaviour brought into trade mark use are jettisoned from likelihood of

⁹⁹ *Adam Opel (BGH)* (n 10) [11]-[21].

¹⁰⁰ Ch III(2).

¹⁰¹ Ch III(2)(B).

¹⁰² See text to n 62 in Ch V.

confusion so that a notional average consumer may take the reins of an assessment narrowed into a paper-based exercise.

To be sure, trade mark use in Germany is a gateway to context so that infringement assessment can harbour consumer perceptions and market practices.¹⁰³ But its operation may at times surrender to a level of doctrinalism that turns the assessment artificial. Instead of constructing the average consumer as the conduit to market-related evidence which in recent UK case law would mean to engage with ‘the real world thought process of real people’,¹⁰⁴ trade mark use is circumscribed by a rigid framework. It would begin borrowing from the CJEU standard of inherent distinctiveness¹⁰⁵ to frame a relevant public that is never used to seeing signs as marks; such a standard being applied across the board as the starting point of any trade mark use assessment.¹⁰⁶ Deviations from the norm would depend upon the claimant (1) showing that the registered mark can perform an origin function in the marketplace, which would normally require a fresh distinctiveness assessment (regardless of the registration which had been granted) or (2) establishing that practices in the relevant market would dictate the use of non-traditional marks is commonplace.¹⁰⁷ It is usual practice for claimants to produce distinctiveness surveys¹⁰⁸ or other market-related evidence indicating, for example, that competitors

¹⁰³ Ch IV(1).

¹⁰⁴ *Whirlpool (EWHC)* (n 2) [70]. See also Ch III(2)(C).

¹⁰⁵ See for example Case C-136/02 *Mag Instrument Inc v OHIM* ECLI:EU:C:2004:592, para 30.

¹⁰⁶ See for example *GDR Emblems* (n 91); *Praline Shapes II* (n 91).

¹⁰⁷ See for example *Praline Shapes II* (n 91) [31].

¹⁰⁸ *ibid*; *Medusa* (n 81); *Adam Opel (BGH)* (n 10); *Golden Rabbit Trade Mark* [2007] ETMR 30 (BGH).

behave in a similar fashion, that is, that an otherwise atypical use of a sign conforms to market practice.¹⁰⁹

However such an approach comes with its problems. By placing excessive emphasis on distinctiveness of the registered mark, trade mark use assessment runs the risk of triggering *de novo* review of registrability which may be problematic.¹¹⁰ And courts may fall victim to their own formalism. Some decisions indicate that market-related evidence may yield to rules of thumb that are no more than an extrapolation of prior decisions; they would be applied in formulaic fashion instead of courts more openly engaging with normative concerns underpinning the assessment. It would be promptly assumed, for example, that consumers of clothing are used to ‘the application of secondary signs in addition to a famous mark’¹¹¹ and would take labels sewn into the inside of clothing as indications of origin but not if they are affixed to the outside.¹¹² Thus an otherwise contextual assessment gets lost in the midst of a priori, rule-like generalisations which may lose sight of trade mark policy; normative considerations may remain buried in an assessment that seemed to have been conceived to flesh them out. The *Bounty* decision, in which the BGH held that the sign being highly similar would be enough to establish trade mark use, may be one such example.¹¹³

GDR Emblems, a case dealing with the reproduction of the former German Democratic Republic’s emblem in clothing, offers another illustration of legal formalist reasoning ingrained in trade mark use assessment. The BGH, seemingly extending the

¹⁰⁹ See for example *Langenscheidt Yellow* (2015) 46 IIC 372 (BGH).

¹¹⁰ Text to n 185.

¹¹¹ *Adidas v Dolce & Gabbana (OLG Munchen)* (n 69) [25].

¹¹² *GDR Emblems* (n 91) [20].

¹¹³ *Bounty (BGH)* (n 97). Discussed in text to n 46 in Ch V.

CJEU normative standard of inherent distinctiveness to infringement, initially stated that ‘unlike for labels sewn into the inside of clothing [reference omitted] the relevant trade circles do not generally perceive images, motifs, symbols and words on the front of clothing as indications of origin.’¹¹⁴ However given that consumers not ascribing origin significance to a polo player or three parallel stripes embroidered in clothing could be a questionable generalisation to make, it follows that ‘trade circles will frequently perceive designations as indications of origin if they are known to them as product designations — even if under different circumstances’.¹¹⁵ Finally, the court concluded the trade mark use assessment as follows:

These standards, however, are not applicable to the present designation objected to since the trade circles perceive the logo on the t-shirt objected to as a combination of the abbreviation of the former German Democratic Republic and its national coat of arms. Thus, the average informed and attentive consumer has no reason to perceive the designation reproduced on the front of clothing now at least also as an indication of origin instead of associating with it the known meaning.¹¹⁶

The BGH held that the question of trade mark use should be answered by reference to the form of use and placement of the sign. It amounts to a contextual analysis to the extent that ‘it requires an individual evaluation in each case’.¹¹⁷ But the form of reasoning indicates that courts may be more concerned with application of rules of thumb than possible constructions of the average consumer. And while such rules focus on consumer behaviour to some extent, one is left to wonder whether they are designed merely to replicate the CJEU approach to distinctiveness or to reflect market realities more accurately. This formalistic endeavour can be contrasted with the UK approach calling

¹¹⁴ *GDR Emblems* (n 91) [20].

¹¹⁵ *ibid.*

¹¹⁶ *ibid.*

¹¹⁷ *ibid.*

for a more realistic (or part-empirical) construction of the average consumer. There, determination of confusion may still retain a normative character,¹¹⁸ but there is some empirical component in inquiring about market practices and customs as they happen in the marketplace. In *Jack Wills*,¹¹⁹ for example, this meant to consider other clothing brands which have used bird logos, and, more importantly, that:

... consumers are accustomed to distinguishing between different bird logos on clothing; that Linea is an established House of Fraser brand; that Linea menswear is sold in a distinct zone; that all of the goods in question bore Linea labels and/or swing tickets; that House of Fraser does not sell Jack Wills clothing; and the age profile of the Linea customers compared to the age profile of the Jack Wills core target market.¹²⁰

Admittedly, one would think that general acceptance of surveys in Germany would be indicative of courts having more regard for market realities so that infringement assessment is more empirically-driven. Yet, examination of the case law tells another story. Instead of focusing on consumers being confused or in any other way associating mark and sign, the role of surveys in infringement is often limited to ascertaining the distinctiveness of the registered mark within trade mark use assessment.¹²¹ Put differently, surveys are not factored in likelihood of confusion, which is reduced to a mark for mark comparison, but trade mark use, where distinctiveness of the registered mark is but one factor which may yield to other normative concerns. *Novartis* is one such

¹¹⁸ In part because of the average consumer being formally defined as a normative benchmark. See *Interflora Inc v Marks & Spencer plc* [2014] EWCA Civ 1403 [124]. However it does not follow that the construction of such a consumer should neglect market realities entirely. Cf. *Thomas Pink Ltd v Victoria's Secret UK Ltd* [2014] EWHC 2631 (Ch) [118]; *Enterprise Holdings Inc v Europcar Group UK Limited* [2015] EWHC 17 (Ch) [138]-[139]. See also Ch III(2)(B).

¹¹⁹ *Jack Wills Ltd v House of Fraser (Stores) Ltd* [2014] EWHC 110 (Ch) [49]-[51].

¹²⁰ *ibid* [97].

¹²¹ See for example *Adidas v C&A Mode* (n 2) [26] ('... the question of a risk of confusion, this is not to be understood as a request to take special precautions, let alone carry out investigations — this certainly does not mean that a demographic survey is called for.').

example.¹²² The claimants were the manufacturer and distributor of transdermal patches for the treatment of dementia marketed as ‘Exelon’. Such patches had a round surface placed on the centre of square layer which were registered as a trade mark claiming the colours beige and grey. Following expiration of the patent for the active ingredient of the medicament, the defendant began selling similarly shaped transdermal patches. A survey on distinctiveness which had been carried out in that same year showed that:

... 55% of the 300 doctors questioned, who did not only come into contact with Alzheimer-Dementia occasionally, as well as 40% of doctors who barely had anything to do with Alzheimer patients, understood the design as a reference only to a very particular mark and/or particular company [reference omitted].¹²³

The court however downplayed the survey results by arguing that ‘the doctor when prescribing medication would be guided solely by the get-up thereof contradicts general life experience’.¹²⁴ It further considered that the doctor’s prescription decision would be driven by factors other (or in addition to) the get up of the product such as active substance and price and, furthermore, that the products complained were wrapped in Ratiopharm-branded packaging.¹²⁵ As such, the patient would be the one in contact with the product design, and for a brief period only.¹²⁶ In the end, there was no trade mark use. On appeal, the OLG Munchen upheld the lower court’s decision and went further by holding that:

As the Plaintiff 2) was the only vendor of transdermal patches until March 2013 [reference omitted] and the distributed patches were designated with the trademark ‘EXELON(R)’ of the Plaintiff 1), the survey ... does not

¹²² *Novartis (LG Munchen)* (n 78).

¹²³ *ibid* 5.

¹²⁴ *ibid*; affirmed in *Novartis AG v ratiopharm GmbH* 6 W 1489/13, darts-955-866-C-en (OLG Munchen).

¹²⁵ *Novartis (LG Munchen)* (n 78) 5.

¹²⁶ *ibid*.

justify the assessment that the assignment to the company of the Plaintiffs happened because of the design as shown in figurative marks.¹²⁷

Despite the nominal reliance on surveys, it would be difficult to place such an assessment at the empirical end of the spectrum. I would rather argue that empirical evidence played a role different to gauging consumer perceptions, which cannot be fully explained by following an economic efficiency rationale in trade mark law. Instead, empirical evidence may be functioning as a threshold of actual use of the registered mark: where the registered mark had not been put into use, it cannot be perceived as such in the marketplace. In *Colloseum Holding*, the OLG Hamburg held that:

The reference to the legal doctrine from the case law of the BGH is sufficient for this that when assessing the question whether the attacked design is used as a trademark the distinctiveness of the trademark in suit is to be included. The extensive use of the little red flag with the sale of jeans trousers by the plaintiff, for which the Division refers to the findings from its first judgement in appeal [reference omitted] notably led to the fact that the relevant public got used to recognising a marking function in this means of design, which is independent of other references to origin.¹²⁸

However decisions like *Novartis* demonstrate that such a mark having support in reality, where it became a brand with consumers giving it the meaning corresponding to the specification of registration, is not dispositive; normative considerations may be factored in so that a non-trade mark use determination is reached. Put differently, distinctiveness of the registered mark is a necessary, but not a sufficient, condition to trade mark use. Such a reliance on surveys therefore seems more concerned with assessing whether the registered mark would merit protection, to the extent that it reflects market realities, which would be more consistent with a protection of goodwill rationale. As such, this

¹²⁷ *Novartis (OLG Munchen)* (n 124).

¹²⁸ *Levi Strauss & Co v Colloseum Holding AG* 3 U 130/04, darts-607-434-A-en (OLG Hamburg) 14.

sort of threshold use requirement shares some similarities to the notion of use in the trade mark sense that operates as a proxy to goodwill in UK passing-off cases.¹²⁹

More recently, *Langenscheidt Yellow* made another example of market realities being brought into infringement assessment via trade mark use. This case discussed the use of the isolated colour yellow which had been registered as a mark in respect of language learning products. Here the context of market practices allowed a departure from the normative proposition that consumers are unaccustomed to seeing non-traditional marks as indication of origin.¹³⁰ Based on the evidence adduced in the proceedings, the appellate court had found that bilingual dictionaries and other language learning products consisted of a single market in which the use of isolated colours has been a longstanding labelling practice, namely:

[C]onsidering the customary use of colours as indications of origin in the field of dictionaries and due to the global use of the colour yellow on the defendant's product packaging and in its advertising, the public perceives this colour as a distinguishing mark in its own right alongside the other marks used by the defendant.¹³¹

The claimant, having a 60 per cent market share, had been using the colour yellow on packaging and advertising since 1956, while another competitor with a 17 per cent market share had adopted green for many decades.¹³² On appeal, the BGH stressed that 'what can be of significance for the test of use as a trade mark is the labelling customs in the relevant sector of goods or services'.¹³³ Hence the infringement assessment, albeit within the trade mark use rubric, was infused with the context of market practices showing that

¹²⁹ Text to n 54 in Ch II.

¹³⁰ *Langenscheidt Yellow (BGH)* (n 109) [23].

¹³¹ *ibid* [53].

¹³² *ibid* [24].

¹³³ *ibid* [30].

use of colours to differentiate language-learning products had been a common practice to which the consumers became accustomed. Put differently, isolated colours were a feature expected to perform an origin function on that specific market.¹³⁴ This particular framing of the relevant public (courts seem generally reluctant to adopt average consumer terminology under trade mark use) which transposes the inherent distinctiveness standard to infringement again indicates that unused registered marks may fall short of the requisite trade mark use. Indeed, distinctiveness and reputation of the registered mark tend to play a role that would not be normally expected in infringement assessment, a phenomenon finding a parallel with US courts incorporating contextual matter into trade mark use assessment.¹³⁵

In Europe, Ansgar Ohly has suggested another parallel between recent CJEU jurisprudence and unfair competition law,¹³⁶ which may find support in the strand of German decisions gauging trade mark use by reference to market practices and standards of behaviour. This approach, however, is but one amongst others inquiring whether the registered mark would act as an indication of origin in the marketplace that would be more akin to a passing-off enquiry. And perhaps the contrast between unfair competition and passing off doctrines may explain application of CJEU jurisprudence assuming different contours in both Germany and the UK: the former revealing a particular (normative) concern with market practices and drawing distance between competitors,

¹³⁴ Infringement claims over isolated colour marks appear to be more successful in highly concentrated markets such as telecommunications and dictionaries. See for example *Deutsche Telekom AG v Mobilcom* [2004] ETMR 75 (BGH (Germany)) and *Langenscheidt Yellow* (BGH) (n 109).

¹³⁵ *Dinwoodie and Janis* (n 56) 1645 ('... many cases nominally decided on the basis of use dissolve into analyses suspiciously similar to those of other doctrines such as distinctiveness and likelihood of confusion.').

¹³⁶ Ohly (n 4).

the latter being more careful in framing an average consumer infused with market realities.

3. The sign in context

As we have seen earlier in this chapter, trade mark use has allowed an otherwise abstract infringement assessment to be infused with contextual matter.¹³⁷ While courts would still insulate the sign object of comparison within likelihood of confusion, circumstances characterising the use of such a sign are increasingly factored in trade mark use; an approach which appear to have endured in German decisions subsequent to the CJEU judgment in *O2 Holdings*.¹³⁸ As such, there is no formal process of defining the sign object of the comparison, which assumes an equivocal character. In likelihood of confusion the sign would be narrowly defined similarly to the former UK approach of cutting it down to a closer match to the registration.¹³⁹ Yet, the same sign could be given a comprehensive definition assimilating a myriad of contextual matter within trade mark use assessment.

In *Adidas v Nike*, the claimant's swoosh mark was foreclosed from the likelihood of confusion analysis 'because those consumers who additionally see this sign will

¹³⁷ Ch IV(1).

¹³⁸ *O2 Holdings (CJEU)* (n 1).

¹³⁹ See for example *Vita Zahnfabrik v Eurovita* 6 U 164/99 (OLG Köln) (a conflict between Vita and Eurovita in respect of products for dental treatment); *Vitakraft-Werke Wührmann & Sohn v Febena Pharma* 315 O 875/99 (LG Hamburg) (Vitakraft and Vitafeban in respect of veterinary drugs and veterinary medicinal products); *Kellogg v hosta Werk für Schokolade-Spezialitäten* 5 U 79/02 (OLG Hamburg) (Corn Pops and Rice Pops).

understand both markings as independent and not as an overall sign'.¹⁴⁰ Similarly, in *Adidas v Dolce & Gabbana*, the OLG Munchen held that:

The fact that the first defendant uses the logo “D & G” at the front on the waistband and at the rear on the rear pocket does not change the fact of similarity of signs, because the addressed public does not perceive the two signs as an overall sign, but can rather — for instance when viewed from the side — only recognise the two-stripe marking.¹⁴¹

This restrictive definition of the sign under likelihood of confusion shares similarities with former UK law as in ‘Robertson’s Toffee Treat’ being reduced to ‘Treat’ for comparison purposes in *British Sugar*.¹⁴² In the Adidas series of cases we have examined earlier,¹⁴³ the sign would be often limited to two-stripes to be compared with the three-stripes mark, following the same approach that the OHIM (as it then was) would take in examining an application for a two-stripes mark.¹⁴⁴ However in establishing trade mark use, unlike a registrar assessment, German courts would be open to considering the impact that a house mark would have on the two-stripes sign.¹⁴⁵

We have also seen that context of the use of the sign may infuse infringement assessment with broader normative concerns. In *Teurer*, trade mark use enabled the court to consider the use of the sign within a postcard as a vehicle of criticism to Deutsche Telekom’s pricing policy, making infringement assessment assume a contextual character reaching beyond a mark for mark comparison.¹⁴⁶ In *Mobilcom*, another case

¹⁴⁰ *Adidas v Nike* (n 68) [17].

¹⁴¹ *Adidas v Dolce & Gabbana (OLG Munchen)* (n 69) [30].

¹⁴² *British Sugar Plc v James Robertson & Sons Ltd* [1996] RPC 281 (EWHC). See also text to n 34 in Ch III.

¹⁴³ Text to n 67.

¹⁴⁴ Case C-396/15P *Shoe Branding Europe BVBA v adidas AG* EU:C:2016:95; Case T-145/14 *Adidas AG v Shoe Branding Europe BVBA* [2015] ETMR 33 (General Court).

¹⁴⁵ Text to n 73.

¹⁴⁶ *Teurer* (n 14).

involving the telecommunications giant Deutsche Telekom, the circumstances in which the sign complained of had been used played a role in limiting scope of protection of a pure colour mark.¹⁴⁷ There the BGH tethered scope of protection to trade mark use, that is, infringement would depend upon the colour, as found in the advertisement, being perceived as an indication of origin by the relevant public, as follows:

Only in exceptional cases may it be assumed that the consumers regard a colour in an advertisement not just as a means of design but rather as an indication of origin. For this it is necessary that in the context of all other elements the colour as such stands out in such a way that it is regarded as means of designation ...¹⁴⁸

The claimant, having applied for an injunction enjoining all possible uses of magenta-like colour in advertising, was found overreaching. The BGH instead went on to examine the specific advertising pieces factoring in external matter that are foreclosed from likelihood of confusion, namely:

The colour used in the advertisements, which is rather similar to magenta, is not only the sole colour, but also the most important — and signal-like employed — design element. In each case, not only the eye-catcher is kept in this colour (*i.e.* the advertising slogans in the advertisements of 1, 5 and 8 March 1999, and the message in the advertisement of 13 March 1999); but also the pre-selection override code and the messages printed in large letters, from which it is obvious that telephone services are promoted, are emphasised in this colour. The other elements, which are obviously dominant in the advertisements, do not detract from the effect of this colour as indication of origin.

The emphasis on the pre-selection override code of the defendant cannot change the assumption that the used colour indicates a specific enterprise as advertiser, already in view of the fact that it is not evident that the trade circles will attribute the pre-selection override code to another enterprise as that with which they link the colour magenta ...¹⁴⁹

¹⁴⁷ *Mobilcom* (n 134).

¹⁴⁸ *ibid* [31].

¹⁴⁹ *ibid* [35]-[36].

While confusion analysis was ultimately reduced to comparing slightly different shades of the same colour, trade mark use took the form of a contextual assessment methodologically similar to a mark for sign comparison in the UK.¹⁵⁰ This process of framing the sign would ensure, for example, that the colour magenta and variations thereof, which would otherwise fall within the penumbra of similar signs under likelihood of confusion, remained free to use by competitors in particular contexts.

Langenscheidt Yellow is a more recent example contrasting the differential treatment afforded to pure colour marks under trade mark use and likelihood of confusion. Instead of following the broader definition of the sign that we have seen in the UK, contextual matter again fed into trade mark use assessment. According to the BGH:

That the conflicting sign at issue is used as a trade mark is in the present case not ruled out due to the fact that the colour in the contested use is forced into the background by conventional product labelling. According to the court of appeal, the defendant used the yellow colour on its products not merely as a background colour and also not exclusively in physical proximity to the word mark 'RosettaStone' and its blue stone logo. Hence the product packaging of the defendant is without exception coloured 'yellow' and large fields of the colour are used on the Internet and in the TV advertisement independent of the word and the figurative mark. Under the circumstances, the court of appeal rightly assumed that the public perceives the colour 'yellow' in the contested uses as an independent distinguishing mark in the sense of a house colour.¹⁵¹

Following a trade mark use finding, infringement assessment became a comparison between shades of yellow within likelihood of confusion.¹⁵² All external matter which had been incorporated into the sign under trade mark use was jettisoned, with the court holding that:

¹⁵⁰ Ch III(2)(A).

¹⁵¹ *Langenscheidt Yellow (BGH)* (n 109) [32].

¹⁵² *ibid* [51].

The assumption of similarity of signs is not in conflict with the fact that the defendant uses the colour yellow not only in isolation, but also in combination with further elements, namely, with the trade mark 'RosettaStone' and the blue stele logo ...

The court of appeal stated that the colour yellow was not used by the defendant merely as background for the designation 'RosettaStone' and its blue logo. Instead, it reasoned, considering the customary use of colours as indications of origin in the field of dictionaries and due to the global use of the colour yellow on the defendant's product packaging and in its advertising, the public perceives this colour as a distinguishing mark in its own right alongside the other marks used by the defendant. The origin-designating function of the colours used is not lessened by the defendant's word mark or figurative mark. These findings by the court of appeal stand up to the charges of the appeal.¹⁵³

Hence trade mark use seemingly worked a threshold filter which, once surpassed, warranted a likelihood of confusion enquiry focusing on the colour yellow. One would expect that by having resort to the context of market practices and consumer understandings, determination of trade mark use would bring about a limitation on scope of protection similar to *Mobilcom*.¹⁵⁴ However it had the opposite effect by enforcing a blanket prohibition on the use of yellow for dictionaries, language learning products and underlying advertising. It remains unclear the reasons that made the court consider yellow 'an independent distinguishing mark in the sense of a house colour' while treating Deutsche Telekom's magenta differently, which makes both approaches difficult to reconcile. The distinction appears to reside in the court placing more weight on market practices in *Langenscheidt Yellow* (where the use of colours in branding was thought to be a usual practice in the sector), while consumer perceptions played a more prominent role in *Mobilcom* (where trade mark use would depend on consumers seeing the sign as such in the context of the advertisement). Such a distinction could suggest yet another parallel with (1) unfair competition-like assessment more concerned with market

¹⁵³ *ibid.*

¹⁵⁴ *Mobilcom* (n 134) [31].

practices and standards of behaviour and (2) passing off focusing on consumer deception and misrepresentation. It also poses the question as to what extent trade mark use might be embracing an unfair competition rationale in German trade mark law departing from the traditional proprietary logic that inform registration-based systems.

Some decisions went further by suggesting a reliance-like requirement to trade mark use finding no parallel in conventional infringement analysis. In *Praline Shapes II*, the BGH remanded the judgment of the appellate court for neglecting the circumstances surrounding the purchase and consumption of praline chocolates.¹⁵⁵ Specifically, the trade mark use assessment had not accounted for the chocolates being sold in wrapping so that consumers would be less likely to perceive their shape as performing an origin function, namely:

Furthermore, when evaluating whether the defendant uses the shape of the praline as a trade mark those circumstances have to be taken into account under which the consumers perceive this shape. The defendant exclusively offers its praline in packaged form under its own designation. Thus, the consumer in most cases might only perceive the shape of the praline as such in the short time span between unwrapping and eating the praline. Under such circumstances it is generally not obvious that the consumer solely perceives the shape of the product as an indication of origin regardless of the packaging, the designation and advertising ...¹⁵⁶

The claimant, manufacturer of the Rocher chocolate, had brought an infringement claim seeking to enjoin sales of similarly-shaped praline chocolates at a confectionery fair in Cologne. The rounded shape of Rocher pralines were registered as a three-dimensional mark, yet the product was always sold in their characteristic gold wrapping. The defendant's pralines showed an even bottom and were wrapped in red and gold foil with the designation 'KT'. The court found that an even bottom would render the sign different

¹⁵⁵ *Praline Shapes II* (n 91).

¹⁵⁶ *ibid* [32].

to the registered mark for the rounded-shaped praline, making it a likelihood of confusion claim.¹⁵⁷ Infringement assessment was therefore subjected to the trade mark use threshold,¹⁵⁸ where the court was expected to consider whether the naked shape of the praline would be material to the decision-making of consumers. An approach thus focusing on the mark as registered seems to advance a materiality requirement for infringement similar to the reliance issue that UK courts have raised in relation to distinctiveness of shape marks.¹⁵⁹

In *Novartis*, circumstances characterising the use of the sign by the defendant were again factored in trade mark use. The court weighed in the impact that the packaging bearing the ‘ratiopharm’ mark would have on the sign (i.e. the get up of the transdermal patch), introducing a reliance component sharing similarities with *Praline Shapes II*.¹⁶⁰ It accounted for the brand acting in similar fashion to the Asda logo within the strapline ‘spec savings at Asda’ in the UK.¹⁶¹ The assessment considered the way the products were marketed, namely, that product packaging would limit contact of the relevant public with the shape complained of:

The Defendant’s preparation initially comes before with the relevant public, i.e. doctors, pharmacists, patients and carers in packaging (cardboard box) to which the trademark ‘ratiopharm’ is clearly affixed. The plaster as such is moreover wrapped in an additional protective pouche so that the concrete get-up of the plaster does not appear to the

¹⁵⁷ *ibid* [35].

¹⁵⁸ *ibid* [25].

¹⁵⁹ See for example *Société des Produits Nestlé SA v Cadbury UK Ltd* [2017] EWCA Civ 358; *Société des Produits Nestlé SA v Cadbury UK Ltd* [2016] EWHC 50 (Ch). See also *The London Taxi Corporation Limited v Frazer-Nash Research Limited* [2016] EWHC 52 (Ch).

¹⁶⁰ Text to n 155. Further discussed in Ch V(4)(A.1).

¹⁶¹ *Specsavers (EWCA)* (n 75).

relevant public before and in the respective purchase situation. This is only the case at the point of use on the patient.¹⁶²

The court went on to determine that patients facing the sign in a ‘post-sale situation’ would not be a sufficient condition for it to be perceived as a trade mark. More specifically, the claimant had failed to have ‘explained and shown credibly that a custom to design the shape of the goods in a manner indicating origin had developed in this area of products and which was known to the public’.¹⁶³ This is yet another trade mark use enquiry infused with market realities that following *O2 Holdings* should rather feed into likelihood of confusion directly.

4. The registered mark in context

German trade mark law adopts the same position of the UK in respect of matter extraneous to the mark as registered; both formally rejecting the notion that external matter be factored in infringement assessment. This is illustrated in the BGH judgment in *Colloseum Holdings*, namely:

It is the registration which is relevant to the assessment of the overall appearance of the Plaintiff’s mark. In the way in which the Plaintiff’s Third Trademark was registered, the word “LEVI’S” is clearly visible. Contrary to the opinion of the Court of Appeal this word is not irrelevant for the visual appearance of the Plaintiff’s trademark. Rather it contributes to the inherent overall appearance of the sign. In this context it is not significant how the trademark is affixed to the jeans of the Plaintiff.¹⁶⁴

However circumstances characterising the use of the mark by the claimant are part of trade mark use assessment, so that formally rejected extraneous matter make their way to

¹⁶² *Novartis (LG Munchen)* (n 78) 12.

¹⁶³ *ibid.*

¹⁶⁴ *Colloseum Handels- und Beteiligungs GmbH v Levi Strauss & Co* I ZR 39/06, darts-184-381-A-en (BGH) [36].

infringement through the backdoor. *Colloseum Holdings* is one such example. The clothing company Levi's, acting as claimant, attempted to dissect a mark which had been registered for a red tag with the word LEVI'S. The claimant argued that the red tag would play a dominant role and, to that effect, produced surveys indicating that consumers would associate the mark (as registered) with an origin.¹⁶⁵ The BGH, however, held that:

It can be conceded that the distinctiveness of the red flag of the Plaintiff may have an effect on the question as to whether consumers seeing the same or a similar get-up perceive the same as an indication of origin. However, the Defendant does not use the red flags as such. It rather adds the word marks of its jeans. In such circumstances the use of a red flag without the word marks can only be considered use of a trademark if in this context the red flag is seen as an indication of origin in its own right that is independent of the other indications of origin.¹⁶⁶

Because the registered mark claimed the red tag together with the word LEVI's and the sign complained of was used with other marks, jettisoning the word portion from the registered mark would require that the tag itself would function as a trade mark independently. If, by having resort to market realities, the claimant could show that consumers would associate it with the mark, the proposed dissection would be warranted. Upon the case returning to the OLG Hamburg for new judgment, the claimant produced another survey showing 'a degree of awareness of the Red Tab among the general public groups of 58.1% and among jeans wearers/buyers of 65.1%'.¹⁶⁷ The court subsequently found that the claimant's red tag acted as an indication of origin and, by extension, the red tags affixed to the defendant's jeans products were used as a trade mark,¹⁶⁸ namely:

The defendant uses the little flags as a trademark in the three objected forms. The relevant public, which sees a reference to the origin in such

¹⁶⁵ *Colloseum Holding (OLG Hamburg)* (n 128).

¹⁶⁶ *Colloseum Holdings (BGH I)* (n 164) [47].

¹⁶⁷ *Colloseum Holding (OLG Hamburg)* (n 128) 6.

¹⁶⁸ *ibid* 14.

little flags on textiles of the plaintiff has no reason to see the little red flags, respectively sewn into the right top side seam of the back pocket, merely as a decoration other than with the mark in suit. The reference to the legal doctrine from the case law of the BGH is sufficient for this that when assessing the question whether the attacked design is used as a trademark the distinctiveness of the trademark in suit is to be included ... The extensive use of the little red flag with the sale of jeans trousers by the plaintiff, for which the Division refers to the findings from its first judgement in appeal [reference omitted] notably led to the fact that the relevant public got used to recognising a marking function in this means of design, which is independent of other references to origin.¹⁶⁹

Hence the registered mark was narrowed into the red tag, which had been proven to perform an origin function (in CJEU vernacular), and likelihood of confusion analysis neglected the word elements which made part of the tags in the defendant's products. It therefore became a comparison which no longer reflected the mark as registered, with the sign being cut down to a closer match to the mark *as used*, that is:

The only difference to the overall impression conveyed by the trademark in suit consists – apart from the writing which is not relevant here – in the fact that the little flag is affixed on the left in the designs of the plaintiff and on the right in those of the defendant.¹⁷⁰

Thus the OLG Hamburg, based on the trade mark use determination, found a likelihood of confusion.¹⁷¹ But in so doing, it also posed a question of genuine use: the red tag had never been used without the word portion in reality. On appeal, the BGH upheld the findings of trade mark use and likelihood of confusion,¹⁷² and subsequently referred the issue of genuine use to the Court of Justice.¹⁷³

¹⁶⁹ *ibid.*

¹⁷⁰ *ibid* 15.

¹⁷¹ *ibid* 17.

¹⁷² *Colloseum Holding AG v Levi Strauss & Co* I ZR 206/10, darts-557-115-A-en (BGH).

¹⁷³ Case C-12/12 *Colloseum Holding AG v Levi Strauss & Co* [2013] ETMR 34 (CJEU).

This approach of shrinking the mark to conform to market realities, which may find a parallel in the CJEU judgment in *Specsavers*,¹⁷⁴ puts into question the formal rejection of matter extraneous to the registration. It signals a departure from a proprietary mindset which, furthermore, is difficult to reconcile with the informational function of the register so often raised as an objection to incorporating such external matter. Rather, the case law suggests that rejection is more frequent when it would limit scope of protection – if added matter would make the sign complained of less similar, for example – rarely the other way around. Enhanced distinctiveness is another example of external matter factored in infringement to bolster scope of protection. In *Golden Rabbit Trade Mark*, the analysis was infused with the context of the use of the mark made by the claimant and the reputation that the Golden Rabbit chocolate had acquired on the market.¹⁷⁵ According to the BGH:

The assessment of the question which elements dominate the overall impression might be influenced by the fact that, due to presentation and advertising of the trade mark (in its form registered), individual elements are particularly perceived by the relevant trade circles as an indication of origin ...

Contrary to the opinion of the Higher Regional Court an enhanced distinctiveness of the rabbit wrapped in golden foil in the form protected by the claimants' trade mark might thus not be denied because, in view of the reputation of the product 'Lindt Goldhase', it might be assumed that a considerable part of the persons consulted attributed the rabbit shown to the claimants' company because they first thought of this company as the producer of Easter chocolate rabbits. Rather, this is an indication that a considerable part of the relevant trade circles perceives the combination of form and colour of the rabbit as an indication to the claimants' company, regardless the further features. This is supported by the fact that a survey in July 2001 when a chocolate rabbit comprising not only form and colour but also the red collar with the bell was shown to the persons consulted did not result in a significantly higher degree of distinctiveness or a

¹⁷⁴ Case C-252/12 *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2013] ETMR 46 (CJEU).

¹⁷⁵ *Golden Rabbit Trade Mark* (n 108).

considerably higher number of persons consulted attributing the rabbit to the claimants' undertaking.¹⁷⁶

Context was therefore used to dissect the mark as registered, so that the rabbit-like shape and colour were taken as dominant elements entitled to independent protection. What should have been an assessment of overall impression no longer reflected the graphic representation in the register. It foreclosed other matter claimed in the registration. Here the claimant had produced two surveys: one with the registered mark and the other with the shape and colour alone; results were substantially the same, suggesting that stripping the mark from other (arguably ancillary) elements like the word 'Lindt' and a red ribbon would not affect the source-identification judgement of consumers.¹⁷⁷ This again suggests an approach centred on consumer perceptions drawing on market-related evidence that is difficult to reconcile with the formality of the registrar. There is some inconsistency in formally rejecting external matter be factored in infringement assessment while allowing for a dissection approach based on the reputation and actual use of the mark, a phenomenon which we have also noticed in UK law.¹⁷⁸ This can be problematic in situations where dominant elements in infringement may not correspond to the essential characteristics that inform functionality at the registration level,¹⁷⁹ notably when validity and infringement claims are bifurcated as in Germany. Ultimately, it may produce a mismatch problem – what if the mark passes the functionality bar (because the trade mark office or court assessing validity of the registration believes other elements

¹⁷⁶ *ibid* [24]-[25].

¹⁷⁷ *ibid* [25]. Experiments recently conducted by some scholars may suggest that, from a consumer perception standpoint, the approach is empirically sound. See Michael S Humphreys and others, 'How Important is the Name in Predicting False Recognition for Lookalike Brands?' (2017) 23 *PsycholPubPol'y&L* 381, 392 ('... when a consumer commits a product to memory, his or her recollection is likely to focus in significant part on the get up of the product. Consequently, a dissimilar name will not necessarily protect against false brand recognition.').

¹⁷⁸ Ch III(2)(C).

¹⁷⁹ See for example Case C-30/15P *Simba Toys GmbH & Co KG v EUIPO* [2017] ETMR 6 (CJEU); Case C-48/09 *Lego Juris A/S v Mega Brands Inc* [2010] ETMR 64 (CJEU).

would play a dominant role in the mark) and courts subsequently recognised that different elements are actually dominant at the infringement stage?¹⁸⁰

Furthermore, the line of contextual trade mark use cases that we have examined in this chapter suggests a threshold of effective use of registered mark in the marketplace.

In *Langenscheidt Yellow*, the BGH held that:

The distinctiveness of the disputed mark must be included in the assessment of whether the defendant used the disputed colour as a trade mark ... And the public is more likely to accord an identical or similar conflicting sign a distinguishing function if the mark in dispute possesses a high degree of distinctiveness.¹⁸¹

If the mark has not been used and, therefore, cannot be perceived as such in real marketplace conditions, an infringement claim is likely to be barred. Through this lens, German trade mark use not only requires that consumers associate the sign with the source claimed *in the registration* (e.g. Blitz, for toys; Telekom, for postcards) but it may also determine whether the claimant's mark merits protection – are levels of recognition high enough to warrant intervention? This facet of the assessment seemingly turns rights arising from registration into a rebuttable presumption which may go as far as triggering *de novo* review of distinctiveness. In *Praline Shapes II*, for example, the BGH held that:

Pursuant to the case law of the *Bundesgerichtshof* it is true that the judge of the infringement proceedings is bound by the registration of the trade mark which does not mean, however, that a designation or get-up identical with the protected plaintiff's mark in its specific infringing form is perceived by the relevant trade circles as an indication of origin ...

The judges of the infringement proceedings are only bound by the registration of the trade mark to the extent that they might not deny any

¹⁸⁰ See also Dev S Gangjee, 'Paying the Price for Admission: Non-Traditional Marks across Registration and Enforcement' in I Calboli and Mark Senftleben (eds), *The Protection of Non-Traditional Marks: Critical Perspectives* (2018) (forthcoming).

¹⁸¹ *Langenscheidt Yellow (BGH)* (n 109) [30]

protection of the trade mark. Thus, the judge of the infringement proceedings must independently determine the degree of distinctiveness in the proceedings. This also applies to trade marks which have been registered because they are well-known.¹⁸²

Indeed, Graeme Dinwoodie and Mark Janis have identified the same phenomenon when an otherwise abstract trade mark use doctrine in the US assumed a more contextual character, namely:

[M]any cases nominally decided on the basis of use dissolve into analyses suspiciously similar to those of other doctrines such as distinctiveness and likelihood of confusion. So employed, use functions principally as a proxy. It makes no autonomous analytical contribution.¹⁸³

However questionable this approach may be in terms of analytical contribution or costs, having a threshold requirement grounding more controversial claims on use of the registered mark and consumer perceptions could be consistent with core objectives of economic efficiency and protection of goodwill which inform trade mark law.¹⁸⁴ It may also suggest a parallel with recent UK merchandising cases like *Hearst Holdings* weighing investments and labour that the claimant has put forward in constructing the meaning of the mark as a single source identifier.¹⁸⁵

In practice, however, this condition revisits the requirements of registration (distinctiveness, in particular) at the infringement stage. It seems an oddity when applied

¹⁸² *Praline Shapes II* (n 91) [28], [40].

¹⁸³ Dinwoodie and Janis (n 56) 1645.

¹⁸⁴ Ch V.

¹⁸⁵ *Hearst Holdings Inc v AVELA Inc* [2014] EWHC 439 (Ch) [77]-[99]. An argument can be made that the question of consumer perceptions and construction of meaning of a mark (or rather, brand) is one of goodwill. Earlier UK passing-off cases recognising use as a trade mark are often associated with efforts and investments of the claimant in building up the brand in the relevant territory. And, perhaps, creating a market for licensed products, where the mark has become merely reflective of consumer expectations that a product should come from a single source, is what distinguishes *Hearst Holdings* from instances where the trade mark owner seeks to clean up an already-existing independent market.

across the board by subjecting marks registered under acquired distinctiveness to the same enquiry; requiring claimants to show that a mark acts as an indication of origin when it could only have been registered if it performed such a function appears counterproductive. Curiously, the BGH appears to propose that courts dealing with infringement should first determine whether the use of shapes of the products as an indication of origin reflects a custom on the market concerned or whether such a shape ‘deviated in any way considerably from what is customary in this industry’.¹⁸⁶ Here the trade mark use doctrine assumes the nature of an abstract inference process following a methodology similar to the analysis of distinctiveness at the registration level. It shows more concern with the characteristics of the mark and goods instead of how consumers perceive the sign in the marketplace.

From a broader perspective, this process of infusing infringement analysis with broader considerations of the validity of the mark may be explained by infringement and validity claims being bifurcated in the German system. Because a registration cannot be invalidated within infringement proceedings, the defendant must always bring a standalone invalidity claim before a Federal court. Hence the trade mark use doctrine may provide the opportunity for courts to limit the scope of protection of a (presumably) valid registration.¹⁸⁷ This is noticeable in respect of potentially controversial marks such as rounded praline shapes,¹⁸⁸ clothing bearing the former German Democratic Republic

¹⁸⁶ *Praline Shapes II* (n 91) [31].

¹⁸⁷ *ibid* [19], stating that ‘cancellation proceedings initiated against the trade mark have not yet been concluded’; *Langenscheidt Yellow (BGH)* (n 109), denying a stay of infringement proceedings pending resolution of the invalidity claim.

¹⁸⁸ *Praline Shapes II* (n 91) [30].

emblem,¹⁸⁹ and the DAX stock exchange index when used to designate securities provided by third parties.¹⁹⁰

In the next chapter, I engage with some of the methodological and substantive differences arising from German trade mark use. While markedly different from the contextual assessment developed in the UK, and arguably inconsistent with CJEU guidance, application of the functions theory in Germany provides valuable lessons for the functions-based model that I propose for infringement.

¹⁸⁹ *GDR Emblems* (n 91).

¹⁹⁰ *Commerzbank v Deutsche Börse AG* [2010] ETMR 31 (BGH).

V. A FUNCTIONAL (CONTEXT-BASED) MODEL FOR INFRINGEMENT

As we have seen in Chapter II, the process of incorporating context into infringement is better explained by the origin function assimilating market realities through the average consumer construct. Infringement analysis went beyond an abstract comparison of marks: 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 decision-making in the marketplace. This move from the CJEU is remarkable for laying what I consider to be the first stone of a truly contextual model, with the potential for broaching normative choices otherwise concealed by a paper-based assessment. It is a model which further enables courts to discount differing perceptions or weigh cultural and linguistic differences enshrined in EU trade mark jurisprudence.

But the practical application of this CJEU guidance is no simple task. The analysis carried out in the preceding chapters indicates that national courts have interpreted context differently, leading to a risk that a full-blown factual review may be triggered in cases where it may not be called for. Although a purely notional approach to infringement now appears unsuitable, introducing market realities in every situation may not be desirable either. The latter increases litigation costs and complexity. It outsources determination of confusion, as a judicial inference subject to normative corrections, to an empirical determination of actual confusion. It fails to recognise that trade mark law has many objectives that ought to be reconciled, and consumer protection is just one of them.¹

¹ See for example Robert Burrell and Kimberlee Weatherall, 'Towards a New Relationship Between Trade Mark Law and Psychology' CLP <<https://doi.org/10.1093/clp/cuy001>> accessed 24 December 2018, 5.

While the contrasting German and UK approaches suggest relevant methodological differences, there is a commonality: they are both a means to infuse infringement with contextual matter, that is, to make an abstract assessment reality-based to varying degrees. This common ground strengthens my argument that application of the functions theory, no matter the form it assumed before national courts, is intertwined with *context*. An enquiry into the origin function, whether conducted in *upstream* or *downstream* fashion, triggers a more contextual assessment than a conventional mark for mark comparison would yield. There are, however, important lessons to be learned from the German trade mark use experience investigated earlier.² For one, it contradicts conventional accounts of registration-based systems being limited to (or precluding anything other than) a mark for mark comparison standard. It further suggests that this typical infringement assessment insulated from market realities concealed a design flaw which became apparent once trade mark law expanded its boundaries. Though infringement of word or image marks were easily accommodated within this traditional industrial property model, other categories of marks with higher potential to stifle competition (e.g. shapes and colours) required a different set of considerations which a paper-based assessment fails to grasp. In the form that it has manifested in Germany, trade mark use can be seen as a means to counteract the expansion of trade mark law to non- or, perhaps, less-traditional marks. By infusing an otherwise abstract infringement assessment with market realities, courts could engage with other policy concerns not befitting a proprietary logic more concerned with drawing abstract zones of exclusion. More generally, German trade mark use is also a call for scepticism; courts inquire as to the nature of the use of the mark by the defendant and ultimately consider the normative, albeit empirically-informed, question of whether protection is warranted in a specific

² Ch IV.

context. However there are some notable methodological differences between the CJEU functions-based approach and trade mark use in Germany that remain to be addressed.

In the first part of this chapter, I attempt to show that by segregating functional and likelihood of confusion analyses in infringement, German trade mark use reveals a set of problems (or limitations) which are not identifiable in the UK single-stage mark for sign approach.³ In the second part, I consider some of the inconsistencies identified in the UK approach to functions which, once resolved, would provide a foundational framework. In the third part, I advance the reasons for an infringement model having resort to context, as a means to broach normative choices underpinning the assessment, which may provide a more nuanced (and balanced) approach to trade mark functions. Then, in the last part, I briefly consider some issues of more practical application associated with the functional model. By departing from an abstract proprietary logic, such a model would allow for transparent trade-offs in decision-making, affording more accuracy and predictability to a registration system that may have reached its limit. Because of the expansionary trajectory of European trade mark law, the canon of the informational function of the register – which is expected to act as a single source of accurate information affording legal certainty to economic operators – needs a re-think. In an increasingly complex reality finding no parallel at the time the registration system was conceived, we should consider that the role of the register may be best framed as providing public notice of *existence* of trade mark rights and ultimately accept that not every answer can be found on paper.

³ Ch III(2).

1. German and UK approaches compared

In the course of this research, we have identified that both the UK and German systems have had recourse to context to deal with methodological limitations inherent in an abstract infringement assessment. By reaching for market realities, courts were able to offset formalistic analysis and internalise other normative concerns that would have been unaddressed.

In Germany, context operates *upstream*. Trade mark use works as a threshold filter enabling an otherwise abstract infringement assessment to be infused with market realities. Before running likelihood of confusion analysis, courts would first inquire whether the sign complained of is used as a trade mark or, more recently, can potentially affect the origin function. A finding of non-trade mark use would be fatal to infringement at the outset. Once such use is established, however, an abstract (mark for mark) likelihood of confusion assessment would follow before infringement is determined. For example, courts would consider market practices and consumer understandings in finding that yellow, as an isolated colour, had been used as a trade mark in respect of language learning products; subsequently, likelihood of confusion would require a comparison between slightly different shades of the colour jettisoning added matter like other signs or the brand used together with it.⁴ Similarly, trade mark use assessment would factor in the effect that product packaging would have on source-identification judgment of consumers purchasing chocolate pralines to determine whether the use of the sign by the defendant would harm the origin function of the registered mark. Yet, likelihood of confusion would be limited to comparing slightly different shapes of praline chocolates,

⁴ *Langenscheidt Yellow* (2015) 46 IIC 372 (BGH).

irrespective of any product packaging or other circumstances which may influence consumer decision-making.⁵

In the UK, context operates *downstream*. Instead of formulating trade mark use as a separate threshold issue, courts have incorporated contextual matter into confusion analysis directly.⁶ In *O2 Holdings*, likelihood of confusion assessment considered the similar-looking bubbles sign in the context of a comparative advertising piece with, inter alia, voice-over, accompanying text, and identification of the advertiser.⁷ A more recent example is *BMW v Technosport*, a case dealing with BMW marks used to designate repair and maintenance services of a third party. In drawing a distinction between informative use and misleading use of a registered mark, Floyd LJ held that the nature of the message conveyed to consumers ‘depends on a close consideration of the detail and context of the use’.⁸ This process of assimilating context into confusion analysis heralds a shift from the conventional mark for mark comparison to mark for *sign in context*; a process which has impacted on the way the sign is defined through the lens of the average consumer. I further argue, however, that the same methodological shift brought about a material change in the standard for infringement deriving from the CJEU notion of harm to the origin function. Decisions like *O2 Holdings* suggest that confusing similarity between mark and sign in isolation is not enough; materiality, or a threshold of harm, must be intertwined with contextual application of the functions theory. Hence I have proposed

⁵ *Praline Shapes II* [2011] ETMR 29 (BGH).

⁶ See for example *Jadebay Limited v Clarke-Coles Limited* [2017] EWHC 1400 (IPEC) [60]-[64], finding that the defendant including its own goods in the trade mark owner’s Amazon product listing amounted to trade mark use. Consideration of whether such a use would have an impact on consumer perceptions is left to likelihood of confusion analysis at [77]-[89].

⁷ C-533/06 *O2 Holdings Ltd v Hutchinson 3G UK Ltd* EU:C:2008:339, [2008] 3 CMLR 14.

⁸ *Bayerische Motoren Werke Aktiengesellschaft v Technosport London Limited* [2017] EWCA Civ 779 [18]. See also *Frank Industries Pty Ltd v Nike Retail BV* [2018] EWHC 1893 (Ch), indicating that the meaning of abbreviations is context-dependent.

that the origin function being transposed to a contextual assessment increasingly receptive to market realities fleshes out the notion of *actionable* confusion. Not only could this reject an ‘eradicate all confusion’ norm which received criticism in other jurisdictions,⁹ but it may provide a better doctrinal solution for vexing issues such as honest concurrent use.¹⁰

A. Doctrinal ambiguity between trade mark use and functions

We have seen in Chapter IV that the German trade mark use approach displays a dual character, conflating normative threshold questions of trade mark law (the CJEU concept of use) with functions analysis. In the *Medusa* case, a trade mark use objection unfolded along the lines of (a) whether designs which had been protected by copyright could be used as a trade mark and (b) whether the sign used by the defendant would be perceived as an indication of origin.¹¹

At a conceptual level, these are wholly separate enquiries. The former unveils a normative legal question that one would expect to see addressed at the EU-wide level – are expired copyright works protected or protectable by trade mark law?¹² The latter reflects a typical case-specific assessment gauged by consumer perceptions which would now correspond to an issue of trade mark functions adjudicated by national courts.¹³ Such concepts differ not only in nature, but also by their effects. Finding there is no trade mark

⁹ In the US, see for example Alfred C Yen, ‘The Constructive Role of Confusion in Trademark’ (2014) 93 NCLRev 77.

¹⁰ Text to n 179.

¹¹ *Medusa* (2013) 44 IIC 732 (BGH). See also text to n 81 in Ch IV.

¹² See also Martin Senfleben, ‘Towards a New Copyright/Trademark Interface – Why (and How) Signs With Cultural Significance Should be Kept Outside Trademark Law’ in Graeme B Dinwoodie and Mark D Janis (eds), *Trademark Law and Theory II: Reform of Trademark Law* (Edward Elgar 2019) (forthcoming), suggesting this be an issue of relative grounds for refusal.

¹³ Ch II(1)(B).

use in the (a) situation, *just because* the sign had been a copyright work is far-reaching: framed in these terms, we cannot say that a copyright work is protected as a trade mark in one instance, but not in another (*qua* copyright works, and nothing else). Conversely, trade mark use enquiry (b) embraces differentiation. By having resort to context, that is, in making the determination more factually-dependent, it is possible (and more doctrinally justifiable) to determine that a given trade mark is infringed in one instance, and not in another; or that within the same category (e.g. product design) some marks may be infringed while others may not. Though the reproduction of the Oscar design in miniature statues sold to the public was infringing, that may not have been the case ‘if a film studio were to be produced as a dollhouse and mini-Oscars were to be found in such a dollhouse’.¹⁴ And while a miniature replica of the Oscar amounted to infringement, marble mosaics with motifs of the Medusa did not; both were product designs for which protection was not ruled out as a category. Instead of an abstract legal determination, this contextual facet of trade mark use turns on differing consumer understandings.

From a doctrinal standpoint, placing such diverse concepts, with implications of their own, in the same box raises a few issues. First, it makes functions theory more difficult to apply by introducing disparate enquiries under the trade mark use umbrella. Under this, courts are expected to consider legal questions of application of trade mark law and undertake a factual contextual assessment of consumer perceptions and market practices. Secondly, conflating both enquiries can be detrimental to single market integration by putting national courts in the position of making legal determinations trespassing on matters within CJEU jurisdiction. In a hypothetical scenario, German courts finding that product design, as an abstract category, does not amount to trade mark

¹⁴ *Academy of Motion Picture Arts and Sciences v Hendrik van Beusekom Metallwarengesellschaft mbH* 16 0 631/03, darts-928-592-A-en (LG Berlin).

use (thus barring any infringement claims of the kind) and UK courts holding the opposite would run counter to harmonisation efforts which have long animated the European Court's jurisprudence.¹⁵

Indeed, the *Impuls* case indicates that a trade mark use enquiry often dwells on normative issues of categorical application of trade mark law – does non-visible use of a sign in metatags amount to trade mark use? The conflicting decisions handed down in Germany raise concerns from a European law standpoint. The OLG Dusseldorf had held that reproducing a mark in metatags would not amount to trade mark use for such a practice does not entail a ‘perceptible process’.¹⁶ At the time, the appellate courts in Munich and Hamburg had taken the opposite view that metatags did involve use of a trade mark, being, therefore, a practice subject to trade mark liability.¹⁷ On appeal, the BGH reversed the OLG Dusseldorf’s decision in a judgment which should extend to other economic operators fitting the same conditions, that is, all those using signs similar or identical to registered marks in metatags. Because its effects reach beyond the context of a specific dispute, legal determinations of the kind are best left to the CJEU’s jurisdiction.¹⁸

Specifically, the scope of potential application of EU trade mark law set out by national courts operating the autonomous and uniform concept of ‘use’ in the decisions

¹⁵ See for example Case C-206/01 *Arsenal Football Club Plc v Reed* [2002] ECR I-10273, paras 45-46.

¹⁶ *Impuls Medienmarketing* 20 U 21/03 (OLG Dusseldorf).

¹⁷ Malte Hartmann, ‘Invisible but Infringing: When Metatags Are Trade Mark Use’ (2007) 2 JIPLP 201.

¹⁸ Following the CJEU holding in *Arsenal (CJEU)* (n 15) that ‘use’ is an autonomous and uniform concept in European law. For the same reason, and given the ability of a functional assessment to deal with most (if not all) situations, recourse to trade mark use to insulate a given market practice from liability should be highly exceptional.

we have examined earlier is static.¹⁹ By contrast, the functions theory gives leeway for national courts to derogate from this general principle of application by assessing infringement of a mark in a particular context.²⁰ CJEU jurisprudence tells us that market practices such as merchandising and comparative advertising are subject to trade mark liability, that is, they are not ruled out from protection as an abstract category in the guise of non-trade mark use. Whether the use of a sign in a given context is infringing, however, remains a question of harm to trade mark functions which allows for differentiation attendant on consumer understandings, market practices, or circumstances of use taking place in the dispute.

As we have seen earlier, *Adam Opel* suggests that the non-infringement finding in Germany could have been different in other Member States where consumer perceptions or market practices differed;²¹ a rationale that the recent CJEU judgments in *Combit* and *Ornua* seem to confirm at the unitary rights level.²² But it is also fair to say that the same Blitz mark that Opel had registered for toys could be infringed in Germany in other circumstances. Consider that an independent producer decided to market the Opel replica toy cars – which, following long-established market practices and extant consumer understandings, do not denote an origin for toys as such – in packaging prominently displaying the Blitz mark so that consumers would be inclined to believe such products originated from or were licensed by the registrant. While marketing the toy

¹⁹ Ch II.

²⁰ See also Graeme B Dinwoodie, ‘Territorial Overlaps in Trademark Law: The Evolving European Model’ (2017) 92 *NotreDameLRev* 1669, interpreting CJEU decisions on territoriality as derogations from the unitary principle informing the scope of protection of EUTMs.

²¹ Text to n 101 in Ch II.

²² Case C-223/15 *combit Software GmbH v Commit Business Solutions Ltd* [2016] *BusLR* 1393 (CJEU); Case C-93/16 *Ornua Co-operative Ltd v Tindale & Stantion Ltd Espana SL* [2017] *ETMR* 37 (CJEU).

replicas incorporating the Blitz sign would not harm trade mark functions, the use of the same sign in a materially different context – here product packaging with other surrounding matter – may tell another story. Such a proposition finds support in the German judgments in *Oscar* and *Praline Shapes II* alluding to a fresh assessment of trade mark use being required when circumstances characterising the use of the sign differ.²³ One could argue that were the defendant in *Praline Shapes II* selling its similarly-shaped praline chocolates in translucent packaging the outcome may have been different. But this context-dependent facet of trade mark use displays the character of a functional assessment that the CJEU judgment in *O2 Holdings* seems to have placed in likelihood of confusion – that is, actionable confusion (i.e. harm to origin function) is to be measured upon consideration of surrounding context through the perceived views of the average consumer. Thus instead of a fresh trade mark use assessment, UK courts have run separate confusion analyses for each materially significant use of the sign.²⁴

B. Confusion based-element in trade mark use

Another relevant methodological limitation identified in the preceding analysis of German case law derives from the contextual character of trade mark use, which came to be conflated with trade mark functions, having a strong confusion-based component.

In a strand of decisions, trade mark use assessment devolves into fairly contextual analysis accounting for the circumstances characterising the use of the sign by the defendant, consumer perceptions and market practices, which is separate to likelihood of confusion enquiry.²⁵ In *Praline Shapes II*, trade mark use was dismissed upon the

²³ Text to n 58 in Ch IV.

²⁴ Text to n 94 in Ch III.

²⁵ Ch IV.

disputed round-shaped praline chocolates being sold in visually distinctive packaging which displayed the defendant's own brand prominently.²⁶ Another example is *Adidas v Dolce & Gabbana*.²⁷ In assessing whether consumers would perceive a two-stripes sign as a trade mark, the OLG Munchen considered, inter alia, the D&G mark that had been affixed to the products, the position of the sign, how the products used to be displayed in stores, labelling customs, and trade channels. These are all matters that would be expected to arise within likelihood of confusion assessment were they adjudicated by UK courts.²⁸ More careful consideration of such decisions reveals a risk of trade mark use being hijacked by confusion analysis which is not unprecedented. In their critique of trade mark use doctrine in the United States, Graeme Dinwoodie and Mark Janis claim that:

... many cases nominally decided on the basis of use dissolve into analyses suspiciously similar to those of other doctrines such as distinctiveness and likelihood of confusion. So employed, use functions principally as a proxy. It makes no autonomous analytical contribution.²⁹

Their contention is that matter factored into trade mark use should be dealt with in likelihood of confusion directly. Yet, we may find an explanation for this trade mark use approach emerging in Germany as a response to methodological limitations on infringement assessment which had no counterpart in the United States. In the former, likelihood of confusion was supposed to mirror the registrar's paper-based analysis assessing both mark and sign in isolation. Conversely, a use-based system such as the United States' embraces a contextual likelihood of confusion assessment that would find

²⁶ *Praline Shapes II* (n 5) [32].

²⁷ *Adidas-Salomon AG v Dolce & Gabbana Germany GmbH* [2006] ETMR 38 (OLG Munchen).

²⁸ See for example *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2012] EWCA Civ 24; *Jack Wills Ltd v House of Fraser (Stores) Ltd* [2014] EWHC 110 (Ch); *Thomas Pink Ltd v Victoria's Secret UK Ltd* [2014] EWHC 2631 (Ch).

²⁹ Graeme B Dinwoodie and Mark D Janis, 'Confusion over Use: Contextualism in Trademark Law' (2006) 92 *IowaLRev* 1597, 1645.

a closer parallel in the mark for sign comparison standard which has emerged in the UK more recently.³⁰ Thus the German trade mark use approach can be understood as a gateway device incorporating contextual matter into an otherwise abstract infringement analysis, as a means to counteract an expansionary trajectory of trade mark law. Decisions dealing with non-traditional marks such as *Praline Shapes II* illustrate this nicely.³¹ Absent trade mark use limiting the scope of protection by context, infringement would follow from a strict comparison between the registered mark and sign that the court would have carried out under likelihood of confusion.³²

Nonetheless, the CJEU judgment in *O2 Holdings* made likelihood of confusion contextual,³³ arguably bridging the gap with the US methodology for infringement, *to the extent that this trade mark use gateway device is no longer required*. Contextual matter can now feed into confusion analysis directly, as UK courts have done.³⁴ Furthermore, recent CJEU jurisprudence on territorial scope of unitary rights appears to validate a functional assessment operating within likelihood of confusion directly rather than carried out independently at an upstream stage.³⁵

To be sure, transposing functions to the realm of confusion analysis would not require a drastic shift in practice: this peculiar twofold methodology seems limited to

³⁰ Ch III(2).

³¹ *Praline Shapes II* (n 5).

³² Indeed, that may have been the case in *Mars v Şölen Çikolata* I ZR 23/14 (BGH (Germany)), where the BGH adopted a more abstract formulation of trade mark use focusing on the shapes of the products mostly. See text to n 46.

³³ *O2 Holdings (CJEU)* (n 7), para 67. See also Ansgar Ohly, ‘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), considering the effects that the judgment could have upon likelihood of confusion assessment.

³⁴ Ch III(2).

³⁵ *Combit* (n 22); *Ornua* (n 22).

likelihood of confusion causes of action in Germany.³⁶ In double identity, which is not subject to (formal) likelihood of confusion enquiry, infringement assessment naturally collapses into single stage analysis which more closely resembles the UK approach.³⁷ German courts then focus on the sole question of whether the use of the sign is liable to harm trade mark functions; a separate, formal likelihood of confusion assessment is not carried out.³⁸ *Adam Opel* is a fair illustration of this single-stage application of the functions theory within double identity. Harm to origin function was dismissed upon market realities showing that consumers seeing the Blitz sign in Opel toy cars would not think such products came from or were associated with the claimant.³⁹ But such functional assessment still retains a strong confusion-based character, to the extent that Arnold J framed harm to origin function enquiry as likelihood of confusion with reversed burden of proof.⁴⁰

³⁶ Cf. *Jadebay Limited* (n 6) [60]-[64], where (CJEU) trade mark use and (functional) likelihood of confusion analysis make clearly distinct enquiries.

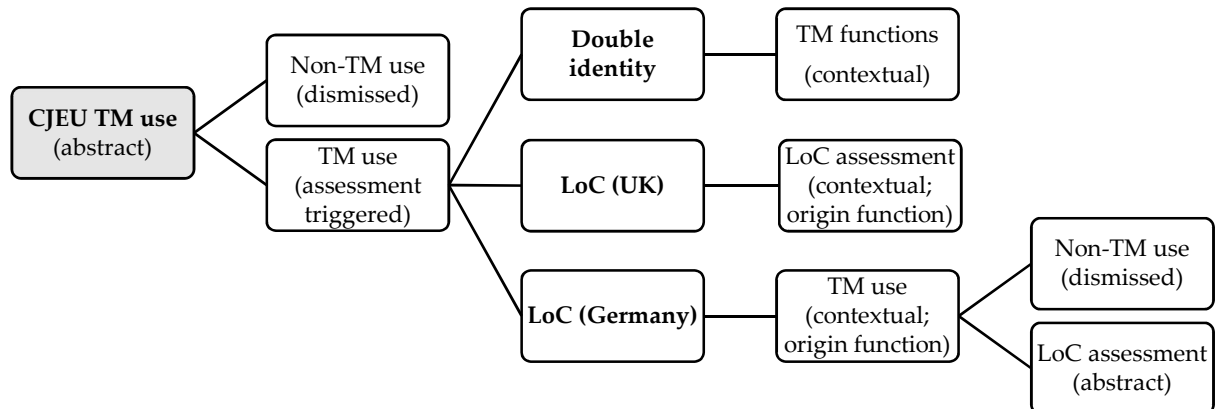
³⁷ See for example *Supreme Petfoods Limited v Henry Bell & Co (Grantham) Limited* [2015] EWHC 256 (Ch).

³⁸ The CJEU jurisprudence would say, however, that a finding of likelihood of confusion equates with harm to the origin function. See *O2 Holdings (CJEU)* (n 33), para 57; *Combit* (n 22), para 31.

³⁹ Ch II(1)(A).

⁴⁰ *Interflora Inc v Marks & Spencer Plc* [2009] EWHC 1095 (Ch); *DataCard Corp v Eagle Technologies Ltd* [2011] EWHC 244 (Pat) [266]-[268]. While the EWCA would reject such a characterisation in *Interflora Inc v Marks & Spencer plc* [2014] EWCA Civ 1403 [151] on more formalistic, civil procedure grounds, there is force in the argument with UK courts engaging in a more contextual likelihood of confusion assessment (thus open to market realities to which trade mark functions are amenable). See also Arnold J's retort in *Supreme Petfoods* (n 37) [157]-[164]. In *Société des Produits Nestlé SA v Cadbury UK Ltd* [2017] EWCA Civ 358 [79], the EWCA appears to recognise such reversed burden of proof in relation to registered shape marks ('If a third party were to use the same shape for the same product ... subject to certain defences, a likelihood of confusion would be presumed.').

Figure 5



The methodological distinction between trade mark use and downstream functions analysis is more than just theoretical. There are deeper, practical implications to be weighed. The German decisions we have examined earlier indicate the confusion element embedded in trade mark use deprives likelihood of confusion from its relevance.⁴¹ Once courts get into likelihood of confusion assessment, there is nothing left to say; everything had been addressed under trade mark use already. In *Adidas v Nike*, following a trade mark use determination, likelihood of confusion was found in two single paragraphs lacking much depth of analysis.⁴² The apparent redundancy produced in the infringement structure is aggravated by German courts engaging in a mark for mark comparison at the likelihood of confusion stage. All contextual matter factored into trade mark use is jettisoned so that mark and sign are compared in isolation. In the *Adidas v Nike* example, likelihood of confusion was narrowed into a comparison between three-stripes and two-stripes. Then, the court had to ignore that another mark had been used together with the two-stripe sign, their respective position on the products, consumer purchasing habits,

⁴¹ Text to n 76 in Ch IV.

⁴² *Adidas-Salomon AG v Nike International Ltd* [2006] ETMR 37 (OLG Köln).

and so forth. *Commerzbank*, a dispute dealing with use of a sign similar to the German stock market's DivDAX index, offers another illustration. In determining whether the issuance of securities named 'Unlimited DivDAX® Indexzertifikat' (unlimited DivDAX® certificate) based on the same index would amount to trade mark use, the court considered the overall appearance of the corresponding sales brochures together with surrounding matter such as disclaimers.⁴³ Once it was found that 'the customers will assume that the parties share the responsibility for the issue of the correspondingly designated security',⁴⁴ there seems to be little reason for a subsequent abstract likelihood of confusion comparison narrowing the sign to DivDAX.⁴⁵

The recent decision in *Bounty* further suggests that the abstract character of likelihood of confusion may sometimes feed back into trade mark use and limit the breadth of infringement assessment.⁴⁶ Mars, the manufacturer of the Bounty chocolate bar, brought a trade mark infringement claim against a Turkish company which had been selling similarly-shaped chocolates named 'Wish'. Somewhat curiously, it was the same defendant of the *Praline Shapes II* litigation. Here, however, not only were the product shapes highly similar, so were their packaging. Despite adopting another word mark, the packaging displayed a blue-and-white motif with graphical elements resembling the visual of opened coconuts seen in the claimant's product. In giving judgment, however, the BGH neglected packaging considerations in determining that the similarly shaped chocolates sold by the defendant acted as an indication of origin. Rather, the court advanced the rationale that if the registered mark were proven to perform an origin

⁴³ *Commerzbank v Deutsche Börse AG* [2010] ETMR 31 (BGH).

⁴⁴ *ibid* [58].

⁴⁵ *ibid* [59]-[61].

⁴⁶ *Bounty (BGH)* (n 32). See also Guy Heath and others, 'Annual Review of EU Trademark Law: 2015 in Review' (2015) 106 TMR 420, 562-565.

function of its own – upon the submission of a 12-year old survey, nonetheless – so would the defendant’s highly similar chocolate act as a source identifier. The assessment thus makes a stark contrast with the methodology underpinning the non-trade mark use finding in *Praline Shapes II*, namely:

The defendant exclusively offers its praline in packaged form under its own designation. Thus, the consumer in most cases might only perceive the shape of the praline as such in the short time span between unwrapping and eating the praline.⁴⁷

Bounty instead reveals some backward reasoning in that the high similarity of the sign with the registered mark, which is one of the factors in likelihood of confusion,⁴⁸ was dispositive to trade mark use. Because the second stage of infringement, the assessment of likelihood of confusion itself, is narrowed into a comparison between chocolate shapes with no recourse to added matter such as product packaging, infringement is entailed. While this apparent inconsistency was never fully addressed in the judgment, commentators attempted to explain it as follows:

[W]here there is a high degree of similarity, trade mark use of the contested form is to be assumed automatically. If, on the other hand, there are significant differences in the signs, trade mark use of the contested form has to be examined separately and is rather to be denied. In principle, trade mark use may only be established in cases where there is little similarity.

Although this approach leads to a reversal of the usual examination sequence, it is logically convincing. In fact, it would be contradictory to deny use as a trade mark if the contested sign was highly similar to the prior, distinctive mark (through use) and used for identical goods. (yes; confusion, no).⁴⁹

⁴⁷ *Praline Shapes II* (n 5) [32].

⁴⁸ Case C-251/95 *Sabel BV v Puma AG* EU:C:1997:528.

⁴⁹ Gabriele Engels and Claire Lehr, ‘Sweets, Cars and Bottles - Three-dimensional Trade Marks’ (2017) 12 *JIPLP* 797, 804.

The approach may be intuitive – in that high similarity of a sign could increase the possibility of a mental (though not necessarily confusing) association with a registered mark – but it is hardly logically convincing, let alone doctrinally supported. Should this new formulation prevail, trade mark use assessment would be bypassed whenever mark and sign were identical or highly similar, defeating the very purpose of the doctrine. Trade mark use emerged in Germany to offset the formality of registrar analysis, rendering infringement more contextual.⁵⁰ If the question no longer gets to be framed in such terms, most cases of referential use, comparative advertising and merchandising would turn out to be found infringing. In *Adam Opel*, the sign was *identical* to the mark which had been registered for toys and, yet, market realities would show that consumers would not believe that third-party replica models originated from or were associated with the registrant.⁵¹ Neither would this new reading support honest concurrent use recognised in the UK as not affecting the origin function of a trade mark.⁵² At face value, the *Bounty* approach detracts from the contextual character of trade mark use doctrine which German courts have interpreted to be equivalent to the functions-based analysis developed in the CJEU jurisprudence.⁵³ By contrast, in *London Taxi*, UK single-stage analysis meant that the high similarity between the products concerned would not be enough; other contextual matter factored in likelihood of confusion such as market conditions and consumer behaviour indicating that:

... the overall impression conveyed by the new Metrocab was that it looked like a licensed London taxi, as it was designed to do; but that it

⁵⁰ Ch IV(1).

⁵¹ Case C-48/05 *Adam Opel AG v Autec AG* EU:C:2007:55, [2007] ETMR 33; *Adam Opel GmbH v Autec* [2010] ETMR 50 (BGH).

⁵² See also text to n 232 in Ch III.

⁵³ Text to n 91 in Ch IV.

does not look like an LTC taxi, and in particular either of the Trade Marks.⁵⁴

The *Bounty* approach may also lose sight of trade mark use operating as a proxy to harm to origin function. Following *O2 Holdings*, this assessment should factor in surrounding context like product packaging, trade channels and market practices. From that perspective, likelihood of confusion, as a cause of action furthering economic efficiency concerns, is different from dilution, which prioritises the representation of the mark (or its image) in the mind of the consumer.⁵⁵ Admittedly, product packaging may carry less weight in determining whether a registered shape had its distinctive capacity diminished, and, perhaps for this reason, the requirement of a link has been subjected to a lower threshold than trade mark use in Germany.⁵⁶

Bounty thus stresses the inadequacy of posing trade mark use as an enquiry separate to likelihood of confusion. In so doing, the assessment conflated the question of recall – does the sign remind consumers of the registered mark? – with *harm* to origin function. It never got to ask whether consumers, *under marketplace conditions*, would think that the defendant's products originated from or were associated with the claimant's brand. Instead, trade mark use was tantamount to the concept of likelihood of association in the strict sense that the CJEU had rejected in *Sabel*.⁵⁷ Were we to transpose this methodology to another context, this could mean that consumers associating the bubble

⁵⁴ *The London Taxi Corporation Limited v Frazer-Nash Research Limited* [2016] EWHC 52 (Ch) [259]. Although the Court of Appeal framed the average consumer differently in *The London Taxi Corporation Limited v Frazer-Nash Research Limited* [2017] EWCA Civ 1729, this part of the judgment was left undisturbed.

⁵⁵ Ch V(4)(A).

⁵⁶ See for example *Adam Opel (BGH)* (n 51), finding a link for dilution purposes while dismissing origin function harm within double identity; *Violet Postcard* (2007) 38 IIC 119 (BGH), holding that 'trade mark use' under dilution would require only a mental association with the registered mark.

⁵⁷ *Sabel* (n 48).

imagery on Hutchinson's comparative advertisement with O2 would establish trade mark use,⁵⁸ and, following abstract likelihood of confusion analysis (as O2 had defended in the UK proceedings), infringement would follow. The approach hardly reflects the question of harm to origin function posed by the CJEU. Again, the issue of recall is more relevant to dilution than likelihood of confusion. It is but the first step in showing that a mental association could be detrimental to the distinctive character or reputation of the registered mark, or that the defendant may be taking an unfair advantage.⁵⁹ It does not tell us anything as to whether the use of the sign in that specific context amounts to actionable confusion, that is, if there is harm to the origin function.

Though it may be too early to tell whether *Bounty* is *de minimis* or would rather signal a concerning change of course, it reinforces the methodological limitations inherent in a two stage infringement structure. An assessment of similarity will drive a finding of infringement irrespective of other contextual matter which may or should be relevant to a determination. Trade mark use is thus reduced to another abstract assessment not significantly different from likelihood of confusion carried out subsequently. To be sure, the defendant's product packaging being also highly similar could make consideration of surrounding context less necessary in *Bounty*. In *Praline Shapes II*, the product packaging of the parties was arguably distinctive enough to offset the high similarity between the shapes.⁶⁰ Nonetheless, the court could have distinguished *Bounty* on such grounds, by engaging with such contextual matter more explicitly rather than

⁵⁸ Here assuming a contextual trade mark use assessment. Prior to *O2 Holdings*, comparative advertising would be immunised from trade mark liability as a category. See text to n 16 in Ch IV.

⁵⁹ Case C-252/07 *Intel Corp Inc v CPM United Kingdom Ltd* [2008] ECR I-8823, [2009] ETMR 13, paras 30-32.

⁶⁰ Text to n 155 in Ch IV.

limiting trade mark use to a comparison of shapes. Instead, it may have ejected any consideration of harm from infringement.

It is difficult finding an explanation for this twofold approach subsisting in Germany after *O2 Holdings* other than courts desiring to retain their prior mark for mark comparison approach; a methodology which, however, yields an abstract likelihood of confusion assessment proves incapable of handling claims of greater complexity. Trade mark use emerging as a limiting doctrine attests to methodological flaws which became apparent once trademark law expanded its boundaries.⁶¹

I contend the time is ripe to think of a more coherent framework that recent developments in the CJEU jurisprudence make possible. *O2 Holdings* allows courts to depart from a mark for mark comparison in infringement, with actionable confusion being equated with harm to origin function. The normative reasons for such a development are addressed in the second part of this chapter. Furthermore, behavioural studies may suggest that the confusion-based element embedded in trade mark use may be more prone to bounded rationality issues such as availability bias and motivated reasoning. By and large, consumers are known to take into account a broader context when exercising source-identification judgement or making purchase decisions.

C. Potential benefits associated with a downstream, single-stage functions approach

As we have seen earlier, the twofold infringement structure adopted in Germany results in contextual matter broached within trade mark use being jettisoned from likelihood of confusion so a mark for mark comparison is conducted. Yet, an abrupt insulation of

⁶¹ Ch IV(1).

infringement assessment produces inconsistencies in the benchmark of the average consumer that are hard to reconcile. The same construct is expected to be the conduit of external matter at the first stage, so trade mark use may account for market realities (the perceived views of the consumer being the matter of concern for origin function assessment), and then forgo such matter within a mark for mark comparison carried out subsequently. This approach largely draws on a single meaning premise inconsistent with recent developments in the CJEU jurisprudence.⁶²

Incorporation of functional analysis *upstream*, as part of trade mark use assessment, appears to introduce a self-limiting dichotomy: either a sign is used as a trade mark, or it is not. By mirroring registrar analysis logic, it fails to consider (or offer fewer possibilities to address) situations in which only a section of the relevant public perceives the sign as a trade mark, or where sections of the same public would see it differently. The perceived views of a section of the public are subsumed into the construct to override consumer understandings that otherwise could be factored in infringement. In relative grounds of refusal, for example, the EUIPO Guidelines set out the following:

If the goods or services of both marks target both the general public and specialists, the likelihood of confusion will be assessed against the perception of the part of the public displaying the lower degree of attentiveness as it will be more prone to being confused. If this part of the public is not likely to be confused, it is even more unlikely that the part of the public with a higher degree of attention will be.⁶³

Hence likelihood of confusion existing in a more vulnerable section of the relevant public is extrapolated so registration of the junior mark gets refused; the perception of the remaining consumers, who may amount to a substantial part of the relevant public, are

⁶² See for example Jennifer Davis, 'Revisiting the Average Consumer: An Uncertain Presence in European Trade Mark Law' [2015] IPQ 15. See also Ch III(2)(B).

⁶³ EUIPO Guidelines, Part C, Opposition, 6.

disregarded. Trade mark use appears to adhere to the same logic. Once trade mark use is found, an abstract likelihood of confusion assessment will determine infringement irrespective of a potentially significant part of the public not ascribing an origin to the sign. Conversely, non-trade mark use dismisses infringement entirely, neglecting what may be another significant part of the public being confused. This limitation could explain the CJEU framing the EU-wide concept of trade mark use as a binary determination of *potential* application of trade mark law, while shifting more nuanced consideration of consumer understandings (which allow for differentiation) to functional analysis.

The recent *Ornua* decision is another indication of the CJEU moving in this direction at the unitary rights level.⁶⁴ *Ornua*, the claimant, was an Irish company known for marketing Kerrygold dairy products in Europe. Kerrygold had been registered as an EU trade mark since the year of 1998. The defendant was a Spanish company which imported and distributed Kerrymaid dairy products manufactured by another Irish company. Kerrymaid had been registered in Ireland and the United Kingdom, where the parties' products have coexisted for more than 20 years. At first instance, infringement was dismissed upon the judge finding that following the unitary character of the EU trade mark, the effects from the marks coexisting in part of the Community should be extended to the entire single market. On appeal, the claimant argued that for peaceful coexistence to be factored in likelihood of confusion, it would have to be present in all Member States.⁶⁵ Conversely, the defendant contended that an absence of confusion stemming

⁶⁴ *Ornua* (n 22). Discussed in Ch IV(4)(A.2).

⁶⁵ *ibid*, AG Opinion, para 29.

from the marks peaceful coexistence in a substantial part of the Community – Ireland and the UK considered together - should apply to the entire single market.⁶⁶

While the parties offered clearly opposing views, they had something in common: both framed unitary rights as a (false) binary choice with the same effect for the entire single market. The issue that the CJEU had to revisit in *Ornua* echoes the tension between what Graeme Dinwoodie calls political and intrinsic conceptions of territoriality.⁶⁷ If unitary character were to enforce single meaning throughout the Community, the national court would be presented with a binary choice of EU-wide relief which would not reflect market realities entirely. Thus the CJEU had to take a stance on whether and to what extent should a normative construction of infringement override extant consumer understandings and long-established market practices. In *Adam Opel*, when facing the same issue, the CJEU deferred to market realities incorporated into the assessment via functions theory.⁶⁸ Not surprisingly, the answer in *Ornua* came in familiar language, namely:

... when the use of a sign gives rise, in one part of the European Union, to a likelihood of confusion with an EU trade mark, whilst, in another part of the European Union, that same use does not give rise to such a likelihood of confusion, there is an infringement of the exclusive right conferred by that trade mark. In that case, the European Union trade marks court hearing the case must prevent the marketing of the goods concerned under the sign at issue throughout the entire territory of the European Union, with the exception of the part in respect of which there has been found to be no likelihood of confusion.⁶⁹

⁶⁶ *ibid*, AG Opinion, para 32.

⁶⁷ Graeme B Dinwoodie, 'Trademarks and Territory: Detaching Trademark Law from the Nation-State Trademark in Transition: Institute for Intellectual Property & Information Law Symposium' (2004) 41 *HousLRev* 885, 894-899. See also Dinwoodie, 'Territorial Overlaps' (n 20) 1700-1701.

⁶⁸ *Adam Opel* (CJEU) (n 51).

⁶⁹ *Ornua* (n 22), para 33.

This can be seen as a rather strong statement from a court known for advancing a more normative construction of a European consumer deemed to be ‘reasonably well-informed and reasonably observant and circumspect’ in the past decade.⁷⁰ Now *Ornua* seems to be placing a duty on national courts to factor in market differentiation previously overridden by the assumed views of this European consumer. In assessing likelihood of confusion, it should be ensured that:

... there is no significant difference between the market conditions or the sociocultural circumstances which may be observed, respectively, in the part of the European Union covered by the infringement action and in that in which the geographical area corresponding to the geographical word contained in the sign at issue.⁷¹

Here the CJEU may be countenancing a more pluralistic construction of the average consumer at odds with single meaning in infringement. Along these lines, Advocate-General Szpunar argued that ‘the nature of the system established by Regulation No 207/2009 is such that, in certain circumstances, the assessment of the likelihood of confusion between a sign and an EU trade mark does not lead to a single outcome that holds good throughout the territory of the European Union.’⁷² A purely normative construction of a European consumer overriding cultural, linguistic and market differentiation across the Community appears to be disavowed. From a broader perspective, the CJEU tempering the normative character of the average consumer resonates with an increasing acceptance of behavioural studies that commentators have

⁷⁰ Case C-342/97 *Lloyd Schuhfabrik Meyer & Co. GmbH v Klijsen Handel BV* [1999] ECR I-3819; Case C-278/08 *Die BergSpechte Outdoor Reisen und Alpinschule Edi Koblmüller GmbH v Günter Guni trekking.at Reisen GmbH* [2010] ETMR 33 (CJEU).

⁷¹ *Ornua* (n 22), para 46.

⁷² *ibid*, AG Opinion, para 35.

identified in the field of European consumer law.⁷³ Later in this chapter, I argue that this move towards a more reality-based, perhaps behavioural construction of the average consumer in infringement is welcome for a set of reasons. To give one example, it holds the potential to provide a more balanced approach to shape marks than the all-or-nothing rationale prevailing at the registration level.

Furthermore, I contend that the UK approach provides a better springboard for this hybrid, more pluralistic construction of the average consumer that courts have explored in interesting ways. By placing contextual analysis together with functions downstream, we can more easily accept there is more than a single average consumer, or that an average consumer may be composed of more than one relevant public. Market realities assimilated into the assessment may provide insights on consumer attitudes and perceptions largely ignored, if not misconstrued, in a strictly normative construction.⁷⁴ In *Enterprise Holdings*, Arnold J held that ‘in assessing matters from the perspective of the average consumer, the court must have regard to the social, linguistic, cultural and economic conditions in the Member State concerned, which may very well vary as between Member States.’⁷⁵ Likewise, Birss J recognised in *Thomas Pink* that ‘[the] average consumer is not a single person but represents a distribution of consumers’.⁷⁶ It seems difficult to reconcile this pluralistic framing of the average consumer with the abstract likelihood of confusion retained in Germany.

⁷³ Hanna Schebesta and Kai Purnhagen, ‘The Behaviour of the Average Consumer: A Little Less Normativity and a Little More Reality in the Court’s Case Law? Reflections on Teekanne’ (2016) 41 *ELRev* 590, 595.

⁷⁴ See for example Jennifer Davis, ‘Locating the Average Consumer: His Judicial Origins, Intellectual Influences and Current Role in European Trade Mark Law’ [2005] *IPQ* 183.

⁷⁵ *Enterprise Holdings Inc v Europcar Group UK Limited* [2015] EWHC 17 (Ch) [139].

⁷⁶ *Thomas Pink* (n 28) [117].

The *Mobilcom* case in Germany further illustrates the limitations inherent in a mark for mark comparison.⁷⁷ The defendant had been using a shade of magenta thought to be similar to the colour mark that Deutsche Telekom had registered. During infringement proceedings, the court held that the defendant using such a colour in advertising material amounted to trade mark use and, subsequently, found likelihood of confusion upon the comparison of ‘rather similar’ shades of magenta.⁷⁸ However the manner in which infringement assessment is structured posed an additional question: should the shades of colour be found confusingly similar, would injunctive relief enjoin the defendant from any possible uses of such a colour? The appellate court had thought so.⁷⁹ Yet, the BGH reversed the judgment in this part, holding that only uses made in the trade mark sense could be prohibited.⁸⁰ The reasoning is persuasive:

If, however, in the present case the court decided to allow the main part of the request to cease and desist, the question as to which forms of use of the colour magenta would have to be considered as a designation would remain largely unanswered. The claimant has based its lawsuit *inter alia* on its ownership of an abstract colour mark, the scope of protection of which may comprehend an indefinite large number of concrete embodiments. Trade mark protection for a colour without limitation as to space does not confer protection against its use in every possible form. It remains possible to lawfully use this colour in many ways. A delimitation between the use of a colour as a designation which would interfere with the protective right and the use of a colour possibly for decorative purposes only may be difficult in the individual case. Such delimitation must not be shifted to the enforcement proceedings. In the present case the defendant's legitimate interest to have clarity and legal certainty as to the consequences of a decision clearly outweighs the claimant's interest in having effective legal protection.⁸¹

⁷⁷ Text to n 147 in Ch IV.

⁷⁸ *Deutsche Telekom AG v Mobilcom* [2004] ETMR 75 (BGH) [35].

⁷⁹ *ibid* [10].

⁸⁰ *ibid* [12]-[14].

⁸¹ *ibid* [14].

In so doing, the BGH did no more than tether the scope of protection of an isolated colour mark to the specific context (i.e. the circumstances of use of the sign by the defendant) in which the case had been litigated. Methodologically, however, it rendered likelihood of confusion assessment toothless by once again placing the outcome of infringement entirely on a trade mark use determination, this time to circumscribe injunctive relief. According to the court, '[the] question of whether a sign is used as a designation is a legal question whose assessment, however, largely depends on the actual findings on the understanding of the relevant consumers, which must be made by the trial judge'.⁸² In practice, other uses of the sign should be subjected to fresh assessments having their outcome determined by trade mark use. A few years later, the OLG Koln held in *Praline Shapes II* that the defendant selling unpackaged praline chocolates would require an independent trade mark use assessment.⁸³ While the BGH may have achieved the intended result in *Mobilcom* of balancing trade mark protection with legal certainty to the defendant and other economic operators (i.e. by eschewing a blanket ban on the use of a colour in the entire market),⁸⁴ the trade mark use route is a clumsy one. It operates as a proxy to contextual confusion analysis. The court's trade mark use reasoning in respect of the advertising material at issue makes a perfect example:

The colour used in the advertisements, which is rather similar to magenta, is not only the sole colour, but also the most important — and signal-like employed — design element. In each case, not only the eye-catcher is kept in this colour [reference omitted]; but also the pre-selection override code and the messages printed in large letters, from which it is obvious that telephone services are promoted, are emphasised in this colour. The other

⁸² *ibid* [32].

⁸³ *Ferrero Deutschland v Solen Diamond* 6U 86/03 (OLG Koln).

⁸⁴ Although there is some legal certainty in a blanket ban: the defendant would have the clear direction that the colour is not to be used in any circumstances. It may just not be as equitable or normatively desirable in the commercial context.

elements, which are obviously dominant in the advertisements, do not detract from the effect of this colour as indication of origin.

The emphasis on the pre-selection override code of the defendant cannot change the assumption that the used colour indicates a specific enterprise as advertiser, already in view of the fact that it is not evident that the trade circles will attribute the pre-selection override code to another enterprise as that with which they link the colour magenta ...

The fact that the defendant's company catchword MOBILCOM was included in the advertisements objected to does not change the assumption that a colour similar to magenta is used as a designation. Only when taking a closer look is observed the company catchword, since it is presented in black and white and at the lower edge, covering only very little of the pre-selection override code which stands out as eye-catcher. It is therefore not suitable to remove the impression of an indication of origin which is conferred by the use of the shade magenta. The same applies to other elements in the advertisements.⁸⁵

Thus a mark may be registered as an abstract colour, but scope of protection is context-dependent. As opposed to words and logos, non-traditional marks raise a set of concerns calling for a more nuanced approach to infringement; unchecked proprietary logic may stifle competition or affect speech, for example. Yet, the approach has not been entirely consistent in German case law. The more restrictive trade mark use in *Mobilcom* can be contrasted with a more liberalising construction from the *Langenscheidt Yellow* decision.⁸⁶ Here the BGH would endorse an overarching trade mark use finding that unveiled a blanket prohibition on the use of the colour yellow on *any* language learning products. Following long-established market practices in the sector, the relevant public became accustomed to isolated colours designating the origin of the products concerned. Once trade mark use was determined, the comparison between mark and sign in isolation, then narrowed into an issue of highly similar shades of the same colour, would invariably result in likelihood of confusion. In apparent inconsistency with earlier judgments we

⁸⁵ *Mobilcom* (n 78) [35]-[37].

⁸⁶ Text to n 130 in Ch IV.

have examined,⁸⁷ the BGH seemingly departed from the position that other uses of the sign would require an independent trade mark use assessment. While the reasons for such a distinction to be drawn remain unclear, one could speculate that the broader trade mark use determination may have been a matter of degree, a finding perhaps driven by a protection of goodwill rationale. The claimant had made extensive use of the colour yellow over decades. In 1956 it launched the first print version of its yellow dictionary, expanding to other language-learning products in 1986.⁸⁸ Interestingly, the defendant had argued that because the products have been marketed together with another mark showing the letter ‘L’ in blue, consumers would not rely on the colour yellow as a freestanding indication of origin. The OLG Koln, however, rejected the point in a judgment that relied heavily on a survey showing distinctiveness of the colour yellow in respect of dictionaries.⁸⁹ The longstanding use of such a colour thus may have warranted a broader, less context-dependent proscription which nonetheless conforms with the conventional German infringement approach based on ‘a normative determination of the distance to be kept from the older design.’⁹⁰

I contend that the outcome of cases like *Mobilcom* could be reached, through a more transparent and straightforward process of reasoning by (1) limiting likelihood of confusion assessment to the circumstances characterising the use of the sign by the defendant (running separate assessments for each use, if necessary) and (2) considering whether, in that specific context, the average consumer would think that the services concerned came from or were associated with the registrant’s. Such is the methodology

⁸⁷ Text to n 58 in Ch IV.

⁸⁸ *Langenscheidt Yellow (BGH)* (n 4) 372.

⁸⁹ *Langenscheidt Yellow* 6 U 38/12 (OLG Koln).

⁹⁰ *Adidas AG v C&A Mode Co* [2004] ETMR 3 (LG Munchen) [59].

that UK courts have followed since *O2 Holdings*.⁹¹ In *Enterprise Holdings*, confusion analysis was carried out separately under the contexts of (a) isolated use of the logo; (b) use in combination with descriptive works denoting secondary brands (e.g. Prestige, Chauffeur or Privilege); and (c) use together with the mark Europcar and with the strapline ‘moving your way’.⁹² In *Thomas Pink*, likelihood of confusion considered, inter alia, the position in which the sign had been affixed to the product, purchase environments, and other visual cues such as labels and tags.⁹³ Subsequently, Birss J held that an injunction does not extend to other uses that had not been adjudicated, which, therefore, would have to be assessed independently.⁹⁴

2. A functional framework of infringement

The functional approach that, as I defend, can be developed within a downstream contextual assessment may render a more coherent infringement framework in the following ways. First, trade mark use remains a binary choice which, however, is tethered to the EU-wide, CJEU concept advanced in Chapter II. Being limited to an abstract determination of *potential application* of trade mark law (i.e. the theoretical breadth), operation of such a concept does not devolve into confusion analysis. Rather, the question of trade mark use is essentially one of single market integration, where the few exceptions of immunisation are driven by policy concerns, of which *Google France* and *Winters v*

⁹¹ Ch III(2).

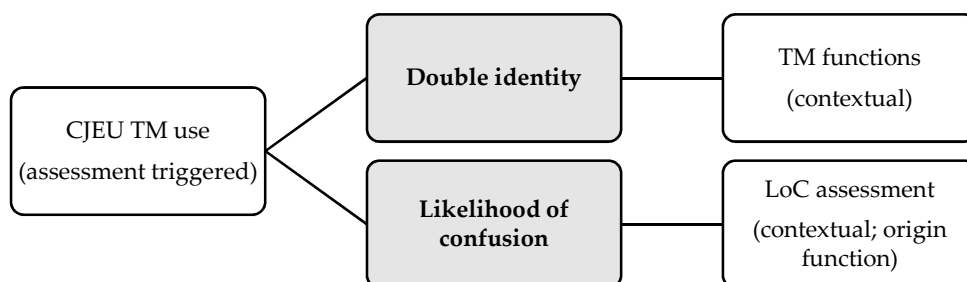
⁹² *Enterprise Holdings* (n 75) [71]-[81]. See also *Thomas Pink* (n 28) [129] (‘The categories are reasonable although I remind myself that in principle each different presentation of PINK by the defendant is in issue and might need to be considered separately.’).

⁹³ *Thomas Pink* (n 28) [138]-[150].

⁹⁴ *Thomas Pink Ltd v Victoria's Secret UK Ltd* [2014] EWHC 3258 (Ch) [2]-[13].

Red Bull are examples.⁹⁵ Secondly, once the trade mark use threshold filter is narrowed to the CJEU concept, consumer perceptions can be entirely shifted to downstream functions analysis. This would mean either (1) harm to functions under double identity or (2) harm to origin function operating within likelihood of confusion directly. Thirdly, given the contextual character of functional analysis, market realities that would normally feed into German trade mark use are redirected to likelihood of confusion. This elevates likelihood of confusion to its intended role as the litmus test for infringement, while not marking a so significant departure from German practice – courts have been considering the same extraneous matter within trade mark use. Lastly, following the contextual character that likelihood of confusion is now imbued with, courts are open to consider that (a) there may be more than one average consumer or a single average consumer may comprise more than one relevant public, and (b) multiple instances of use of the sign by the defendant may require independent assessments or warrant tailored solutions (e.g. qualified injunctions).

Figure 6



⁹⁵ Joined Cases C-236/08 to 238/08 *Google France SARL v Louis Vuitton Malletier SA* [2010] ECR I-2417, [2011] BusLR 1; Case C-119/10 *Frisdranken Industrie Winters BV v Red Bull GmbH* [2012] ETMR 16 (CJEU).

Because the question of consumer perceptions of the sign is no longer binary, infringement is freed from the shackles of notionally-assumed single meaning. As such, the often criticised decision in *Arsenal* has limited impact insofar as it only establishes the scope of potential application of trade mark liability: merchandising is a practice subject to infringement assessment; the outcome in a given dispute, however, is reached by reference to consumer perceptions broached within functional analysis in double identity or likelihood of confusion.⁹⁶ By marrying downstream functional analysis with the pluralistic average consumer revealed in recent UK decisions we can more easily explain (and apply) the territoriality exemptions to unitary rights in *DHL* and *Combit*, for example.⁹⁷ I further argue there are additional benefits associated with the average consumer playing this pivotal role in infringement.

A fuller picture of the impact that the average consumer may have brought to trade mark infringement can be derived from the UK decisions we have examined earlier.⁹⁸ The movement from the CJEU in bringing the average consumer to the fore is discernible in the development of the functions theory at the European level.⁹⁹ Instead of resorting to an external doctrine – such as trade mark use – to have an otherwise abstract infringement assessment infused with market realities, the average consumer has been made the conduit of extraneous matter.¹⁰⁰ More recently, this contextualised framing of the consumer was taken further upon explicit consideration of linguistic variation and market conditions across the Community, providing an approach which sits awkwardly

⁹⁶ Ch II(2).

⁹⁷ Case C-235/09 *DHL Express France SAS v Chronopost SA* [2011] ETMR 33 (CJEU); *Combit* (n 22).

⁹⁸ Ch III(2)(B).

⁹⁹ Ch II.

¹⁰⁰ See also Ch VI(3)(B), approaching the average consumer within the framework of other functions.

with a purely notional construction. Rather, developments in European law, as Graeme Dinwoodie and Dev Gangjee have proposed, would suggest that the average consumer assumes a hybrid character situated along an empirical-normative spectrum.¹⁰¹ And UK case law indicates that having it characterised as a normative benchmark has not shut the door on market realities. *Interflora* may be understood as a strong statement against survey evidence in infringement, disavowing a conception of infringement as a statistical exercise, while other market-related evidence are increasingly infused in the assessment.¹⁰² In *Comic Enterprises*, the EWCA, explicitly endorsing *Interflora*, stated the following:

(ii) the average consumer is not a statistical test; the national court must exercise its own judgment in accordance with the principle of proportionality and the principles explained by the Court of Justice to determine the perceptions of the average consumer in any given case in the light of all the circumstances; the test provides the court with a perspective from which to assess the particular question it has to decide ...

(v) if, having regard to the perceptions and expectations of the average consumer, the court concludes that a significant proportion of the relevant public is likely to be confused such as to warrant the intervention of the court, then it may properly find infringement.¹⁰³

It is not about an excessively empirical endeavour to determine whether an exact percentage of consumers could be confused,¹⁰⁴ but something more akin to a proportionality test. Nonetheless, a normative judgment need not be divorced from

¹⁰¹ 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 2016); Davis, 'Revisiting' (n 62).

¹⁰² Text to n 130 in Ch III.

¹⁰³ *Comic Enterprises Ltd v Twentieth Century Fox Film Corporation* [2016] EWCA Civ 41 [34]. See also *Interflora (EWCA II)* (n 40) [107]-[130].

¹⁰⁴ This would reflect the practice of German courts in assessing distinctiveness of trade marks which the CJEU rejected in Case C-217/13 *Oberbank AG v Deutscher Sparkassen- und Giroverband eV* [2014] ETMR 56 (CJEU).

reality: recourse to market realities is essential in rendering a more informed, transparent decision-making process. If anything, market-related evidence resorted by UK courts shows the potential of an assessment openly engaging with normative concerns at stake (e.g. undistorted competition, consumer welfare, freedom of expression), providing for transparent trade-offs otherwise foreclosed from infringement.

Recent UK decisions have established that *significant proportion* does not equate with majority, and, perhaps more importantly, the language of *such as to warrant the intervention of the court* indicates a higher level of judicial awareness of normative considerations underpinning the assessment.¹⁰⁵ Hence the average consumer should be seen more as a canvas accommodating a fuller, pluralistic picture of the manifold sections of the public (or relevant publics) so courts are better equipped to determine whether intervention in a particular context is warranted – insofar as confusion is likely, or in CJEU parlance, there is harm to the origin function. A more nuanced approach drawing on a legal concept of consumer infused with market realities may better explain, for example, honest concurrent use being applied via functions theory in *IPC Media* as opposed to Carr J attempting to formulate it as a standalone doctrine in *Victoria Plum*.¹⁰⁶ The marks long coexisting raised the threshold for harm to origin function, making some marketplace confusion acceptable, to accommodate other relevant interests. Thus an assessment under the origin function is operated to introduce levels of actionable confusion dependent upon the circumstances – it is not every kind or any level of

¹⁰⁵ *Interflora (EWCA II)* (n 40) [129]; *Comic Enterprises (EWCA)* (n 103) [34].

¹⁰⁶ *Victoria Plum Limited v Victorian Plumbing Limited* [2016] EWHC 2911 (Ch) [59]-[79], [88]-[126]. Cf. *Walton International Limited v Verweij Fashion BV* [2018] EWHC 1608 (Ch) [209]-[216], following a more functions-based approach to honest concurrent use. See also Michael Silverleaf, ‘What’s Wrong with Victorian Plumbing’ (2019) 41 EIPR 29, suggesting a different functions-based reading of *Victoria Plum*.

confusion which warrants intervention.¹⁰⁷ The goodwill that the defendant had built legitimately, to the extent that its mark performed an origin function itself,¹⁰⁸ and legal certainty in *IPC Media* may be equally important. Both companies operated in their own (albeit closely-connected) market segments for decades without the defendant engaging in any acts to have their position worsened. The functional framework may also prove instrumental in assessing harm to other functions, reconciling inconsistencies in the case law that I will address later.¹⁰⁹ A more pliable, context-dependent scope of protection offers new, interesting possibilities for the law of infringement.

A. Transitional reality: addressing inconsistencies

The UK case law examined in Chapter III suggests that inconsistencies in this process of assimilation of context to infringement 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 realities, a few decisions still hold onto the formalism and determinacy that registrar-like analysis is supposed to provide. Though such cases have been a lesser occurrence in the past years, with contextual assessment seemingly becoming the norm,¹¹⁰ they advance a premise of legal certainty that ought to be addressed: an abstract assessment would render more objective, predictable results.

¹⁰⁷ See also Burrell and Weatherall (n 1) 5 ('There is nothing inherently objectionable about deciding that we might want to tolerate some degree of confusion/higher consumer search costs in order to maintain healthy levels of competition, to preserve freedom of expression or to further some other goal of public policy.').

¹⁰⁸ *IPC Media Ltd v Media 10 Ltd* [2014] EWCA Civ 1439 [51].

¹⁰⁹ Ch VI(2).

¹¹⁰ See for example Lionel Bently and others, *Intellectual Property Law* (5 edn, Oxford University Press 2018) 1108-1109.

In proposing a functional model for infringement, 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’ takes over.¹¹¹ This change in the nature of the comparison, which turns on a contextual assessment centred on the figure of the consumer, can be a means to insure survival of a registration-based system which 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 as a reassurance of predictability and, hence, affording legal certainty to economic operators¹¹² are highly questionable. The register no longer fulfils the informational function it was conceived for because the expansionary trajectory of trade mark law rendered scope of rights inherently unpredictable.¹¹³ Today, a positive or negative result in a search for prior marks is not enough for economic operators to know whether use of a sign is cleared. It is increasingly difficult to predict, with acceptable levels of accuracy, whether a sign of interest would conflict with a mark on the register.

¹¹¹ *Whirlpool Corp v Kenwood Ltd* [2008] EWHC 1930 (Ch) [70].

¹¹² See Case C-273/00 *Sieckmann v Deutsches Patent- und Markenamt* EU:C:2002:748; Case C-307/10 *Chartered Institute of Patent Attorneys v Registrar of Trade Marks* [2012] ETMR 42 (CJEU).

¹¹³ 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 D Janis (eds), *Trademark Law & Theory: A Handbook of Contemporary Research* (Edward Elgar 2008).

Furthermore, the CJEU jurisprudence examined in Chapter II indicates that much of the informational function of the register is 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 possible to enforce rights of a mark used in a manner which is not a proper match to the representation on the register. The CJEU has lowered the threshold for genuine use in that using a visually similar mark¹¹⁴ or in respect of services not corresponding to the specification of goods¹¹⁵ is sufficient for maintaining registration. Different marks are now able to show genuine use in respect of others existing in the register insofar as the average consumer perceives them as indicating the same origin.¹¹⁶ As a result, a registration may be kept valid and enforced based upon the use of a modified mark. Decisions such as *Comic Enterprises*¹¹⁷ and *Colloseum Holding*¹¹⁸ illustrate that market realities not always reflecting the mark as registered may be decisive to infringement. There is a mismatch between legal discourse, with some *dicta* still praising formalism in the assessment, and practical application of concepts offsetting much of this formality. While this potentially creates false negatives during clearance, it also makes a case for a more flexible scope of protection of the registered mark that I address later in this chapter.¹¹⁹

¹¹⁴ Case C-252/12 *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2013] ETMR 46 (CJEU).

¹¹⁵ C-40/01 *Ansul BV v Ajax Brandbeveiliging BV* [2003] ECR I-2439, [2005] 2 CMLR 36.

¹¹⁶ See for example *Specsavers (CJEU)* (n 114).

¹¹⁷ *Comic Enterprises (EWCA)* (n 103). Discussed in text to n 214 in Ch III.

¹¹⁸ *Colloseum Holding AG v Levi Strauss & Co* I ZR 206/10, darts-184-381-A-en (BGH). Discussed in text to n in Ch IV.

¹¹⁹ Ch V(4).

Secondly, we have seen in Chapter III that infringement assessment abiding by a mark for mark comparison in prior UK law was not as predictable or objective as a registration system would suggest.¹²⁰ The sign was often cut down to a closer match to the registered mark, and the consumer reflected what judges wished them to be, which not always provided an accurate picture of reality. Such an approach is arguably less predictable, let alone accurate than dissection of a registered mark in Germany requiring that the dominant element be perceived as a self-standing trade mark by consumers, for example. In *Colloseum Holding*, it was only upon the court finding that the red tag performed an origin function, by reference to distinctiveness surveys that the claimant had commissioned, that the registered mark was narrowed to have the LEVI's word excluded from the infringement assessment.¹²¹ Furthermore, scope of protection was discerned by UK judges in a rather subjective notion of normal and fair use of the mark. Though labelled as 'normal', so-called fair use of the registered mark neglected the context of market practices such as trade channels, longstanding commercial practices or consumer behaviour; all such circumstances were ruled out from the assessment under the guise of added matter.¹²² Instead, the sense of predictability and determinacy that an abstract assessment 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 a holistic evaluation of the evidentiary "factors" In the absence of empirical data about consumer responses, and in a doctrinal

¹²⁰ Text to n 34 in Ch III.

¹²¹ *Colloseum Holdings (BGH II)* (n 118). See also *Golden Rabbit Trade Mark* [2007] ETMR 30 (BGH).

¹²² Text to n 28 in Ch III.

context riddled with uncertainty, courts sometimes spin quite creative narratives about what consumers think, believe, and value.¹²³

Jennifer Davis provides another example by recounting the oft-misguided judicial assumptions of consumer behaviour in early 20th 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’.¹²⁴ Gallagher and Goodstein further argue that a process of determination of confusion surrendering to abstraction and formulaic reasoning ‘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’.¹²⁵

Thirdly, other causes of action available in European trade mark law are already indeterminate and understandably criticised for overreaching. Although functions other than the essential function of origin are entitled to legal protection,¹²⁶ the case law remains unclear as to which functions ought to be protected and the extent to which such protection should be afforded.¹²⁷ The unfair advantage claim recognised in *L’Oréal v Bellure*¹²⁸ seemingly incorporates a standard of unfair competition, the full implications

¹²³ Graeme W Austin, ‘Trademarks and the Burdened Imagination’ (2004) 69 *BrookLRev* 827, 874.

¹²⁴ Davis, ‘Locating’ (n 74) 192.

¹²⁵ William E Gallagher and Ronald C Goodstein, ‘Inference Versus Speculation in Trademark Infringement Litigation: Abandoning the Fiction of the Vulcan Mind Meld’ (2004) 94 *TMR* 1229, 1231.

¹²⁶ Case C-487/07 *L’Oréal SA v Bellure NV* [2009] *ETMR* 55 (CJEU); Case C-323/09 *Interflora Inc v Marks & Spencer Plc* [2012] *ETMR* 1 (CJEU).

¹²⁷ See for example *L’Oréal SA v Bellure NV* [2010] *EWCA Civ* 535 [30]. See also Ansgar Ohly, ‘Keyword Advertising or Why the ECJ’s Functional Approach to Trade Mark Infringement Does Not Function’ (2010) 41 *IIC* 879; 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).

¹²⁸ *L’Oréal v Bellure (CJEU)* (n 126).

of which are still hard to predict.¹²⁹ Dilution by blurring requires proof of change in the economic behaviour of consumers that is not always readily available.¹³⁰ For any economic operator to delineate the boundaries of these causes of action based only on register information is a virtually impossible task.

Fourthly, economic operators are already obliged to investigate market realities before clearing a mark. Most national jurisdictions ensure protection to unregistered marks through unfair competition or passing off claims that must be accounted for.¹³¹ One must also ascertain whether a prior mark found on the register has a reputation on the market so likelihood of confusion would be enhanced¹³² or dilution protection would be triggered.¹³³ But unlike unfair competition, the scope of protection of an EUTM potentially reaches the entire single market. Thus clearance costs imposed by dilution are potentially prohibitive insofar as sectorial reputation would trigger this enhanced protection,¹³⁴ and knowledge of the mark by the relevant public in a single Member State may amount to substantial reputation in the Community.¹³⁵ Thus third parties may have to look for the niche reputation of an EU trade mark found on the register in Member States where there is no actual interest in using the sign being cleared. It is no wonder that Robert Burrell claims that ‘the public benefits offered by registration do not seem

¹²⁹ 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).

¹³⁰ Case C-252/07 *Intel Corp Inc v CPM United Kingdom Ltd* [2008] ECR I-8823, [2009] ETMR 13; Case C-383/12 *Environmental Manufacturing LLP v OHIM* ECLI:EU:C:2013:741 (CJEU).

¹³¹ Frauke Henning-Bodewig, *International Handbook on Unfair Competition* (Frauke Henning-Bodewig ed, Hart 2013).

¹³² *Sabel* (n 48); Case C-39/97 *Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc* EU:C:1998:442.

¹³³ Art.5(2) TMD; Art.9(1)(c) CTMR.

¹³⁴ Case C-375/97 *General Motors Corporation v Yplon SA* EU:C:1999:408.

¹³⁵ Case C-301/07 *PAGO International GmbH v Tirolmilch Registrierte Genossenschaft mbH* [2010] ETMR 5 (CJEU).

sufficient to justify the elaborate edifices that registered trade mark systems have become,¹³⁶ making a strong case for registration to be understood as a signpost rather than a fencepost.¹³⁷ Indeed, Advocate-General Kokott stated in *Winters v Red Bull* that:

It is practically impossible for [drinks filling plants] to ensure that the signs chosen by the client do not infringe marks belonging to another.

There are, in fact, innumerable simple trade marks which are not regarded as reputed for the purposes of art.5(2) [TMD]. It is practically impossible for service providers to check for non-infringement thereof in every job. That applies, in particular, in relation to figurative marks which, at present, cannot be researched fully automatically. It would be even more difficult in cases involving art.5(1)(b) [TMD] — relevant in the present case — to determine also whether there are sufficiently *similar* simple marks which could be infringed.¹³⁸

While the Advocate-General provides an accurate depiction of current European trade mark law, her opinion reveals a deeper structural problem attendant on scope of protection. The difficulty in, if not impossibility of clearing trade marks based on register information alone is not limited to drinks filling plants. It encompasses any economic operator interested in entering into a market, launching a new brand, or extending an existing one.¹³⁹ The informational function rationale advanced in the landmark judgments of *Sieckmann*¹⁴⁰ and *IP Translator*¹⁴¹ has been watered down by recent CJEU decisions on the scope of unitary rights. Specifically, the proposition that ‘economic operators must, with clarity and precision, be able to find out registrations or applications for

¹³⁶ Burrell, ‘Trade Mark Bureaucracies’ (n 113) 2.

¹³⁷ *ibid* 20.

¹³⁸ *Winters v Red Bull* (n 95), paras AG33-AG34.

¹³⁹ See also, in the US, Rebecca Tushnet, ‘Registering Disagreement: Registration in Modern American Trademark Law’ (2017) 130 HLR 867, 880 (‘Because the requirements for registrability have loosened and the concept of infringement has expanded over time, the registry has become less useful, even on the counterfactual assumption that every mark on the register is valid and in use.’).

¹⁴⁰ *Sieckmann* (n 112).

¹⁴¹ *IP Translator* (n 112).

registration ... and thus to receive relevant information about the rights of third parties'¹⁴² loses its force when infringement of an EUTM must account for market conditions and consumer understandings from different parts of the Community.¹⁴³ Likewise, Birss J's judgment in *Hearst Holdings* heralds a more comprehensive concept of a brand apprehended by consumers which may justify extending scope of protection beyond the graphic representation of the registered mark. Specifically, '[t]he fact that one cannot register a character or a concept as a trade mark does not mean that the public do not in fact recognise a character as having origin significance'.¹⁴⁴ Thus the use of a cartoon character in clothing and merchandise may infringe the word mark carrying the name for which it became known, and the representation of such a character in different poses is immaterial for likelihood of confusion purposes.¹⁴⁵

I therefore argue that as contextual infringement analysis is giving more weight to market realities, the nature of registration may be changing as well. Registration remains the means for acquisition of trade mark rights, but scope of protection is increasingly modulated by a multifaceted average consumer that is the conduit of an array of perceptions of products offered and purchased in the marketplace. My argument therefore suggests a development different to proposals that scholars have advanced to strengthen substantive aspects of the registration in the US.¹⁴⁶ There is much to gain from the EU registration becoming more procedural, or from rethinking its role as more limited to providing public notice of *existence* of trade mark rights.

¹⁴² *Sieckmann* (n 112), para 51.

¹⁴³ *Combit* (n 22); *Ornua* (n 22).

¹⁴⁴ *Hearst Holdings Inc v AVELA Inc* [2014] EWHC 439 (Ch) [101].

¹⁴⁵ *ibid.*

¹⁴⁶ Tushnet (n 139).

I take this change in infringement methodology as an opportunity to insure the survival of a deeply flawed registration-based system. In its 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 (now misplaced) registrar-like analysis, as UK and German courts have been doing in different ways. The other, to override recent CJEU jurisprudence and scale down scope of rights so information in the register can be rendered more predictable. This movement, however, would require drastic legislative change which, in the light the Commission's failed attempt to limit the scope of double identity,¹⁴⁷ are unrealistic. It also fails to address some of the methodological flaws inherent in a mark for mark comparison that we have identified in the analyses of UK and German law.

Hence, I contend that a workable infringement framework seeking doctrinal coherence in infringement can only be reached if courts are released from the shackles of the registrar, so the average consumer be embraced as the centrepiece of a truly functional model. I further argue that such a methodological change in the nature of the comparison is normatively desirable.

3. Rational basis of a functional model

A. Normatively desirable framework

We have seen that the functions theory, working in tandem with an average consumer (to some extent) infused with external matter, has the potential to broach normative choices

¹⁴⁷ See for example Annette Kur, 'Trademarks Function, Don't They? CJEU Jurisprudence and Unfair Competition Principles' (2014) 45 IIC 434.

otherwise buried in an abstract assessment. Through this process, determination of confusion shifts from a mark for mark comparison to a contextual assessment gauged by consumer perceptions in the marketplace. In identifying an increasing contextualisation of infringement in European trade mark law, Vlotina Liakatou and Spyros Maniatis argue that:

... 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.¹⁴⁸

Context is a useful means to internalise competing interests in infringement. It represents a methodological choice allowing for transparent trade-offs, so policy concerns are expressly factored in the analysis, as the decisions examined in this project illustrate. In *Adam Opel*, context showed that consumers did not perceive the reproduction of a mark in toy replica cars as a badge of origin in the market for toys.¹⁴⁹ It thus enabled an infringement methodology departing from a conventional paper-based standard, bringing competitive interests to light via functions analysis. *O2 Holdings* assimilated context into likelihood of confusion to reframe an abstract assessment which otherwise forecloses normative concerns underpinning comparative advertising. As the sign object of comparison is infused with external matter, the standard for infringement embraced a more comprehensive notion of confusion about the origin of products.¹⁵⁰ Infringement assessment should now consider the circumstances characterising the use of the sign in the marketplace, to address the question as to whether it potentially affects the source-identification judgment of consumers – that is, if they would think that the products

¹⁴⁸ Vlotina Liakatou and Spyros Maniatis, 'Red Soles, Gas Bottles and Ethereal Market Places: Competition, Context and Trade Mark Law' (2012) 34 EIPR 1, 3.

¹⁴⁹ Ch(II)(1)(A).

¹⁵⁰ CH(II)(1)(C).

concerned originated from or were associated with the registrant. The legal concept of confusion is thus re-located to the wider context of established market practices and extant consumer understandings. This development suggests a likelihood of confusion test designed to prevent something closer to the passing off notion of misrepresentation, also sharing similarities with the assessment in use-based systems. It departs from a strictly proprietary logic more concerned with drawing abstract zones of exclusion to engage with levels of *actionable* confusion (i.e. harm to origin function).

Furthermore, UK jurisprudence examined in Chapter III shows the relevance of context as a methodological mechanism to incorporate market-related evidence into infringement. Market practices and consumer understandings are inferred from such evidence, curtailing unsupported assumptions of behaviour. In *Whirlpool*, 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.¹⁵¹ *Thomas Pink* and *Enterprise Holdings* are other recent iterations of a contextual assessment painting a more comprehensive picture of market realities and consumer behaviour.¹⁵²

Yet, from another perspective, the doctrinal development of context explored in this project resonates with the critique of the rational model of the consumer found in recent legal scholarship. In the field of consumer protection, Philipp Hacker claims that a strictly normative model of decision-making fails to account for human behaviour:

¹⁵¹ Text to n 144 in Ch III.

¹⁵² Text to n 153 in Ch III.

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.¹⁵³

Hacker's criticism may extend to a mark for mark comparison conducted under the assumed views of a notional consumer, which draws from the same rational choice model. Indeed, prior UK law provides us with a few examples of factual miscalibrations, showing that what purported to be an objective assessment effectively concealed a large margin of discretion to decision makers.¹⁵⁴ In Germany, limitations inherent in abstract likelihood of confusion were addressed by trade mark use doctrine, which would operate as a gateway to market realities so that courts could grapple with the ever-expanding subject matter of trade mark law. But in a contextual model dealing with the plural interests underpinning trade mark law, recourse to market-related evidence need not be dispositive. Recent UK experience teaches us that it plays a more instrumental (or perhaps, instructional) role in guiding decision-making, broaching policy choices otherwise unavailable in adjudication.¹⁵⁵ Here other fields dealing with consumer protection offer another parallel, 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.¹⁵⁶

¹⁵³ Philipp Hacker, 'The Behavioral Divide: A Critique of the Differential Implementation of Behavioral Law and Economics in the US and the EU' (2015) 11 ERCL 299, 317.

¹⁵⁴ See also Burrell and Weatherall (n 1) 6.

¹⁵⁵ Dinwoodie and Gangjee (n 101) 26.

¹⁵⁶ Hacker (n 133) 318-319.

Increased levels of transparency in judicial decision-making are largely consistent with the process of segmenting different instances of use of the sign and infusing the average consumer with the perceptions of classes of consumers dealing with the products in trade mark law. Determination of confusion between marks used for rental car services should consider foreign customers that normally hire such services in airports and train stations.¹⁵⁷ Consumers of clothing encompass ‘tourists, locals, shoppers seeking products for personal use or as a gift’.¹⁵⁸ In other words, a contextual model entails what Graeme Dinwoodie and Dev Gangjee have defined as ‘blended exercises that are part-empirical and part-normative’¹⁵⁹ or, as put by Hacker, an ‘empirically grounded normative model’.¹⁶⁰

In her critique of the functions theory, Annette Kur argues that more transparency in trade mark 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 favour or the other’.¹⁶¹ There is force in her argument, though I take the view that the core issue is methodological. Higher transparency levels are unattainable if unaccompanied by a compatible methodology. Indeed, prior UK practice examined in Chapter III relied on a notional fair and normal use of the registered mark that was anything but predictable. And some judgments from UK courts holding onto a loose standard of fairness in infringement still produce dubious results. Specifically, the notion of *fair* and normal use across the full width of the specification emerged in

¹⁵⁷ *Enterprise Holdings* (n 75).

¹⁵⁸ *Thomas Pink* (n 28).

¹⁵⁹ Dinwoodie and Gangjee (n 101).

¹⁶⁰ Hacker (n 133).

¹⁶¹ Kur (n 147) 444-445.

*ASOS*¹⁶² and *BSkyB v Microsoft*¹⁶³ as a pretext to extend the scope of protection further than the evidence, or rational justifications for trade mark law, would suggest. In *YouView*, a contemporaneous decision, 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’.¹⁶⁴ Likewise, a standard of fairness informs the assessment of partial revocation under UK law, to address situations where actual use of the mark reflects a narrower category of goods than those claimed in the registration.¹⁶⁵ Once courts find themselves having to agree on a fair specification of products, results are questionable. In *ASOS*, ‘specialist clothing for racing cyclists’ was deemed unsuitable for a mark used for and known by this very purpose. The EWCA struggled to arrive at a fair specification: Kitchin LJ suggested removing *racing*;¹⁶⁶ Sales LJ argued it should include *casual wear* for which the mark had never been used.¹⁶⁷ In *Thomas Pink*, another case in the fashion and apparel business, the word *clothing* was found to be a fair specification for a mark the use of which had been limited to ‘shirts and a few other items worn on the upper body such as polo shirts, jumpers and cardigans’.¹⁶⁸ To argue that a standard of fairness alone would render infringement assessment more transparent or even predictable, when, in fact, judges do not seem to reach a common ground, is a difficult claim to make.

¹⁶² *Assos of Switzerland SA v Asos plc* [2015] EWCA Civ 220.

¹⁶³ *British Sky Broadcasting Group Plc v Microsoft Corporation* [2013] EWHC 1826 (Ch).

¹⁶⁴ *Total Ltd v YouView TV Ltd* [2014] EWHC 1963 (Ch).

¹⁶⁵ *Stichting BDO v BDO Unibank Inc* [2013] EWHC 418 (Ch) [53]-[58].

¹⁶⁶ *ibid* [70].

¹⁶⁷ *ASOS (EWCA)* (n 162) [181] (Sales LJ).

¹⁶⁸ *Thomas Pink* (n 28) [73]-[77].

Thus Annette Kur, with good reason, may suggest that the functions theory brings about a ‘black box’ effect that ‘is at least to some extent due to unclear reasoning under the camouflage of functions argot’.¹⁶⁹ Yet, a balancing exercise based on fairness would hardly be more transparent if infringement methodology shuts the door on market realities. Legal reasoning driven by a subjective standard of fairness is as opaque as trade mark functions; only more open, explicit recourse to and engagement with context would afford increased levels of transparency in decision-making. Consider the contrasting trade mark use approaches in *Praline Shapes II* and *Bounty*.¹⁷⁰ An assessment more concerned with the similarity of the shapes in *Bounty*, which foreclosed (or at least not explicitly engaged with)¹⁷¹ the product packaging of the parties, produced results at odds with the prior jurisprudence. While many would agree on the outcome – both the product shape and the packaging were indeed highly similar – it hardly adds to transparency. Instead, the BGH should have explicitly engaged with the contextual matter it had considered previously in *Praline Shapes II*, even if to rule it out as irrelevant.¹⁷²

While there is evidence, supported by other scholars,¹⁷³ that trade mark law is bridging the gap with unfair competition, convergence need not be absolute. Infringement assessment has indeed become more factually driven, with methodological similarities that are apparent, but it does not follow that the substantive standard is or should be exclusively one of unfair competition. There are specific objectives that trade mark law seeks to pursue which are not always (and need not be) reconcilable with unfair

¹⁶⁹ Kur (n 147) 444.

¹⁷⁰ Text to n 46.

¹⁷¹ Text to n 60.

¹⁷² Cf. *Merck KGaA v Merck Sharp & Dohme Corp* [2017] EWCA Civ 1834 [283], remanding the case for the lower court to consider the different kinds of contextual use of the sign separately.

¹⁷³ See for example Ohly, ‘Interfaces’ (n 33); Dinwoodie and Gangjee (n 101).

competition policy. The very existence of unitary rights to further the single market agenda is one such example. There may be good reasons for distinguishing between (1) goodwill requiring that a mark be exploited on the national market under a passing off claim¹⁷⁴ and (2) a more lax trade mark law threshold allowing dilution claim to be triggered in a Member State in which an EUTM has *not been so exploited* (so long as a commercially significant part of the public is familiar with it).¹⁷⁵ From another perspective, infringement could be borrowing elements from the use-based methodology in other jurisdictions such as the United States.¹⁷⁶ While we should be aware of the increasing similarities with unfair competition, we also need to understand the reasons for this methodological shift in European trade mark law.

I contend that methodological and substantive aspects of trade mark infringement are inextricably entwined. Simply transplanting a broad notion of fairness from another field of law will hardly produce intended results if courts keep holding onto the legal formalism encroached on prior trade mark practice. We need to learn from the lessons of the past, lessons which show us the problematic limitations of abstract reasoning.

Admittedly, German courts coupling the functions theory with trade mark use, by retaining a twofold approach to infringement, may be a contributing factor to the black-box effect which Annette Kur decried. But it also evidences that an artificial paper-based yields to a contextual assessment reaching for market realities beyond the formal limits of the register. Hence the proposition that the insulating character of likelihood of confusion is conducive to legal certainty loses much of its force. Comparatively, the

¹⁷⁴ *Starbucks (HK) Ltd v British Sky Broadcasting Group* [2015] UKSC 31.

¹⁷⁵ Case C-125/14 *Iron & Smith kft v Unilever NV* [2015] ETMR 45 (CJEU).

¹⁷⁶ Text to n249.

process of reasoning identified in UK decisions that have assimilated functions into a mark for sign methodology may deliver more transparent and intellectually honest results. In itself, Annette Kur's substantive standard will just mean for courts to adopt a rather subjective notion of fairness lacking objective guidance that market-based evidence is better suited to provide. This is a risk that we face when dealing with other trade mark functions and the different kinds of harm that may arise.¹⁷⁷ A more coherent (and normatively desirable) reading of the functions theory would thus favour downstream analysis embracing a mark for sign comparison. It is an intricate process infusing infringement with market realities which was made possible by a more realistic construction of the benchmark for infringement. But such a process ultimately enabled a functions theory grounded on market-related evidence to play a fundamental role in shaping scope of protection by context.¹⁷⁸

The unexplored potential of the functions theory, and the limitations inherent in an abstract construction, is illustrated by commentary on the *Martin y Paz* case in Belgium.¹⁷⁹ The dispute turned on two separate entities which had acquired the same mark 'Nathan', from the same proprietor, at different times, to designate similar products. The claimant had acquired the part of the business relating to small leather goods while the defendant had entered into a contract with the original proprietor to use the mark for handbags and shoes. At some point, both parties changed their mark to an elongated 'N' and the word mark 'Nathan Baume', and several years later, the claimant registered both such marks with a broader specification covering all products concerned. Following a cancellation request from the defendant which failed upon the court finding a bad faith

¹⁷⁷ Ch VI.

¹⁷⁸ Ch II(2).

¹⁷⁹ Kur (n 147) 448-452.

claim to be time barred, the claimant brought infringement proceedings. At first instance, the judge, accepting an unfair competition counterclaim, enjoined the claimant from enforcing the marks in respect of the products (i.e. handbags and shoes) that the defendant had marketed for decades. On appeal, an order of reference was made inquiring the extent to which national unfair competition would pre-empt trade mark infringement. Perhaps unsurprisingly, the CJEU answered there was no such possibility insofar as ‘a national court may not ... limit that exclusive [trade mark] right in a manner which exceeds the limitations arising from arts 5 to 7 [TMD].’¹⁸⁰ However the European Court issued a reminder that the proscription would depend upon the use made by the defendant affecting one of the functions of the mark.¹⁸¹

In her commentary of *Martin y Paz*, Annette Kur suggests that unfair competition was the only route available for the defendant to be saved from trade mark infringement,¹⁸² with no answer to be found in a functional assessment. I would argue that a contextual approach to trade mark functions is precisely the missing piece in the conundrum. Surely, the use of the marks ‘Nathan’, ‘Nathan Baume’ and the elongated ‘N’ are likely to be found infringing under an abstract assessment (as indeed it was when the case returned to Belgium). But a functional analysis accounting for consumer perceptions could suggest that, once customers became accustomed to the products coexisting on the market, there would be no harm to the origin function. This is not particularly different to the rationale of *IPC Media*, in which honest concurrent use of the marks dismissed an otherwise straightforward case of likelihood of confusion.¹⁸³

¹⁸⁰ Case C-661/11 *Martin y Paz Diffusion SA v Fabriek van Maroquinerie Gauquie NV* [2014] ETMR 6, para 55.

¹⁸¹ *ibid*, para 60.

¹⁸² Kur (n 147) 450-452.

¹⁸³ *IPC Media Ltd v Media 10 Ltd* [2013] EWHC 3796 (IPEC); *IPC Media (EWCA)* (n 108).

Following longstanding coexistence, there had been no adverse effect on the origin function; consumers knew that Ideal Home had more than one single source and learned to differentiate (or had to tolerate) 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 responsible for publishing Ideal Home magazine and running the Ideal Home show.¹⁸⁴

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’.¹⁸⁵ Contextual analysis thus enabled the origin function to impose a threshold for actionable confusion, operating as a trumping defence to infringement,¹⁸⁶ once honest concurrent use made both marks indicate different sources, some level of confusion is tolerable.¹⁸⁷ Each mark performed an origin function of its own. This is good evidence of a contextual assessment broaching normative choices by recourse to evidence reflecting market practices and

¹⁸⁴ *IPC Media (EWCA)* (n 183) [53].

¹⁸⁵ *IPC Media (EWHC)* (n 183) [12].

¹⁸⁶ Being thus developed into what Graeme Dinwoodie would call a real defence. See Graeme B Dinwoodie, ‘Developing Defenses in Trademark Law Lewis & Clark Law School Ninth Distinguished IP Lecture’ (2009) 13 *Lewis&ClarkLRev* 99, 108 (‘[Real defences] permit unauthorized third party use even where some confusion is likely to result from that use and thus support prima facie liability.’)

¹⁸⁷ *IPC Media (EWCA)* (n 183) [49]-[51].

consumer understandings.¹⁸⁸ Conversely, the appellate court in *Martin y Paz* carried out an abstract assessment and, in a rather formalistic fashion, found that the signs used by the defendant had affected the origin function of the registered marks.¹⁸⁹ There was no consideration of the prior conduct of the parties neither of consumer understandings or practices which may have developed over decades of parallel use. Infringement assessment was limited to a mark for mark comparison foreclosing other considerations that the functional model would inject via context. It effectively presumed the occurrence of harm.

Hence it is not a change in the substantive standard for infringement, but methodological choices which enable more transparent trade-offs.¹⁹⁰ Otherwise the other possible answer is not open for courts to consider, as it was not in *Martin y Paz*. And while the higher level of empiricism embedded in an increasingly contextual assessment might indeed suggest a parallel with unfair competition methodology, the 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 be weighed in assessing community-wide effects, providing a more coherent environment for EUTMs to thrive.

¹⁸⁸ See also *Walton v Verweij* (n 106) [209]-[216].

¹⁸⁹ *Martin Y Paz Diffusion SA v Fabriek Van Maroquinerie Gauquie SA* 2015/RG/2 (Court d'appel Liege) [2.1] ('The defendants' use of the "N" and "NATHAN BAUME" marks for handbags and shoes also clearly affects at least one of the functions of such marks and, in this case, their essential function which is to guarantee consumers the origin of the products. The continued use of the aforementioned marks by the defendants after the withdrawal of the consent of MARTIN Y PAZ prevents these marks from fulfilling their primary function of guaranteeing consumers that products bearing the marks all come from the proprietor of such marks.') (translated from French by the author).

¹⁹⁰ See Hacker (n 133) 317-319.

Furthermore, research work in other fields 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 will now turn to this issue.

B. Addressing limitations inherent in a mark for mark comparison

An argument for external coherence can be made on the basis that by infusing infringement assessment with evidence reflecting extant consumer understandings, a functional model provides a methodology less prone to error. Recourse to context may offset heuristics and biases that not only are liable to affect consumer perceptions but also the decision-making process in adjudication. 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 lay the foundations for the notional average consumer that used to be the norm in trade mark law.¹⁹¹ There is more to decision-making than the simple rational choice proposition that we would always take the best course of action upon weighing potential costs and benefits involved in every choice.¹⁹² In their seminal work, Daniel Kahneman and Amos Tversky 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, too

¹⁹¹ Davis, 'Revisiting' (n 62) 274-277.

¹⁹² See for example Herbert A Simon, 'A Behavioral Model of Rational Choice' (1955) 69 QJEcon 99.

systematic to be dismissed as random error, and too fundamental to be accommodated by relaxing the normative system.¹⁹³

Indeed, behavioural economics and cognitive psychology have long questioned this traditional model premising that rational behaviour entails a single answer, where deviations from referent behaviour are disavowed. Not every single aspect of judgment is rational. Decisions are often driven by emotion,¹⁹⁴ and different reactions to the same information may be elicited by context.¹⁹⁵ The same movement now seems to be arriving to European trade mark law where a single meaning rule drawn on a notional construction of a hypothetical person is giving way to a more complex understanding of the perceptions of different profiles of consumers inhabiting the marketplace (or populating the single market).

I contend that behavioural sciences can help us understand why the paper-based assessment benchmarked on the single hypothetical figure of the consumer that used to pervade trade mark infringement needs a re-think. This notional construction of the consumer surmises that a single answer could be evoked from rationality alone; consumer behaviour (and hence their propensity for confusion) is predictable because consumers conform to rational choice. And judges, rational actors as they are, would be in the best position to predict such rational behaviour, that is, to determine whether confusion between marks would be likely or not. But if single meaning were to exist for a fact, it would require acceptance to the so-called principle of invariance, namely, that every

¹⁹³ Daniel Kahneman and Amos Tversky, 'Rational Choice and the Framing of Decisions' (1986) 59 *JBus* 251, s252.

¹⁹⁴ Melissa L Finucane and others, 'The Affect Heuristic in Judgments of Risks and Benefits' [2000] 13 *JBehavDecisMak* 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. For an account of consumer emotion research potentially applicable to trade mark dilution, see Laura R Bradford, 'Emotion, Dilution, and the Trademark Consumer' (2008) 23 *BerkeleyTechLJ* 1227.

¹⁹⁵ Text to n 199.

question has a better answer, which one would reach every time no matter the conditions that have been put forward.¹⁹⁶

However, behavioural studies have long established, for example, that variation in responses can be elicited by framing the same question differently. Specifically, ‘extensionally equivalent descriptions lead to different choices by altering the relative salience of different aspects of the problem’.¹⁹⁷ 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, though choices were framed differently. Results of the study showed that preferences were shifted towards an apparent choice of a treatment ensuring that 200 people would be saved instead of the other choice presenting the death of 400 people. Both options referred to the same treatment, yet the choices were framed in positive (lives saved) and negative (lives lost) terms. This study is known for evidencing that a single individual can assume profiles of risk aversion or risk seeking depending on the way a question is framed.¹⁹⁸ By shifting focus from one part of the problem to another, we may alter someone’s perception and, by extension, affect the outcome.

Now, if a mere change in the framing of a choice may elicit different answers from the same individual, there can be no single reaction of the consumer to be inferred from rationality alone. Transposing this lesson to trade mark law, bounded rationality suggests that a change in the nature of the comparison in infringement – that is, how the

¹⁹⁶ Kahneman and Tversky (n 193).

¹⁹⁷ Kahneman (n 194) 1458.

¹⁹⁸ Kahneman and Tversky (n 193) s260.

question of confusion is framed within the assessment – may affect decision-making. Kahneman once argued that ‘decisions made in narrow frames depart far more from risk neutrality than decisions that are made in a more inclusive context’.¹⁹⁹ I contend that a paper-based assessment is a rather narrow framing of the question of confusion in infringement.

Again, research work shows that ambiguities in meaning are resolved by recourse to surrounding context.²⁰⁰ This context has far more implications than we have accepted in trade mark doctrine. For example, ambiguous information in advertising is interpreted not only in light of the information provided in the advertisement itself. The surrounding context is also determinative, that is, ‘the same product features in an ad can be evaluated in different ways, depending on the adjacent materials’.²⁰¹ One study attempted to determine the effects of preceding stimuli on the interpretation of ambiguous information in an advertisement for a computer. The ambiguous information consisted of numerous features that the computer had available, which could be interpreted positively (as being versatile) or negatively (not user-friendly). The subjects were exposed to preceding stimuli through prior advertisements for other computers which focused on attributes of versatility or ease of use. It established that subjects were nudged to a positive reaction to the advertisement of reference when the preceding advertising piece emphasised

¹⁹⁹ Kahneman (n 194) 1460.

²⁰⁰ See for example Jacob Jacoby, ‘The Psychological Foundations of Trademark Law: Secondary Meaning, Genericism, Fame, Confusion and Dilution’ (2001) 91 TMR 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. More generally, Kahneman (n 194) 1453-1454.

²⁰¹ Youjae Yi, ‘The Effects of Contextual Priming in Print Advertisements’ (1990) 2 JConsumRes 215, 220.

versatility; negative reactions to the product being not user-friendly were more frequent in consumers seeing the preceding advertisement focused on ease of use.²⁰²

This is just one instance, amongst others, of *priming* effects in consumer behaviour, namely, how surrounding stimuli may affect subsequent decisions or construction of meaning.

The concept of priming may further suggest, for example, that trade channels could have more weight on consumer decision making than anticipated in trade mark law. The circumstance that a consumer enters a self-owned store or access a brand's official website looking for a product could be more decisive than we may have thought. If anything, consumers decisions being context-dependent make a strong case for infringement assessment to be more receptive to contextual matter. Arguably, product packaging visualised before the consumption of chocolates of a given shape could have a priming effect on consumers which may explain the divergence between the *Praline Shapes II* and *Bounty* decisions in Germany.²⁰³ If the packaging is easily discernible, context would obviate confusion between the product shapes; highly-similar or transparent packaging, however, may yield another outcome. Thus shape marks may be best addressed as a matter of (functions-based) scope of protection instead of subjected to generalisations of the claimant's own market practices at the registration level. If consumers do associate the shape with an origin, why should acquired distinctiveness

²⁰² Yi (n 201).

²⁰³ Text to n 326.

turn on the assumed impossibility of their confusion, in the abstract, which neglects the many possible uses that could be made of it?²⁰⁴

Limitations of an abstract infringement assessment can be additionally viewed from another perspective. Priming effects may also indicate that a mark for mark comparison is inherently biased. If preceding stimuli is conducive to different (sometimes, disparate) constructions of meaning, as empirical studies suggest, we should be asking ourselves the extent to which a comparison of isolated marks in succession would have similar effect on someone carrying out infringement assessment. By looking first at the registered mark divorced from context, the individual could be heavily influenced (primed) by the perception of the senior mark at the time she visualises the junior mark which is artificially insulated from surrounding matter and circumstances that are present in the marketplace. The risk of a natural bias in trade mark law is not particularly new. Gallagher and Goodstein, for example, argue that:

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.²⁰⁵

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 direct

²⁰⁴ Ch V(4)(A.1).

²⁰⁵ Gallagher and Goodstein (n 125) 1231.

comparisons between marks',²⁰⁶ they are not primed by the registered mark before buying products either. Thus the image of the mark retained in the memory of the consumer may not be as strong as the perception that a judge would have of it during the assessment. In the former, surrounding context may avoid the consumer recalling the registered mark at the purchase moment. However, recollection of the registered mark by the judge is artificially triggered by a mark for mark comparison. This may call into question the assumption that a comparison circumscribed by register information would render more predictable, objective or accurate results. For it would require both consumers and decision-makers assuming the mantle of rational actors all the time, though we know that every individual has their bias. The gap between such an abstract assessment and market realities therefore may be far wider than conventional wisdom suggests. According to Daniel Kahneman:

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 object that is the most likely in its context, but have no subjective indication that it could be seen differently.²⁰⁷

Kahneman's example is remarkably consistent with Baldwin QC reaching the conclusion in *IPC Media* 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'.²⁰⁸ Likewise, Arnold J opined in *Frank Industries v Nike* that the meaning of abbreviations must be construed against its surrounding context: a single,

²⁰⁶ *Lloyd* (n 70), para 26; *Specsavers (EWCA)* (n 28) [52].

²⁰⁷ Kahneman (n 194) 1454.

²⁰⁸ *IPC Media (EWHC)* (n 183) [12].

definitive answer could not be derived from abstraction.²⁰⁹ Consumers are not always primed by the registered mark when purchasing products. While they may know of the registered mark, consumers rarely see it immediately before purchasing the product bearing the other mark.

To be sure, a more abstract, mark for mark assessment may be justified at the registration level for streamlining examination and reducing transaction costs. Normatively, implications of each kind of assessment are clearly contrastable: registration analysis centres on the granting of an exclusive right which can be opposed against third parties, whereas infringement deals with the use of a sign in a specific situation. It makes an acceptable trade-off for false positives at registration level have far less implications: likelihood of confusion under relative grounds does not entail an automatic finding for infringement.²¹⁰ However, the logic does not extend to infringement, where false positives result in enjoining the use of a non-infringing sign or allowing the existence of a confusing one in the marketplace. Rebecca Tushnet reminds us that ‘rights stemming from registration therefore only imperfectly follow the primarily articulated justification for trademark protection: saving consumers from confusion.’²¹¹ Rather, the methodological divide between relative grounds and infringement arising from *O2 Holdings*²¹² 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 avoiding market-based factors such as enhanced distinctiveness and actual confusion,²¹³

²⁰⁹ *Frank Industries v Nike* (n 8).

²¹⁰ See text to n 73 in Ch III.

²¹¹ Tushnet (n 139) 892.

²¹² *O2 Holdings (CJEU)* (n 33), paras 66-67.

²¹³ Ilanah Fhima and Catrina Denvir, ‘An Empirical Analysis of the Likelihood of Confusion Factors in European Trade Mark Law’ (2015) 46 IIC 310, 338.

infringement assessment provides the opportunity to correct doctrinal miscalibrations and weigh policy objectives which would otherwise remain foreclosed.

By and large, consideration of context best emulates how consumers behave in the marketplace, seeking to address how ambiguities in meaning are interpreted at a cognitive level.²¹⁴ While protection of goodwill and incentives-to-expansion rationales may have prominence in some jurisdictions, the market regulation function incumbent upon trade mark law is unassailable. We should be more conscious of the impact that infringement brings about on the real world. In some circumstances, it could mean extinguishing an entire market – as the background to *Adam Opel* and *Ornua* illustrate – or leave consumers worse off by wrongly removing choices or failing to remediate confusion taking place on the market. If anything, trade-offs broached by context may change perception of risk in decision-making: it may be easier for someone to find infringement on paper than facing the possibility of eradicating an entire market or imposing a de facto ban on a given practice (e.g. comparative advertising). Context is also agnostic. It may bolster a case where external matter is likely to contribute to confusion, and offset likelihood of confusion depending on how the mark and sign are effectively used and perceived in the marketplace.²¹⁵ *Hearst Holdings*, in the UK,²¹⁶ and *Colloseum Holdings*, in Germany,²¹⁷ are examples of scope of protection being expanded to conform to market realities, revealing a more comprehensive understanding of brands.

²¹⁴ See also Burrell and Weatherall (n 1) 21.

²¹⁵ *Specsavers (CJEU)* (n 103). Ch II(4).

²¹⁶ Text to n 223 in Ch III.

²¹⁷ Text to n 165 in Ch IV.

There are strong reasons for incorporating more realistic thought process of consumers, so courts have access to a fuller picture of the normative concerns involved, being, therefore, better positioned to engage in more transparent and accurate adjudication of complex disputes. As Rebecca Tushnet puts it, ‘producers’ investment must be matched by consumers’ response to have any real value.’²¹⁸ Furthermore, recent studies on trade mark cluttering and depletion counsel against an overly broad approach to infringement drawing on abstract zones of exclusion.²¹⁹ A more balanced approach may reside in restricting the scope of likelihood of confusion to economic efficiency while leaving other concerns such as protection of goodwill to be addressed by other causes of action available in European law.²²⁰

Hence context provides for transparent trade-offs, broaching normative choices underlying the assessment and better reflecting how consumers are known to behave in the marketplace. An otherwise curiously biased mark for mark comparison is discounted by adding other contextual matter liable to influence consumer perception. 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.

²¹⁸ Tushnet (n 139) 874.

²¹⁹ See for example Georg von Graevenitz, Richard Ashmead and Christine Greenhalgh, *Cluttering and Non-Use of Trade Marks in Europe* (Intellectual Property Office, 2015); Barton Beebe and Jeanne Fromer, ‘Are We Running Out of Trademarks? An Empirical Study of Trademark Depletion and Congestion’ (2017) 131 HLR 948.

²²⁰ Ch V(4).

4. Reconceptualising the scope of trade mark infringement

As I have defended earlier, UK law examined in Chapter III provides a good example of CJEU guidance being applied more consistently in practice. There is a change in the nature of the comparison leading to different outcomes in determination of confusion that is apparent. Following a mark for sign comparison, courts seem more prone to incorporating external matter reflecting 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. As part of this process, the average consumer construct assumes a part-empirical character by being infused with an array of consumer perceptions better attempting to reflect marketplace conditions.

Nonetheless, we have also identified a minority of decisions from UK courts shunning a contextual approach to infringement. They suggest an 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 evidence. I take the view that inconsistencies in these decisions are deeply linked to a retreat to legal formalism where courts are seeking solace in a comparison standard which became unsuitable. What inconsistencies in cases like *ASOS*,²²¹ *YouView*²²² and *BskyB v Microsoft*²²³ 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 in European trade mark law. As the CJEU increasingly favours a consumer-centred trade mark law, formality of the registrar discourse is misplaced. In infringement, registration is but the starting point or a signpost;

²²¹ *ASOS (EWCA)* (n 162).

²²² *YouView* (n 164).

²²³ *British Sky v Microsoft* (n 163).

determination of confusion is modulated by perceptions of the consumer of both mark and sign used in the marketplace.

Yet, decisions like *ASOS* still retain infringement assessment framed as a formal assertion of property rights. Formalism emerges as a justification for something which is supposed to be exceptional, namely, that protection should be afforded to unused marks which had been registered. This rationale has a substantial impact on the manner that infringement assessment is conducted, notably the weight afforded to market realities in determination of confusion. In *ASOS*, where the marks of the parties have been coexisting for a while, the EWCA downplayed findings of non-confusion inferred from empirical evidence by referencing to a non-use situation. Somewhat contradictorily, Kitchin LJ recognised that, as the EWHC had found, confusion in practice between marks was unlikely, and, yet, reversed the judgment by taking a notional leap from the evidence:

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.²²⁴

The reasoning is not particularly convincing. Prior to *ASOS*, the Court of Justice had been increasingly favouring incorporation of context to a system which is now centred on the figure of the consumer. *Compass Publishing* is an authority preceding CJEU jurisprudence which is difficult to reconcile with a contextual model. Indeed, the EWCA may have effected a more generous reading that does not find much support in the

²²⁴ *ASOS (EWCA)* (n 162) [114].

decision. Laddie J's statement in *Compass Publishing* explicitly recognised the exceptional circumstance of the registered mark being unused, or where use took place in a more limited manner, 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.²²⁵

Even where a mark has been put into use, the judgment tells us that infringement assessment 'must consider notional use on a scale where direct competition between the proprietor and the alleged infringer could take place'. In *ASOS*, there was anything but direct competition between the parties, namely:

... in 2006 the parties did not anticipate problems in the market place and none has arisen. There has been no confusion in practice between their respective goods or services and there is no real likelihood of it occurring in the future. Moreover, the activities of Asos have not benefitted from those of Assos, nor have they been detrimental to the distinctive character or repute of the ASSOS brand of cycling clothing or Assos' ability to use the brand to attract and to retain custom for its business or any anticipated or planned expansion of that business. The reputation and distinctive character of the ASSOS brand have not been adversely affected in any way such as to have any impact upon Assos' business or any contemplated expansion or development of it.²²⁶

²²⁵ *Compass Publishing BV v Compass Logistics Ltd* [2004] EWHC 520 (Ch) [22].

²²⁶ *ASOS (EWCA)* (n 162) [159] (Kitchin LJ).

Other inconsistencies identified in UK case law similarly attempt to override a contextual assessment that should be the norm. In *YouView*, Sales J (as he then was) calls *O2 Holdings* and *Specsavers* exceptional cases to support his retreat to a mark for mark comparison.²²⁷ Subsequent decisions, however, would confirm that *Specsavers* effectively changed the standard of comparison in infringement.²²⁸ Nor does Asplin J's statement in *BSkyB v Microsoft* that 'a trade mark gives monopoly protection regardless of whether or how it is actually used'²²⁹ comport with CJEU guidance. If anything, the functions theory limiting scope of protection by context calls into serious question a conceptualisation of trade marks as monopoly or absolute property rights. Circumstances of actual use do matter. Otherwise *Adam Opel* and *O2 Holdings*, in which the claimants were advancing a property-based protection rationale, would have another outcome.²³⁰

This strand of cases is clearly contrastable with most UK decisions now embracing a contextual assessment. In *Zynga*, for example, infringement turns on a notion of confusion in marketplace conditions similar to that that Rose J had adopted in *ASOS*. In finding for the defendant in *Zynga*, 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.²³¹

²²⁷ *YouView* (n 164) [102].

²²⁸ *Specsavers (EWCA)* (n 28) [87]. See for example *Comic Enterprises (EWCA)* (n 103); *BMW v Technosport* (n 8); *Frank Industries v Nike* (n 8).

²²⁹ *British Sky v Microsoft* (n 163) [78].

²³⁰ Ch II(1).

²³¹ *JW Spear & Sons Ltd v Zynga Inc* [2015] EWCA Civ 290 [181].

IPC Media and, more recently, *Walton v Verweij* are other iterations of contextual confusion analysis more concerned with market realities.²³² They introduce a materiality requirement to confusion consistent with the functional assessment in *Adam Opel* and *O2 Holdings* that we examined in Chapter II. *Hearst Holdings* and *Comic Enterprises* further demonstrate that actual use conditions, incorporated via context, may also tip the balance in the claimant's favour.²³³

Hence I contend that the rationale of focusing infringement assessment on a comparison guided by a notional use of the mark merely because of the 5-year period following granting of registration is misconceived. First, it reflects an unnatural state which, *qua* exception, should not shape infringement assessment across the entire life of the registration. Trade marks are expected to be used sooner rather than later; a notional assessment centred on the protection of unused marks may encourage rent seeking and defensive registrations that are often abusive.²³⁴ One could argue that an increasing role of market realities in infringement provides an incentive for marks to be used and, consequently, to business expansion. Having a static scope of protection does not make the best incentive when it fails to differentiate used and unused marks (other than by rules of thumb like reputation under *Sabel*).²³⁵ Secondly, recent empirical studies raise concerns over trade mark clutter becoming a real problem which needs addressing.²³⁶ As

²³² *IPC Media (EWCA)* (n 108); *Walton v Verweij* (n 106).

²³³ *Hearst Holdings* (n 144); *Comic Enterprises (EWCA)* (n 103).

²³⁴ It is becoming somewhat common for applicants to seek registration of non-traditional marks in respect of products which they do not purport to identify. See for example Case T-629/14 *Jaguar Land Rover Ltd v OHIM* ECLI:EU:T:2015:878, holding that the design of the EVOKE car is distinctive in respect of 'vehicles for locomotion by air or water'; *Godiva Belgium BVBA/SPRL v EUIPO* Application no 014772041, finding the clam shell shape of the Godiva chocolate distinctive for 'cocoa'.

²³⁵ *Sabel* (n 48).

²³⁶ Graevenitz, Ashmead and Greenhalgh (n 219).

opposed to US law, there is evidence that applicants are overreaching by claiming more products than they would expect to use in Europe,²³⁷ which may result from a registration at odds with market reality.

Conversely, decisions like *Combit* and *Ornua*,²³⁸ at the European level, and *IPC Media*,²³⁹ in the UK, display a contextual infringement assessment, with the origin function imposing a threshold of harm. At first glance, the rationale underlying these decisions makes a stark contrast to notional fair use cases such as *ASOS*.²⁴⁰ But they may further suggest that scope of protection under the origin function is rather a continuum in which *notional fair use*, informing the assessment of unused marks, and *honest concurrent use*, reflecting longstanding market practices and consumer understandings, are situated at opposite ends.

Indeed, recent UK decisions indicate that market realities gain relevance across this continuum. The increasing weight that courts have afforded to actual confusion, for example, is but one manifestation of infringement assessment incorporating external matter. Although likelihood of confusion is a probabilistic test, irrespective of actual confusion, ‘the longer the use complained of has gone on in parallel with use of the trade mark without such evidence emerging, however, the more significant it is’.²⁴¹ Honest concurrent use may well be the ultimate consequence of parallel use: the marks have been coexisting for such an extended period that some confusion becomes (normatively)

²³⁷ *ibid* 71.

²³⁸ *Combit* (n 22); *Ornua* (n 22).

²³⁹ *IPC Media (EWCA)* (n 108).

²⁴⁰ *ASOS (EWCA)* (n 162).

²⁴¹ *Stichting BDO* (n 165); *Jack Wills* (n 28).

tolerable; the threshold of actionable confusion, in terms of harm to origin function, is raised by recourse to market realities.

To be sure, actual confusion stems from consumers perceiving and interacting with mark and sign in their surrounding context, that is, together with packaging, trade channels, and other circumstances material to their purchase decision.²⁴² By reflecting broader marketplace conditions, it introduces contextual matter at odds with a conventional mark for mark comparison. Indeed, UK courts have been more amenable to evidence of actual confusion where the marks have coexisted for a while. In *Enterprise Holdings*, Arnold J held such proof of confusion material to infringement in at least two categories of use the sign, namely:

Even in the absence of the evidence of actual confusion, I would probably have concluded that there was a likelihood of confusion on the part of the average consumer as a result of the first category of use of the e-moving logo as at the relevant date, but I would have hesitated as to whether to reach the same conclusion in relation to the second category of use and, even more so, the third category. Given the evidence of actual confusion, however, I conclude that there is a likelihood of confusion on the part of the average consumer as a result of the second and third categories of use.²⁴³

Similarly, Kitchin LJ found the evidence of actual confusion in *Comic Enterprises* ‘potentially very persuasive’.²⁴⁴ The opposite also holds true. Courts have grown more sceptical of marks that have long coexisted unaccompanied by some evidence of marketplace confusion taking place. In *Stitching BDO*, the claim was dismissed on the

²⁴² See for example Lee, DeRosia and Christensen (n 200) 1074 (‘... the raw data obtained through vision cannot be interpreted without a significant role of the viewer’s memory of similar objects and a consideration of the broader, environmental context of the visual stimulus.’).

²⁴³ *Enterprise Holdings* (n 75) [217].

²⁴⁴ *Comic Enterprises (EWCA)* (n 103) [102].

basis that ‘eight years have elapsed without any such evidence emerging’.²⁴⁵ In *Zynga*, the marks living side by side for longer than six years with no indication of such confusion was dispositive. According to Floyd LJ:

... 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.²⁴⁶

Yet, recent empirical work indicates that evidence of the kind is largely neglected at the registration level. The General Court, in exercising judicial review of OHIM (now, EUIPO) decisions, considered actual confusion in one single instance in the period from 2009 to 2012.²⁴⁷ Perhaps more surprisingly, the EUIPO has not shown much regard for other external matter like acquired distinctiveness of the registered mark either.²⁴⁸ At the unitary rights level, relative grounds analysis may be entirely dissociated from market realities. While this more insulated, Parnassian registrar analysis may be somewhat justified in economic and bureaucratic terms, infringement is another story.

Indeed, national courts may be moving out of the Ivory tower. Actual confusion gaining traction, or infringement assessment increasingly reaching for market realities, may find another parallel in the US trade mark system.²⁴⁹ In *Conopco Inc v May Dept Stores Co*,²⁵⁰ following private label goods being available on the market for over a

²⁴⁵ *Stichting BDO* (n 165) [167].

²⁴⁶ *Zynga* (n 231) [181].

²⁴⁷ *Fhima and Denvir* (n 213) 337.

²⁴⁸ *ibid* 330.

²⁴⁹ See for example Barton Beebe, ‘An Empirical Study of the Multifactor Tests for Infringement’ (2006) 94 CLR 1581, 1620, indicating that intent and actual confusion have a tendency to stampede other factors in the assessment.

²⁵⁰ *Conopco Inc v May Dept Stores Co* 46 F3d 1556 (1994).

decade, consumers were used to differentiating the products by features other than the claimant's mark (e.g. the private label logo).²⁵¹ In dismissing infringement, the court held that:

Our point is that—in view of the prominent placement of the Venture logo on the front of the Venture product, the extensive exposure consumers have had to that logo, and the extended time period over which consumers have been able to distinguish the Venture and Conopco brands without any apparent confusion—the findings made by the court do not support a conclusion that consumers associate the Venture brand with Conopco, rather than with Venture.²⁵²

A comparison between this use-based rationale and the strand of UK decisions that we have identified might indicate that likelihood of confusion may lose some (though not all) of its probabilistic character over the course of time. The longer the mark has been registered, the more courts may shift attention to or be more demanding of market-related evidence, of which actual confusion is but an example. Following recent developments in the CJEU jurisprudence,²⁵³ a purely notional construction of infringement is best reserved for unused marks, that is, an approach which should last no longer than the five years as of the granting of registration. Even so, circumstances surrounding the use of the sign by the defendant and perceptions of the average consumer are likely to be factored in infringement,²⁵⁴ which again resonates with typical use-based system assessment:

A factor relevant to actual and likelihood of confusion is the manner in which the mark is used by the accused infringer ... If the use of the mark is truthful and unlikely to confuse consumers as to the source of the product, then the use is permissible. *Id.* In light of the prominent placement of the Venture logo on the face of the Venture product, and the context in which the marks appear, i.e., a 'Compare' statement,

²⁵¹ *ibid* 1568.

²⁵² *ibid* 1570-1571.

²⁵³ Ch II.

²⁵⁴ *O2 Holdings (CJEU)* (n 33).

defendants' use of the Conopco marks draws a clear distinction between their product and Conopco's.²⁵⁵

In a similar fashion, Mann J dispelled likelihood of confusion giving the *Specsavers* judgment at first instance as follows

At this point the context is all important. Taking the first strapline first, the context is a play on words with Asda's name prominently at the end of the strapline, and lower down on the poster. The relevant consumer would, in my view, read the sign in that way. The 'spec saver' is a person who wishes to save money on specs. The strapline conveys that that is better done at Asda. It does not suggest that the advertisement is an advertisement for Specsavers, and I do not consider that the consumer would think that it was. The reference to Asda, in the context, makes sure that it cannot. The word 'Specsavers' is a fabricated word make up from two existing words. The strapline breaks it up again. There is a looking back at the composite word (otherwise the play on words does not work), but it does not generate confusion. Mr Bloch's bald submission was that it could not be more obvious that confusion was likely. I am afraid I think it obvious that it is not.²⁵⁶

Thus another possible reading for the emerging contextualism in infringement, aside from the unfair competition gap bridging argument, is European law borrowing features from a use-based system. This underscores the movement of the CJEU mitigating substantive aspects of registration to redress an imbalance between proprietary logic and other policy concerns. A general principle for an infringement framework would therefore suggest that the zone of expansion (or scope of protection) of the registered mark under actionable confusion (harm to the origin function) is not static nor is it everlasting. Arguably, such a reading would be more consistent with the functional model that I propose. It would also call into serious question cases driven by unwarranted formalism without much

²⁵⁵ *Conopco v May Dept Stores* (n 250) 1571.

²⁵⁶ *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2010] EWHC 2035 (Ch) [145].

regard for trade mark policy of which *ASOS* is exemplary. At first instance, Rose J had held that:

In the present case, given my findings on the reduced scope of the mark, this is not a case where the absence of evidence of confusion could be explicable on the basis that Assos has not made extensive use of its mark. This is a case, therefore, where one would expect to see evidence of confusion, given that Assos and ASOS have been selling their clothes bearing their brand names for at least eight years. Further, when the claimant, as here, has taken steps to measure the likelihood of confusion for the purposes of the litigation by the witness gathering exercises I describe later, then the court is entitled to assess what is demonstrated by those exercises—the claimant cannot take the benefit of any results in its favour but then dismiss a negative result on the basis that no evidence of actual confusion is required by art.9(1)(b) CTMR.²⁵⁷

This finding, which the EWCA would reverse on appeal, was arguably consistent with the judgments in *Stichting BDO*²⁵⁸ and *Zynga*²⁵⁹ where, given the marks coexisting in the marketplace for a period, absence of actual confusion played a significant role. In *ASOS*, not only had the claimant failed to produce such evidence but a survey indicated that consumers would not believe that the mark ASOS for casual clothing shared the same source or was otherwise associated with ASSOS sportswear. Though incentives to expansion make an important part of European trade mark policy, it neither is the only nor the prevailing rationale. It needs to be reconciled with other equally, if not more relevant, core objectives such as economic efficiency and protection of goodwill. The backdrop to the *ASOS* litigation broaches the tension between formalistic application of fair notional use, often justified in incentives to expansion terms, and core trade mark law objectives. The claimant had been in business since the 1970s and never really intended

²⁵⁷ *Assos of Switzerland SA v Asos Plc* [2013] EWHC 2831 (Ch) [96].

²⁵⁸ *Stichting BDO* (n 165).

²⁵⁹ *Zynga* (n 231).

to expand to ancillary markets.²⁶⁰ Admittedly, litigation ensued only because trade mark agents informed the claimant that the defendant had applied for a EUTM,²⁶¹ the marketing of the defendant products never really emerged as an issue of concern over the prior 11 years of the marks coexisting.²⁶² During this period, the defendant had built a business that the EWCA would define as ‘staggeringly successful’, yielding a turnover substantially higher to the ASSOS cyclist wear business.²⁶³ Furthermore, as the court conceded, ‘the defendant has never sold ASSOS goods on its website and has never sold technical cycling gear’.²⁶⁴ By and large, there was no issue of economic efficiency or protection of goodwill: consumers would not be confused neither was there any foreseeable harm to the claimant’s activities or reputation that could be inferred from the use of the sign complained of. Were it not for the EWCA carving out a (recently narrowed) own name defence,²⁶⁵ the defendant would be deprived from using a mark that it had developed throughout the years which, in absolute terms, accrued significantly more value than the claimant’s. The assessment of honest practices under the own name defence dismisses any possible confusion, which should have translated into the origin function of the mark being unharmed.²⁶⁶ If anything, infringement would threaten the goodwill that the defendant had built meritoriously with no corresponding benefit to the claimant or an increase in consumer welfare.

²⁶⁰ See for example *ASOS (EWHC)* (n 257) [92].

²⁶¹ *ASOS (EWCA)* (n 162) [17]; *ASOS (EWHC)* (n 257) [24].

²⁶² *ASOS (EWCA)* (n 162) [21].

²⁶³ *ibid* [9]-[11].

²⁶⁴ *ibid* [12].

²⁶⁵ Following recent reforms, the own name defence is now limited to the name of natural persons in Art.14(1)(a) TMD 2015.

²⁶⁶ See for example *ASOS (EWCA)* (n 162) [124] (‘The parties have used very similar names on the same or similar goods for a number of years. But they have done so in such a way that there has been no real risk of the public confusing the one for the other.’)

I therefore argue that framing an entire infringement framework on the concept of notional fair use across the specification is misplaced. Instead of abiding by a bright-line drawn on an exceptional circumstance, scope of protection should be tempered by market realities, to be commensurate with the registration's life. Recent jurisprudence characterising likelihood of confusion as an enquiry of harm to the origin function provides the springboard for such a development. Hence protection of unused marks, a tenet of registration systems, may be reconciled with other core trade mark objectives by placing notional fair use at the end of a continuum. Within the first five years, the registrant shall enjoy a scope of protection across the full width of the specification, with notional analysis taking place as proportionate incentives to expansion. Over the course of time, market realities should carry more weight. Actual confusion and the history of the registered mark (e.g. how likely the claimant would expand its business) are but a few circumstances which could be considered. Once we accept that likelihood of confusion is chiefly concerned with economic efficiency, the incentives to expansion argument loses strength if the registrant has not made any such efforts in the course of decades. Otherwise, trade marks run the risk of becoming instruments of pure market pre-emption divorced from meaningful industrial policy.²⁶⁷

Hence another potential benefit of a functional model is to deliver an infringement assessment incorporating normative concerns more explicitly by turning an otherwise rule-like approach of notional fair use into a more pliable (and equitable) standard. Confusion analysis becomes more receptive to market conditions and consumer understandings surrounding the use of mark and sign. Because the assessment is imbued with a normative component, the notion of harm to the origin function enables courts to

²⁶⁷ See for example Mark A Lemley and Mark P McKenna, 'Owning Mark(et)s' (2010) 109 *MichLRev* 137.

operate a threshold of actionable confusion by reference to such market realities. Intervention from the court may be unwarranted in situations (or contexts) where enforcing the mark would run counter to core trade mark objectives such as economic efficiency, for example. The concept of notional fair use, as incentives to expansion, may thus be circumscribed by an existing or foreseeable interest in exploring the mark more extensively. Through this lens, a functional assessment would enable courts to discern, by context, marks deserving broader scope of protection because the registrant has effectively used and expanded its brand, while limiting possibilities for a mark which never intended to be more than a brand of specialist cyclist wear on a niche market. In the first scenario, which may find a parallel in UK decisions such as *Hearst Holdings*,²⁶⁸ the broader scope of protection may be justified under protection of goodwill and economic efficiency rationales.

German courts appear to operate scope of protection in a similar manner. Trade mark use may sometimes support the dissection of the registration, with infringement assessment being narrowed to the element believed to play an independent role before consumers – that is, the element which would perform an origin function in itself.²⁶⁹ In *Colloseum Holdings*, the claimant had registered a red tag in conjunction with the word LEVI'S. The complained products displayed a red tag with another word mark. In practice, the claimant had never used the mark in the registered form, placing a single red tag on its products instead. According to the BGH, because the registered mark comprised both the red tag and the word LEVI's, while the sign complained of was being used with

²⁶⁸ *Hearst Holdings* (n 144).

²⁶⁹ Ch IV(4).

other marks, the tag would have to be used as a trade mark independently.²⁷⁰ If the claimant could establish that consumers associate it with the mark, the proposed dissection would be warranted. In the end, the red tag was proven to perform an origin function, and likelihood of confusion assessment jettisoned the word elements from both the registered mark and the defendant's tag. The comparison no longer reflected the mark as registered, with the sign also being defined to a closer match to the *mark as used*.²⁷¹ This process of dissecting (or shrinking) the registered mark to conform with perceptions of consumers in the marketplace shares some similarities with *Specsavers* allowing reputation acquired upon use of the mark in a particular colour to bolster likelihood of confusion of a mark registered in black and white.²⁷²

Another example is *Hearst Holdings* in the UK.²⁷³ The limits of graphic representation of the registered mark were supplanted by the image that consumers had apprehended of the Betty Boop character, namely:

The reaction of these three classes [of average consumers] to Betty Boop as a designation of origin is not confined to particular poses of the character. It is the character Betty Boop herself who is recognised by the average consumers. It is the character who acts as a sign. The character is recognisable in different ways but she is the same character . . . The fact that one cannot register a character or a concept as a trade mark does not mean that the public do not in fact recognise a character as having origin significance.²⁷⁴

²⁷⁰ *Colloseum Handels- und Beteiligungs GmbH v Levi Strauss & Co* I ZR 39/06, darts-184-381-A-en (BGH) [47].

²⁷¹ *Levi Strauss & Co v Colloseum Holding AG* 3 U 130/04, darts-607-434-A-en (OLG Hamburg) 9. The claimant not using the mark as registered gave rise to the reference on genuine use in Case C-12/12 *Colloseum Holding AG v Levi Strauss & Co* [2013] ETMR 34 (CJEU).

²⁷² *Specsavers* (CJEU) (n 114).

²⁷³ *Hearst Holdings* (n 144).

²⁷⁴ *ibid* [101].

Here scope of likelihood of confusion expanding the mark to reflect the perception that consumers had of the brand. The judgment advances a more nuanced approach to the registered mark that moves from the formality (and informational function) of the register to brand territory. Depicting the character on products would infringe the Betty Boop word mark, and the image mark was not constrained by the specific pose of the character as registered. Yet, it is a determination reached upon recourse to market realities. Only consumer understandings would tell us that Betty Boop is a full-fledged character with origin significance. In the realm of the register, it is nothing but a name. According to Birss J:

Both the words BETTY BOOP and the registered device (or immaterial variants) have been used as trade marks consistently for years. They have been used together with each other. Moreover they have been used with many other depictions of Betty Boop, including the pose with the leg raised but also all the other numerous depictions either of the head alone or of the character in a myriad of styles and poses.²⁷⁵

The court's finding may be justified by trade marks performing an origin function within a consumer-centred as opposed to registrar-based model. Everyone reasonably knows that Betty Boop is the cartoon character, with both name and image denoting the same source. (In fact, the image has origin significance because consumers attach the Betty Boop name or concept to it.)²⁷⁶ This more comprehensive, brand-like construction of the registered mark is not as problematic if we accept the known limits of the register as source of information. In *Specsavers*, Kitchin LJ had already recognised that 'third parties must consider whether a mark has acquired enhanced distinctiveness through use in any

²⁷⁵ *ibid* [151].

²⁷⁶ Following perceptual schema theory, we could say there is a node for 'Betty Boop' triggered by consumers seeing either the name or the visual representation of the character in marketplace conditions. See for example Jacoby (n 200).

event.²⁷⁷ This market-based approach may also be justified in terms of bureaucracy if, say, the claimants would otherwise apply for series of device marks to reflect every conceivable use of the character made in merchandising over decades.

A. Reconciling causes of action with functions and core objectives

A more coherent infringement framework could be attained by embracing trade mark functions as a true theory of harm. It presupposes that functions be interpreted by reference to core trade mark objectives and policy concerns: the confusion-based notion of harm to origin function is tethered to economic efficiency, whereas other functions and dilution (which can be associated with some of those functions)²⁷⁸ adhere to a protection of goodwill rationale. To be sure, goodwill is also protected through confusion-based (i.e. origin function) infringement, but only insofar as there is actionable confusion, namely, to the extent that consumers may get confused under marketplace conditions.

Put this way, a purposive construction of infringement gauged by trade mark functions could be a means of limiting the scope of actionable confusion more coherently. Once the economic efficiency character of origin function is recognised, doctrines driven by misappropriation concerns should be shifted to dilution or other functions under double identity. Thus initial interest confusion is better framed in terms of blurring or unfair advantage. A momentary lapse of confusion dispelled before the purchase hardly poses an issue of economic efficiency. It may rather suggest that the registered mark's ability to distinguish goods has been weakened²⁷⁹ or, perhaps more convincingly, that the

²⁷⁷ *Specsavers (EWCA)* (n 28) [96].

²⁷⁸ Ch VI.

²⁷⁹ See also Rebecca Tushnet, 'Gone in Sixty Milliseconds: Trademark Law and Cognitive Science' (2007) 86 *TexLRev* 507, suggesting that a potential increase in search costs are far too negligible

junior user may be taking an unfair advantage in a bait-and-switch scenario. Likewise, instead of triggering actionable confusion, post-sale confusion phenomena should be factored in unfair advantage or tarnishment. Confusion taking place outside the purchasing environment, that is, by (potential) consumers other than effective purchasers of the product concerned, is more easily explained in protection of goodwill terms: the junior user is taking an advantage from other members of the public thinking that the products are associated with the registered mark (unfair advantage); or consumers believing that products of questionable quality share an origin with the registered mark may reflect poorly on its reputation (tarnishment).

This reframing of infringement would be preferable, in particular, because (1) dilution is subject to a threshold of use (the mark must have a reputation) and (2) there are other safeguards otherwise unavailable such as the due cause defence developed in CJEU jurisprudence.²⁸⁰ Given that the requisite reputation for dilution purposes is relatively low,²⁸¹ European trade mark law is placed in a unique situation: as dilution protection is more readily available, there is no reason for retaining an overly broad scope of actionable confusion. Limiting the scope of actionable confusion via functional assessment may be normatively desirable for likelihood of confusion, which is available regardless of any prior use of the registered mark, would not reach for more than necessary to further economic efficiency.

to make blurring any significant for purposes of economic efficiency. This kind of ‘harm’ would find a stronger justification in a protection of goodwill rationale, being, thus, at odds with the narrowed scope of actionable confusion that I propose.

²⁸⁰ Case C-65/12 *Leidseplein Beheer BV v Red Bull GmbH* [2014] ETMR 24 (CJEU).

²⁸¹ *General Motors* (n 134).

In the next sections, I briefly raise two interesting possibilities that may be addressed through the contextual functions-based model. The first is the issue of non-traditional marks. As infringement becomes more dependent upon market realities, enabling courts to discern different uses, I argue that there is little justification for the all-or-nothing rationale prevailing at registration. The second, related issue is that of remedies. An assessment incorporating various contexts of use and consumer perceptions offers different possibilities for infringement, and, perhaps, remedies should be more commensurate with the kind of harm inflicted upon the functions of the mark.

A.1 A functional, more coherent approach to shape marks

By constraining scope of likelihood of confusion through the downstream functional analysis that I propose, a more nuanced approach to non-traditional marks is possible. To illustrate my argument, I consider recent developments on registration of shape marks in the UK.

The case in point is *Nestlé v Cadbury*, which raised the threshold for acquired distinctiveness by drawing a somewhat artificial (or perhaps, normative) distinction between association and perception of shape marks.²⁸² Consumers would place more weight on the packaging of Kit Kat chocolate bars because it would limit direct contact

²⁸² Perceptual schema theory tells us that our brain stores information in chunks which are accessed by visual cues and other contextualised information. See for example Jacoby (n 200) 1037 ('When a sufficient number of features represented in the incoming information match the pattern of features of a pre-existing cognitive network, we tend to fill in the details and interpret the object as an exemplar of that network.'). See also Lee, DeRosia and Christensen (n 200). If by seeing the shape consumers trigger the corresponding nodes of information which, therefore, will drive their source identification judgment, then the distinction between association and perception/reliance may be artificial.

of consumers with the shape.²⁸³ In giving judgment, Kitchin LJ attempted to justify the introduction of a standard of perception as follows:

The significance of the distinction [between association and perception] lies in the considerable value of a registration of a three-dimensional shape as a trade mark. As the hearing officer explained in his decision at [108], it confers upon the proprietor an exclusive right to use that shape in relation to the product concerned. If a third party were to use that same shape for the same product, the proprietor would not need to show a likelihood of confusion about the origin of the product for, subject to certain defences, a likelihood of confusion would be presumed. But if consumers do not perceive the shape as denoting the origin of the product, no one would actually be confused and the protection afforded by the registration would not be justified.²⁸⁴

The rationale is essentially one of infringement: the registrant would be in the position to enjoin third-party use of the shape even though consumers would not get confused in real marketplace conditions. By imposing the standard of perception, Kitchin LJ seems to conflate issues of distinctiveness and confusion. The four-finger shape is not *perceived* as an indication of origin because other visual information like product packaging would obviate marketplace confusion. Put differently, context would enable consumers to distinguish the various products regardless of their identical or highly similar shapes.

In so doing, however, the judgment surmised a non-confusion scenario in the abstract, neglecting that other circumstances such as highly similar or even transparent packaging could yield another outcome. That is a false synecdoche. The assessment under this standard of perception seems to be embedded with a (abstract) confusion component which, by refusing registration entirely, would shut the door on other causes of action otherwise available. Likelihood of confusion and dilution are therefore subjected to the

²⁸³ *Nestlé v Cadbury (EWCA)* (n 40).

²⁸⁴ *ibid* [79].

same standard while, I would argue, they are supposed to further different policy objectives.

Broadly speaking, dilution causes of action are driven by the representation (or image) of the registered mark (e.g. the Kit Kat bar or a rounded praline shape) that is retained by consumers rather than considerations of economic efficiency informing confusion-based infringement. Instead of focusing on a notion of misrepresentation or trade diversion, dilution is more concerned with the brand dimension of a trade mark. Given the threshold of materiality that decisions such as *O2 Holdings* appear to impose on origin function harm,²⁸⁵ the wrapped Kit Kat situation is unlikely to amount to actionable confusion. Just as context surrounding the use of bubble imagery in comparative advertising would confirm that Hutchison's products did not originate from or were associated with O2, consumers often rely on product packaging, that is, the way goods are marketed, in making their purchase decision. Likelihood of confusion was dismissed in *Specsavers* under similar considerations.²⁸⁶ The chocolate shape which is revealed to consumers for a brief period before their consumption may not be decisive. However it does not follow that the defendant would not be taking an unfair advantage by using an identical or similarly-shaped mark or that such a practice would not entail a change in the economic behaviour of consumers.

But even the threat of certain confusion-based infringement decried in the judgment is debatable. By merely affixing their own brand or adding another visual element (e.g. a high relief pattern) to the shape, competitors would escape double identity, with no confusion to be presumed. Furthermore, Kitchin LJ may have overlooked all the

²⁸⁵ Ch II(1)(C).

²⁸⁶ *Specsavers (EWCA)* (n 28).

developments in the law of infringement since his judgment in *Specsavers*. Admittedly, there are good reasons to believe that the registered shape would be infringing under the former mark for mark comparison.²⁸⁷ As infringement assessment became far more contextual in the UK, however, decisions like *BMW v Technosport*²⁸⁸ tell us that the reproduction of a registered shape is unlikely to infringe (or harm the origin function) if accompanied by other distinctive elements such as product packaging and own brand. Thus the EWCA referring to consumers not being actually confused means, following a contextual assessment, that the origin function is not harmed.

Interestingly, German courts have grappled with shape marks as a matter of scope of protection. In holding that the packaging of praline chocolates should be factored in trade mark use, the *Praline Shapes II* decision suggests a concept of perception or reliance which may find a parallel in *Nestlé v Cadbury*.²⁸⁹ The implications, however, are different. Although it may play a decisive role in making consumers distinguish one product from another in the marketplace, product packaging may not be material to unfair advantage or blurring associated with a shape mark.

In *Praline Shapes II*, the way the praline chocolates had been marketed in their respective packaging was dispositive.²⁹⁰ The chocolates of the defendant were sold in transparent boxes; before consumption, consumers would have to open the box and come across the defendant's mark atop each individually packaged praline. As it would take some time until they would get direct visual contact with the praline shape itself, having

²⁸⁷ Ch III(1).

²⁸⁸ *BMW v Technosport* (n 8).

²⁸⁹ *Nestlé v Cadbury (EWCA)* (n 40). See also text to n 155 in Ch IV.

²⁹⁰ *Ferrero (OLG Köln)* (n 83).

first seen the defendant's mark for a comparatively longer period, consumers would not ascribe origin significance to the sign. There was no trade mark use. Interestingly, the claimant argued at the trial that should infringement be dismissed on such grounds, the defendant would soon begin selling unpacked pralines with the same shape. While the claimant's concern was left unaddressed, with the court suggesting *obiter* such would be an unlikely scenario for 'hygienic reasons', it is reasonable to assume that use of the same rounded-shape sign in other contexts could yield different outcomes. Previously, the defendant had attempted to invalidate the registration but failed upon the BGH finding that the rounded shape had acquired distinctiveness, product packaging not being critical to such a determination. By and large, the origin function was unharmed because consumers would place more weight on product packaging, though other functions and dilution being triggered remained a possibility.²⁹¹

Nestlé v Cadbury suggests that UK courts may have failed to account for a more integrated view of scope of protection. It may have overlooked the interplay between trade mark justifications, functions and causes of action for infringement. One could only speculate that having failed a functionality objection, which would have made a strong case if only the essential characteristics had been defined differently,²⁹² UK courts may have been less sympathetic towards seeing this shape registered.

²⁹¹ *Ferrero Deutschland v Anonymous I* ZB 88/07 (BGH (Germany)).

²⁹² Both the hearing officer and Arnold J defined a number of essential characteristics which, however, would not fit one of the grounds of functionality altogether. As the CJEU refused a mosaic approach to the different grounds, an arguably functional shape was saved. See *Société des Produits Nestlé SA v Cadbury UK Ltd* [2014] EWHC 16 (Ch); cf. Case C-215/14 *Société des Produits Nestlé SA v Cadbury UK Ltd* [2015] ETMR 50 (CJEU). Given the discretion afforded by the essential characteristics test, it would have been simpler to define the breakable fingers as the sole essential characteristic of the shape. The rectangular shape and the number of fingers, by themselves, make a less persuasive case for functionality.

However I argue that the functional model, equating likelihood of confusion with harm to origin function within a contextual assessment, allows the reliance issue to be transposed to confusion-based infringement, while leaving the door open for dilution. In this scenario, most shape marks have their scope of protection narrowed under likelihood of confusion but could still reach for dilution that seeks to address (brand-related) concerns other than economic efficiency. A possible benefit is strengthening the public notice function of the register: many non-traditional marks that are refused registration remain enforceable through passing off or unfair competition. It may be preferable to have the register providing some public notice than none.²⁹³ The law of dilution also provides safeguards which may accommodate competitive concerns attendant on shape marks.²⁹⁴

A.2 Scope of relief (or the extent to which intervention is warranted)

A related question is that of extent of injunctive relief. Once trade mark functions theory is understood as a true theory of harm, should relief be commensurate with the harm being inflicted?

At the unitary rights level, the answer appears to be in the affirmative. CJEU jurisprudence tells us that a EUTM may be rendered unenforceable where the use of an otherwise conflicting sign would not impinge harm upon the trade mark functions, notably in parts of the single market in which it is non-distinctive.

²⁹³ Ch V(2).

²⁹⁴ See for example *Leidseplein v Red Bull* (n 280), operating due cause as a defence; *Environmental Manufacturing* (n 130), requiring a change in the economic behaviour of consumers for blurring to be established. See also *Adam Opel (BGH)* (n 51) and *Argos Limited v Argos Systems Inc* [2018] EWCA Civ 2211, holding that not every economic advantage is unfair.

In the landmark case *DHL*, which dealt with the use of the mark ‘webshipping’ in connection with online mail management services, the CJEU held that injunctive relief should not extend to Member States where, owing to cultural or linguistic reasons, such a term would be perceived as descriptive.²⁹⁵ Though ‘webshipping’ had been registered as an EUTM, which is notionally afforded equal effect throughout the single market, a blanket prohibition covering the entire European Union would not be the only logical, necessary outcome. Should British consumers understand that the defendant using the words ‘web’ and ‘shipping’ together, in the context of the website, would refer to the provision of online services of the kind with no connection to the claimant, the UK territory could be insulated from an injunction.²⁹⁶ In his analysis of *DHL*, Graeme Dinwoodie explains this aspect:

The approach adopted by the court is an attempt to reconcile the political territoriality of the EUTM (which allows unitary rights to be adjudicated by courts having EU-wide jurisdiction and granting relief for the EU) with the intrinsic territoriality of trademarks in Europe (which frequently will cause third-party uses to operate differently in different markets, causing confusion in some but not others).²⁹⁷

The European Court’s judgment thus signalled that unitary character was not absolute as many had thought. A few years later, the issue resurfaced in a conflict involving online sales of a software named ‘Combit’. The claimant, which had registered ‘Combit’ in respect of goods and services in the computer industry, brought infringement proceedings in Germany seeking EU-wide relief. At first instance, the judge found infringement, though limited the injunction to Germany.²⁹⁸ On appeal, the OLG München considered

²⁹⁵ *DHL* (n 97).

²⁹⁶ A point which was argued but not adjudicated in the national proceedings which took place in France. See *SA Chronopost v SAS DHL Express France* M20140680 (Court D’Appel de Paris), granting a stay pending cancellation proceedings which ran in parallel.

²⁹⁷ Dinwoodie, ‘Territorial Overlaps’ (n 20) 1700-1701.

²⁹⁸ *Combit* (n 22), para 16.

that the defendant's use of 'Commit' would give rise to likelihood of confusion amongst German speakers. The situation, however, would be different in English-speaking Member States, where the relevant public would see no similarity between the marks. An order of reference was made to the CJEU, which answered that:

[W]here an EU trade mark court concludes, on the basis of information which must, as a rule, be submitted to it by the defendant, that there is no likelihood of confusion in a part of the European Union, legitimate trade arising from the use of the sign in question in that part of the European Union cannot be prohibited . . . [S]uch a prohibition would go beyond the exclusive right conferred by the EU trade mark, as that right merely permits the proprietor of that mark to protect his specific interests as such, that is to say, to ensure that the mark is able to fulfil its functions [citing to *DHL*, paras 46-47].²⁹⁹

Hence a portion of the single market where the origin function is thus unharmed should be insulated from a finding of infringement.³⁰⁰ It followed, the European Court added, that carving out an area in which no likelihood of confusion could be established 'does not undermine the unitary character of the EU trade mark'.³⁰¹ The trade mark owner is only allowed to enjoin uses which adversely affect the functions of the mark.

DHL and *Combit* both indicate that unitary character may yield to cultural and linguistic variation which indicates that consumers in a part of the single market would perceive the mark differently (or not as a mark at all). They incorporate the rationale of functions-based cases like *Adam Opel* to deliver a more nuanced, reality-based infringement assessment. More recently, the decision in *Ornua* extended this territorial facet of the functions theory to extant market conditions and other circumstances in

²⁹⁹ *ibid*, para 32.

³⁰⁰ *ibid*, para 36.

³⁰¹ *ibid*, para 35.

Member States which, if reflecting materially different consumer understandings, would limit scope of protection accordingly.³⁰²

This facet of the functions theory could again present a better solution for non-traditional marks, calling into question the overly-territorial approach to their registration.³⁰³ If the unitary character of EUTMs no longer conforms to a binary mindset, there is little reason why acquired distinctiveness should. By subsuming the (legitimate) normative concerns underpinning the EUTM jurisprudence examined earlier into infringement, trade mark functions provide a springboard for a substantial part standard of acquired distinctiveness. Because shifting analysis of consumer perceptions and national market conditions to scope of protection means that while evidence lacking for a minor or negligible part of the single market would not defeat a claim of distinctiveness, it is unlikely that at the infringement stage the mark would be found performing an origin function (let alone functions being harmed) in that territory. Likewise, *Unilever* indicates that dilution protection would be unavailable in areas where the mark is unknown,³⁰⁴ and competitive concerns associated with a registered shape or colour, as well as long-established market practices, would make a strong case for a due case defence.³⁰⁵

An argument can be made that should an EUTM be registered under a substantial part standard, it would be reasonable to require that the claimant produces the corresponding evidence, or even establishes some market overlap or comparability, to have a prohibition order encompassing the minor or negligible part of the territory for

³⁰² *Ornua* (n 22).

³⁰³ See for example Joined Cases C-84/17 P, C-85/17 P and C-95/17 P *Société des Produits Nestlé SA v EUIPO* ECLI:EU:C:2018:596; Case C-98/11 *Chocoladefabriken Lindt & Sprüngli AG v OHIM* ECLI:EU:C:2012:307.

³⁰⁴ *Unilever* (n 175), para 34.

³⁰⁵ See for example *Leidseplein v Red Bull* (n 280), para 60.

which distinctiveness had not been asserted or established. The *Nestlé* dispute dealing with the registration of Kit Kat as a shape mark may provide a hypothetical example.³⁰⁶ Consider that the mark had been registered based on the available evidence and, yet, EU-wide relief still depends upon the functions of the mark being harmed. At infringement, the claimant should be able to show that the four-fingered chocolate shape has origin significance in the part of the European Union for which no proof had been required for registration (i.e. Belgium, Ireland, Greece, Luxembourg, and Portugal); otherwise, it is unlikely that the origin function, let alone other functions,³⁰⁷ are adversely affected in the corresponding area. Trade mark rights thus remain reflective of or even constrained by market realities, yet the relevant normative concerns are more coherently addressed as a matter of scope of protection.

The functional model also offers additional possibilities for adjudication at the national level. If recent UK jurisprudence recognises that courts intervening in each situation is subject to a threshold, a threshold which translates into harm to the origin function, then the follow-on question becomes which kind of intervention is warranted, or the extent to which courts should intervene.³⁰⁸ Once the assessment is segmented to consider materially different uses of the sign, or to encompass more than one kind of relevant public, it is only legitimate that we re-think our approach to remedies. This paves the way for qualified injunctions suggesting possible parallels with US trade mark decisions such as *Bayer v United Drug*.³⁰⁹ In a litigation over the use of the term aspirin,

³⁰⁶ *Nestlé v EUIPO (CJEU)* (n 304). By adopting a strictly territorial approach, registration could not be established without evidence that the relevant shape had acquired distinctiveness in all Member States.

³⁰⁷ *Adam Opel (BGH)* (n 51) [25].

³⁰⁸ See also text to n 184 in Ch III.

³⁰⁹ *Bayer Co v United Drug Co* 272 F 505 (1921).

relief was limited to the relevant public to which the mark meant something, or, in EU law vernacular, to specific contexts (and to whom) it would have performed an origin function. According to Judge Learned Hand:

[T]he trade is divided into two classes, separated by vital differences. One, the manufacturing chemists, retail druggists, and physicians, has been educated to understand that ‘Aspirin’ means the plaintiff’s manufacture, and has recourse to another and an intelligible name for it, actually in use among them. The other, the consumers, the plaintiff has, consciously I must assume, allowed to acquaint themselves with the drug only by the name ‘Aspirin,’ and has not succeeded in advising that the word means the plaintiff at all. If the defendant is allowed to continue the use of the word of the first class, certainly without any condition, there is a chance that it may get customers away from the plaintiff by deception. On the other hand, if the plaintiff is allowed a monopoly of the word as against consumers, it will deprive the defendant, and the trade in general, of the right effectually to dispose of the drug by the only description which will be understood.³¹⁰

Infringement assessment therefore encompassed the various sections of the relevant public composed of (1) manufacturing chemists, retail druggists and physicians who all ascribed origin significance to the mark, and (2) consumers to which the sign aspirin meant no more than a medicament of the kind. But instead of an overarching finding inferred from the part of the public which had attached source significance to Aspirin – which would resonate with the approach that European trade mark offices would take at the registration level – Judge Learned Hand found infringement only with regards to the section of the public being affected.³¹¹

Thus injunctive relief would not reach the general public (i.e. retail consumers) to whom the mark did no more than referencing a kind of medicament (where there was

³¹⁰ *ibid* [11].

³¹¹ *ibid* [9]-[10].

no harm). And there can be good, normative reasons for allowing referential use of ‘aspirin’ by consumers who may be more concerned with therapeutic use.

While a *Bayer*-like situation has yet to happen in the UK,³¹² it does not seem a distant scenario. In *Hearst Holdings*, Birss J framed three classes of average consumers: (a) licensees or putative licensees; (b) organisations which buy product from the licensees and sell it to the public; (c) the purchasing public. Had he found Betty Boop not to perform an origin function in relation to the purchasing public, then perhaps intervention would be warranted in respect of classes (a) and (b) only, calling for more limited, qualified remedies. Though the judge found in the end that the mark came to perform such a function across all classes,³¹³ the foundation of the framework I propose has been laid out already. This more complex construction of the average consumer is equally present in a series of decisions such as *Enterprise Holdings*,³¹⁴ *Thomas Pink*,³¹⁵ and *Supreme Petfoods*.³¹⁶ More recently, in *Merck v Merck*, the first instance judgment was remanded for the judge failed to consider the different contexts in which the Merck sign had been used.³¹⁷ It followed that the defendant could not ascertain ‘which particular activities or uses constitute an infringement for which it is liable or what it may or may not do’.³¹⁸ Kitchin LJ refused to make a final determination pending

³¹² Notably, qualified injunctions of the kind have been developed under the law of passing off. See for example *Havana Cigar and Tobacco Factories Limited v Oddenino* [1923] 2 Ch 243. Interestingly, the court had identified the different sections of the public behaved differently – most would use Corona to ask for cigars of the brand, though for a considerable part of the public Corona would refer to any cigar of a specific size and shape.

³¹³ *Hearst Holdings* (n 144) [71]-[111].

³¹⁴ *Enterprise Holdings* (n 75) [139]-[143]; *Thomas Pink* (n 28) [118]; *Supreme Petfoods* (n 37) [54].

³¹⁵ *Thomas Pink* (n 28).

³¹⁶ *Supreme Petfoods* (n 37).

³¹⁷ *Merck v Merck* (n 172).

³¹⁸ *ibid* [278].

the trade mark infringement issue, ordering the High Court to consider specifically ‘the appropriate form of any relief to be granted by way of final order’.³¹⁹

B. Dealing with complexities

The possibilities for infringement broached in this research, however justified, increase complexity in the assessment. Logic may dictate that claims of greater complexity should be met by a comparable assessment; yet, it may trigger full-blown factual review in situations where it may not be called for.

While a purely notional construction of infringement now appears unsuitable, an excessive endeavour to reflect market realities in every scenario – placing the assessment entirely at the other end of the spectrum – may be ill-advised. It increases litigation costs and complexity. It outsources determination of confusion, as a judicial process of inference subject to normative corrections, to an empirical determination of actual confusion.

Though one could be inclined to conceive of a rigid rule to address all possible uses of context, in an abstract fashion, I believe that complexities of today require flexibility. Rule-based approaches give rise to other doctrinal devices designed to afford such flexibility in infringement, trade mark use doctrine being one such example. They also tend to take a life of their own which, applied formalistically, may lose sight of the normative underpinnings of European trade mark law: why are trade marks protected and what should we expect of them?

³¹⁹ *ibid* [317]-[320].

Instead, an increased awareness of the role of context in infringement, that is, the different ways through which market realities are being assimilated into the assessment, and the reasons for doing so, should provide a baseline. UK jurisprudence suggests that the average consumer operates as a gateway to market realities, performing a role similar to trade mark use doctrine in Germany. It further indicates that contextual matter coalesce into three main categories, namely, (1) use of the sign by the defendant, (2) extant consumer understandings and long-established market practices, and (3) matter extraneous to the registered mark.³²⁰ Incorporation of context within these categories, one way and another, is buttressed by the perceived views of the average consumer, the empirical component in her construction being key in this process.³²¹ Hence the difference from the abstract registration level assessment of relative grounds may largely rest on the average consumer of infringement being increasingly receptive to market realities which, by extension, injects some materiality into the notion of harm to the origin function.

More relevant are the reasons for this methodological shift, which feeds directly into the question of *how contextual* infringement assessment should be. Both the development of (contextual) trade mark use and the functions theory tell us that context was conceived as a methodological tool to deal with complex claims. Thus we should not expect (or have a need for) infringement of typical infringement claims dealing with counterfeits or conventional uses of a sign to have much resort to contextual matter. In such cases, an extensive factual review may be unwarranted: there are hardly any relevant

³²⁰ Ch III.

³²¹ Ch III(2).

normative considerations to be internalised via context. Merchandising, comparative advertising and non-traditional marks, however, are different.

Thus the functional framework that I propose would leave for courts to decide on these matters which, indeed, is hardly a departure from current practice. Trade mark use in Germany is reserved to a subset of cases; it is not an enquiry surfacing in everyday conflicts between word and image marks. German courts also have long acquired experience in adjusting the depth of factual review to the complexity of subject matter through unfair competition.³²² Likewise, UK courts are increasingly conscious about costs and case management provisions afford a great degree of control over the limits of adjudication. As with any typical standard, subsequent application of the trade mark functions theory should produce a body of case law that would render it more predictable over time.³²³ To give one example, studies on the fair use defence in US copyright law demonstrate that the uncertainty critique associated with standards in that field is ‘overblown’.³²⁴ From a broader perspective, Louis Kaplow reminds us that ‘if extremely harmful activities are to be permanently enjoined ... it is valuable to invest resources to make accurate determinations in adjudication even if the enhanced accuracy does not affect ex ante behaviour.’³²⁵ There is little to believe that with a standard-based functions assessment it would be any different.³²⁶

³²² Ch IV.

³²³ See for example Louis Kaplow, ‘Rules versus Standards: An Economic Analysis’ (1992) 42 *DukeLJ* 557, 577; Richard A Posner, *Economic Analysis of Law* (7th edn, Aspen Publishers 2007) 583.

³²⁴ Matthew Sag, ‘Predicting Fair Use’ (2012) 73 *OhioStLJ* 47, 49. See also Barton Beebe, ‘An Empirical Study of US Copyright Fair Use Opinions 1978-2005’ (2008) 156 *University of Pennsylvania Law Review* 549.

³²⁵ Louis Kaplow, ‘The Value of Accuracy in Adjudication: An Economic Analysis’ (1994) 23 *JLS* 307, 606.

³²⁶ See also Ch VI(4), approaching the issue under other trade mark functions.

Perhaps more importantly, decisions such as *Bounty* indicate that methodological choices must be justified. Now that the assessment is less constrained by the formal boundaries of the register, courts should more openly engage with the different possibilities available. Put simply, decision-making should be more transparent. What makes *Bounty* different from *Praline Shapes II*, for example? Were product packaging elements foreclosed in *Bounty*, or, rather, the BGH considered them implicitly?³²⁷ What would distinguish the more context-specific determination in *Mobilcom* from the overarching finding in *Langenscheidt Yellow*?³²⁸ In a standard-based system which relies on the development of a body of case law to acquire content and predictability, higher levels of engagement with methodological choices become crucial. The EWCA's decision in *Merck v Merck* points in this direction.³²⁹ Similarly, Arnold J held in *Frank Industries v Nike* that the assessment should be segregated into 'a representative selection of uses'.³³⁰

Consideration of context need not be exhaustive. Rather, the rationale driving assimilation of context tells us that representative should be read as materially significant to an assessment of trade mark functions.

C. Putting confusion in context

We have seen in the course of this research many reasons for embracing a contextual model reaching elements extraneous to the mark as registered. To be sure, the abstract model working as a formal reassurance of property rights had its place at the time the

³²⁷ Text to n 46.

³²⁸ Text to n 86.

³²⁹ *Merck v Merck* (n 172).

³³⁰ *Frank Industries v Nike* (n 8) [6].

registration system was conceived. There was a fairly limited number of marks populating the register and market reality was much simpler. Products used to be acquired in brick-and-mortar stores, and we had far less knowledge of human behaviour and, in particular, how consumer preferences are shaped. Perhaps 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. The German trade mark use experience would suggest that context became a necessity only after trade mark law its boundaries to different kinds of uses (e.g. merchandising) and non-traditional marks.

But this reality no longer subsists and trade mark law needs to evolve. A functional model for infringement can best account for the development of consumer understandings and market practices that are ever changing. As Kahneman once stated, ‘the alternative to simple and precise models is not chaos’.³³¹ Allowing for context in infringement can be a means to achieve much-needed balance in the trade mark system and ameliorate the cluttering problem, especially in instances where partial revocation may leave a broad specification of products reaching beyond actual or intended use of the mark.³³² And following the advent of the Internet and technological developments in the past couple of decades, access to information extraneous to the register has become considerably easier. The next step that courts should be taking is to engage in a more transparent process of reasoning.

³³¹ Kahneman (n 194) 1449.

³³² See for example *ASOS (EWCA)* (n 162); *Thomas Pink* (n 28).

The functions theory is no more conducive to legal uncertainty and indeterminacy than an overly abstract infringement assessment framed on assumptions of consumer behaviour joined by a standalone trade mark use doctrine reaching for market realities. Yet, a functional model premised on a contextual assessment with a more realistic benchmark embraces a more intellectually honest, less prone to error methodology, with a key difference. In the model I propose, content of the law of infringement is determined *ex post*, with more accuracy than *a priori*, rule-like generalisations that tend to surface in abstract analysis. Market-related evidence provides more information to support decision-making, offering more possibilities for addressing increasingly complex claims.³³³

There is much to gain from a functional model placing infringement analysis within a contextual likelihood of confusion assessment. I have shown in this chapter that the process of delineating the boundaries of context taken to infringement is a methodological choice with policy ramifications; a choice having real 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 a broader 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 surrenders to legal formalism.

A functional model accommodating consumer perceptions, market practices and circumstances surrounding the sign complained of is less prone to error. It can offset

³³³ Ch IV(2)(b)

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 community-wide effects of EUTMs.

VI. PUTTING FUNCTIONS TOGETHER

In the previous chapters, we have investigated the contextual development of the functions theory as conceptually distinct from and complementary to the more abstract, liability-insulating trade mark use doctrine. Although applied differently in the UK and Germany, functional analysis has been used as a means to offset an otherwise abstract infringement assessment by reaching for market realities outside the register. This process of context assimilation is accompanied by a threshold of materiality: more than confusing similarity of marks confronted on paper, harm to the origin function requires that consumers believe that the products originate from or are associated with the registrant.

In this concluding part of the thesis, I address some potential implications of a functional model to other trade mark functions. Admittedly, an attempt to define the content of such functions – what they consist of, how many there should be – would require a project of its own, beyond the confines of this research. And while some engagement with their content may be inevitable,¹ my analysis focuses on the equally important methodological question of how a determination of harm ought to be reached. Commentators have grappled with substantive aspects of these functions, which may well converge on a set of unfair competition-like standards,² yet the impact of methodological

¹ For the purposes of methodological analysis, I shall take the investment and advertising functions, as currently defined in the jurisprudence, at their face value. That is not to say, of course, that the application of such functions could not be questioned in the light of their stated purpose. For an overview of other functions, see Lionel Bently and others, *Intellectual Property Law* (5 edn, Oxford University Press 2018) 1122-1125; David Keeling and others, *Kerly's Law of Trade Marks and Trade Names* (16 edn, Sweet & Maxwell 2017), paras 2-018 to 2-023.

² See for example Tim W Dornis, *Trademark and Unfair Competition Conflicts: Historical-Comparative, Doctrinal and Economic Perspectives* (Cambridge University Press 2017) 328-339; Annette Kur, 'Trademarks Function, Don't They? CJEU Jurisprudence and Unfair Competition Principles' (2014) 45 IIC 434.

choices on decision-making and how they reflect on trade mark policy remains largely unexplored in the literature.

Drawing on the trends within confusion-based case law developed under the origin function, I have argued that the functions theory can be best understood to provide a more nuanced assessment methodology, to counteract an expansion of the scope of trade mark protection. The CJEU's recognition of the independent significance of the other functions (yet another expansion) should therefore be no different. Indeed, more careful consideration of earlier decisions on exhaustion of rights indicates that brand image was already being protected through a process of reasoning sharing some similarities with functional analysis examined in the first part of this thesis.³ In freedom of goods cases, a contextual assessment would be employed to limit scope of protection by reference to what the CJEU called the specific subject matter of the trade mark right.⁴ The content of this subject matter, that is, the kinds of actionable harm subsumed into the trade mark right, went further than restraining acts of confusion to enjoin certain uses which could damage the reputation of the mark or that of its owner.⁵ Following my proposition that the origin function now should be limited to addressing matters of economic efficiency,⁶ the cause of action emerging in those cases (where confusion was not at issue) heralds a concept of brand image which would later coincide on the

³ Ch II.

⁴ Text to n 170 in Ch II.

⁵ See for example Joined Cases C-427, 429 & 436/93 *Bristol-Meyers Squibb v Paranova* [1997] 1 CMLR 1151, paras 75-76; incorporated more explicitly in trade mark law in Case C-337/95 *Parfums Christian Dior SA v Evora BV* EU:C:1997:517.

⁶ Ch V(4)(A).

advertising and investment functions that the CJEU defined in *Google France* and *Interflora*.⁷

The exhaustion jurisprudence examined in this chapter indicates that the assessment of so-called damage to reputation, perhaps better understood as harm to brand image these days,⁸ placed some considerable weight on market-related evidence. Tribunals were concerned that the unauthorised use at issue would have negatively affected perceptions of the registered mark.⁹ This approach may offer valuable insights on dealing with more complex disputes attendant on expansion of subject matter and, in particular, how trade mark policy can be reconciled with other interests potentially affected. It further suggests that more than a haphazard expansion to other functions, which were to some extent protected in an inchoate form,¹⁰ the real shortcoming in *L'Oréal v Bellure*¹¹ resides in the CJEU failing to set out a clear infringement methodology, that is, to provide guidance on how (or when) would such functions be harmed. A more coherent reading for a functional model may thus limit the doctrinal significance of this judgment to recognising other functions as independently actionable. It does not provide nor should serve as effective guidance on infringement methodology; on how to assess when those functions have been harmed. Rather, I believe that the prevailing thinking which conflated the concepts of EU-wide trade mark use and functions provided the

⁷ Joined Cases C-236/08 to 238/08 *Google France SARL v Louis Vuitton Malletier SA* [2010] ECR I-2417, [2011] BusLR 1; Case C-323/09 *Interflora Inc v Marks & Spencer Plc* [2012] ETMR 1 (CJEU).

⁸ See text to n 54. The broader language used in these cases encompasses a notion of brand image which does not correspond to nor is constrained by the reputation requirement for dilution.

⁹ Ch VI(2).

¹⁰ See for example Kur (n 2); Ilanah Simon Fhima, 'The Court of Justice's Protection of the Advertising Function of Trade Marks: An (Almost) Sceptical Analysis' (2011) 6 JIPLP 325; Andrew Griffiths, 'The Trade Mark Monopoly: An Analysis of the Core Zone of Absolute Protection under Art.5(1)(a)' [2007] IPQ 312.

¹¹ Case C-487/07 *L'Oréal SA v Bellure NV* EU:C:2009:378, [2009] ETMR 55.

backdrop for an inadequate reading of the European Court's judgment.¹² Assuming that only purely descriptive use in a *Holterhoff*-like, trade mark use situation would be saved from infringement, the EWCA bypassed functional analysis. Infringement followed from the practice amounting to trade mark use, though the court never really engaged in an enquiry into harm to functions.¹³ This conceptual conflation could be a factor behind the expansionist critique of the functions theory which, indeed, traces back to the imprecise language adopted in early origin function decisions. In *Arsenal*,¹⁴ following the CJEU's equivocal reference to an EU-wide concept of trade mark use, which had no clear correspondence in UK law, the national court had not considered the question of whether the use of the football team's signs in merchandising would harm the origin function of the registered mark.¹⁵

Despite subsequent attempts by the CJEU to articulate a notion of actionable harm in relation to other functions,¹⁶ *L'Oréal v Bellure* still sends a mixed signal. Rather, its influence may be identified in recent decisions drawing attention to a more notional construction of infringement which had been rejected in earlier case law protecting brand-related aspects of a trade mark.¹⁷ I contend that the more formalistic, proprietary approach to other functions surfacing in these cases is misplaced. We have seen that the functions theory was initially developed in the CJEU jurisprudence as a relief valve to an otherwise absolute protection under double identity, as a means to accommodate normative

¹² Ch II(1)(B).

¹³ Ch II(2).

¹⁴ *Arsenal Football Club Plc v Reed* [2003] EWCA Civ 96.

¹⁵ Ch II(2).

¹⁶ Text to n 84.

¹⁷ See for example *Cosmetic Warriors Ltd v Amazon.Co.Uk Ltd* [2014] EWHC 181 (Ch); *Volkswagen Trade Mark* [2012] ETMR 18 (BGH).

concerns by reference to market realities.¹⁸ An enquiry into whether the reproduction of a car manufacturer mark in toy replica models would harm the origin function was not only reflective of consumer understandings in the marketplace, but also broached the normative question as to what extent registration should override such understandings and the potential effects that it could have on longstanding market practices. Likewise, the use of a car manufacturer mark to designate independent repair services may fulfil a referential purpose so that more significant levels of confusion may be required for intervention to be warranted. The contextual character of the assessment thereby enables what I called an empirically-informed, normative determination.¹⁹

Thus while other trade mark functions may find theoretical support in the literature and, indeed, bring us closer to the concept of brand that scholarship in other fields has long recognised,²⁰ their application should not frustrate this part-normative character of origin function assessment.²¹ To put it another way, rendering other functions conceptually distinct and independently actionable must not reinstate a *de facto* absolute protection standard. An enquiry into other functions must account for the normative

¹⁸ Ch II(1).

¹⁹ Ch V(3).

²⁰ See for example Apostolos Chronopoulos, 'Legal and Economic Arguments for the Protection of Advertising Value through Trade Mark Law' (2014) 4 QMJIL 256; more broadly, Deven R Desai, 'From Trademarks to Brands' (2012) 64 FlaLRev 981.

²¹ Other jurisdictions have expressed similar concerns under dilution doctrine. See for example *Verimark (Pty) Ltd v BMW AG* [2007] SCA 53 (RSA) [13] ('[Dilution] also protects the reputation, advertising value or selling power of a well-known mark. But that does not mean that the fact that the mark has been used in a non-trade mark sense is irrelevant.'). In the US, s.2 TDRA introduced fair use defences to dilution based on uses not affecting source identification judgment such as nominative fair use, comparative advertising and parodies. See also *Adam Opel GmbH v Autec* [2010] ETMR 50 (BGH) [30], dismissing unfair advantage on the basis that 'the expectations which the relevant consumers hold with regard to such toys and the resulting decades-long practice of faithful reproductions, the defendant has a justified interest in the use of the mark'.

concerns underpinning origin function harm and, by extension, be equally attentive to the market realities fleshed out by a contextual assessment.

Taking into account the methodological developments within confusion-based infringement, part of the answer may reside in a hybrid construction of the average consumer. This means that to fully reorient trade mark law towards protecting other functions (or possibly, different dimensions of a brand) that are only tangential to source-identification judgement, we should be ready to accept that consumers do not always buy into the meanings that trade mark owners assert their brands to have.²² Rather, brand image, in its manifold dimensions, is the manifestation of a dyadic process in which consumers play an active role. Just as consumers were proven not to attribute origin significance to the Blitz sign for toys, we should be asking ourselves the extent to which consumers (and what consumers)²³ really assimilate the brand-like message that other trade mark functions purport to protect.

But first, I briefly consider whether notional fair use should have any bearing on other trade mark functions, as it may directly affect a determination of harm.²⁴ This presupposes another question, namely, the extent to which unused marks are (or should be) entitled to relief under such mark functions. If the answer is negative, abstract assumptions of behaviour and, principally, harm lose (even more of) its justification.

²² Dev Gangjee, 'Property in Brands: The Commodification of Conversation' in Helena Howe and Jonathan Griffiths (eds), *Concepts of Property in Intellectual Property Law* (Cambridge University Press 2013) 29, 52.

²³ Ch III(1)(B); Ch V(2), addressing the more plural figure of the average consumer.

²⁴ Ch V(4), approaching the issue under the origin function.

1. Rejecting notional fair use: unused marks, unusable functions

It is a tenet of a registration-based system that trade marks should be afforded, within the first 5 years of their registration, a notional fair use scope of protection across the full width of the specification.²⁵ This notional fair use protection would normally be enforced by courts drawing on presumptions of consumer behaviour which are largely, if not entirely, fictional,²⁶ focusing on the representation of the mark and the products specified in the registration to arrive at a more abstract determination.

A notional fair use approach gives rise to concerns within confusion-based infringement that I have addressed in the previous chapter.²⁷ It is also difficult to reconcile with other trade mark functions. A typical proprietary mindset might suggest that other functions should be enforceable irrespective of any actual use of the registered mark. However, there is little justification for extending to such functions the rationale underpinning confusion-based (or rather, origin function) protection of unused marks. For one, business expansion is bound to happen regardless – origin function being more than enough to that end²⁸ – and, furthermore, dilution already provides incentives towards the creation of and further investment in brands by imposing a requirement of reputation that most registrants would strive to achieve and retain.

²⁵ See for example *Compass Publishing BV v Compass Logistics Ltd* [2004] EWHC 520 (Ch); *Origins Natural Resources Inc v Origin Clothing Limited* [1995] FSR 280 (EWHC).

²⁶ Robert Burrell and Kimberlee Weatherall, ‘Towards a New Relationship Between Trade Mark Law and Psychology’ CLP <<https://doi.org/10.1093/clp/cuy001>> accessed 24 December 2018, 21 (‘Rules on comparison of marks ... rest on a series of untested assumptions. They are, in essence, the product of early twentieth century judicial guesswork.’).

²⁷ Ch V(4).

²⁸ See, in a broader context, Ansgar Ohly, ‘The Freedom of Imitation and Its Limits: A European Perspective’ (2010) 41 IIC 506, 516.

There is also a broader, historical argument supporting the differential doctrinal treatment to other functions that I defend. Lionel Bently traces the origin of registration back to an earlier movement of internationalisation, which would explain its roots as an industrial policy tool facilitating the management of business relationships.²⁹ In the UK, Bently argues, the registration system had been conceived with the purpose to offer reciprocity of rights so that British businesses could more easily expand overseas. Paul Duguid, from a continental Europe perspective, reinforces this argument.³⁰ Against this backdrop, the categorisation of trade mark rights as property may have been motivated by more pragmatic concerns³¹ and, even so, it was accompanied by stringent limits on protectable subject matter.³² The emerging proprietary rhetoric was modest by today's standards and rested on a limited ambit of exclusionary rights. The right to exclude was confined to situations of deception, to the extent that an attempt at preventing all use of the word Singer by a vendor of third-party sewing machines would fail at the House of Lords.³³ It was only after trade mark law began to assimilate brand rhetoric, with the expansion of subject matter that ensued, that proprietary discourse would assume more absolute contours.³⁴ This historical account, alongside the tempered characterisation of

²⁹ Lionel Bently, 'The Making of Modern Trade Mark Law: The Construction of the Legal Concept of Trade Mark (1860–1880)' in Lionel Bently, Jennifer Davis and Jane C Ginsburg (eds), *Trade Marks and Brands: An Interdisciplinary Critique* (Cambridge University Press 2008) 7-10. Hence the purposes of trade mark law and registration may not always coincide. See also Rebecca Tushnet, 'Registering Disagreement: Registration in Modern American Trademark Law' (2017) 130 HLR 867, 875-878.

³⁰ Paul Duguid, 'French Connections: The International Propagation of Trademarks in the Nineteenth Century' (2009) 10 *EnterpSoc* 3, 25-27.

³¹ See for example Robert G Bone, 'Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law' (2006) 86 *BULRev* 547 560-567, arguing that the property characterisation had more to do with courts of equity finding jurisdictional justification for injunctive relief.

³² Bently (n 29) 34.

³³ *The Singer Manufacturing Company v Hermann Loog* (1882) 8 AppCas 15 (HL). See also Lionel Bently, 'From Communication to Thing: Historical Aspects of the Conceptualisation of Trade Marks as Property' in Graeme B Dinwoodie and Mark D Janis (eds), *Trademark Law and Theory: A Handbook of Contemporary Research* (Edward Elgar 2008) 31-32.

³⁴ Bently, 'From Communication to Thing' (n 33) 34-35; Gangjee (n 22).

property prevailing at the time, suggests that the rationale underpinning the registration system is not as easily reconcilable with protection of other functions. By mirroring the kinds of harm protected under dilution, such functions instead share justifications found in unfair competition law.³⁵ As in dilution, the availability of equivalent unfair competition claims is dependent upon consumers ascribing some significance to the sign.³⁶ The specific purposes of registration as a tool of industrial policy do not provide a firm foundation for fair notional scope of protection, that is, the protection of unused marks, to be extended to other functions.³⁷

The CJEU may be moving in the same direction. At a doctrinal level, perhaps challenging more conventional views of a full-fledged registration system granting notional scope of protection across the board, language in the *Interflora* judgment indicates that protection of other functions would be dependent upon the mark being used in a specific manner:

Admittedly, a trade mark is always supposed to fulfil its function of indicating origin, whereas it performs its other functions *only in so far as its proprietor uses it to that end*, in particular for the purposes of advertising or investment. However, that difference between the essential function of the trade mark and its other functions can in no way justify — *when a trade mark fulfils one or more of those other functions* — excluding from the scope of article 5(1)(a) [TMD] and article 9(1)(a) [CTMR] acts adversely affecting those functions. Likewise, there are no

³⁵ See for example 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).

³⁶ In Germany, there is an overarching requirement that a product must have competitive individuality. See for example *Ribbed Case* (2009) 40 IIC 742 (BGH) [29] (‘A product has competitive individuality if its specific design or certain features are capable of indicating its commercial origin or special characteristics to the interested public.’); *Tupperware Party* (2004) 35 IIC 459 (BGH) [2]. More generally, see Frauke Henning-Bodewig, *International Handbook on Unfair Competition* (Hart 2013) 251.

³⁷ See also Kur (n 2) fn 56.

grounds for holding that only trade marks with a reputation are capable of having functions other than that of indicating origin.³⁸

Here other functions appear to unfold into some sort of enhanced protection which is triggered only when the mark has been used for purposes other than or in addition to indicating origin. Not every mark – unused marks, in particular – is to be afforded increased levels of protection. One could say that leaving scope of protection to be shaped by extrinsic market realities in this fashion is hardly unprecedented following *Specsavers*,³⁹ where the European Court had already opened the door for circumstances characterising the use of the registered mark to be factored in infringement. Rather, *Interflora* requiring that functions must be performed so they can be enforced is yet another judgment calling into question the restrictive reading that national courts have given to *Specsavers* as a case limited to a colours issue.⁴⁰ According to Annette Kur:

More importantly, the fact that even “ordinary” marks may claim protection against use that negatively affects their reputation or distinctive character does not mean that such protection is granted in a quasi-automatic manner ... it is clear that the mark’s individual degree of renown or goodwill (or their complete absence) will typically be of crucial relevance in the assessment: how could an “ordinary” (or even unused!) mark claim in a plausible manner that someone using the mark, for instance in comparative advertising, tries to benefit from its aura?⁴¹

Limiting the breadth of other functions by reference to market realities is doctrinally consistent with a functional model. In *Adam Opel*, harm to the origin function was dismissed because the use of the Blitz mark, in that particular context, would not perform an origin function *for toys* which had been claimed in the registration.⁴² Similarly,

³⁸ *Interflora (CJEU)* (n 7), para 40 (emphasis added).

³⁹ Case C-252/12 *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2013] ETMR 46 (CJEU).

⁴⁰ Text to n 192 in Ch III.

⁴¹ Kur (n 2) fn 56.

⁴² Ch II(1)(A).

German courts have considered the mark as used (and perceived) as a factor of trade mark use assessment. The nature of such an enquiry, now relabelled as one of origin function, may preclude non-traditional marks from being enforced if they have not been used.⁴³ Even if some of these marks may have been registered under inherent distinctiveness, for example, courts would still look into consumer perceptions to gauge its scope of protection.⁴⁴ Honest concurrent use cases in the UK follow a similar rationale by limiting scope of protection of a registered mark which has long coexisted with a competing mark.⁴⁵ These are but a few examples showing that (current) proprietary logic may yield to market realities when reasons are strong enough for trade mark law to contemplate the normative implications associated with infringement.

At the end of the same *Interflora* statement, the CJEU further implies that the kind of use feeding into other functions within double identity would sit beneath the requirement of reputation for dilution. An attempt at a more coherent reading could therefore conceive of such enhanced protection under other trade mark functions as enabling the registrant to build a reputation by allowing him to restrain certain acts which, if practised in the early development of a brand, could preclude it from ever achieving such status.⁴⁶ In examining the investment function, Robert Burrell and Michael Handler claim that ‘there are unquestionably situations where a third party’s use might

⁴³ Ch IV(4).

⁴⁴ See for example *Praline Shapes II* [2011] ETMR 29 (BGH) [40] (‘The judges of the infringement proceedings are only bound by the registration of the trade mark to the extent that they might not deny any protection of the trade mark. Thus, the judge of the infringement proceedings must independently determine the degree of distinctiveness in the proceedings.’)

⁴⁵ See for example *IPC Media Ltd v Media 10 Ltd* [2014] EWCA Civ 1439; *Supreme Petfoods Limited v Henry Bell & Co (Grantham) Limited* [2015] EWHC 256 (Ch).

⁴⁶ *Interflora* (CJEU) (n 7), para 62.

compromise brand investment even in the absence of the brand having a reputation.⁴⁷ Annette Kur similarly argues that ‘it can hardly be denied that even “ordinary” marks should be entitled to legal protection if the goodwill they have acquired on the market is seriously compromised’.⁴⁸ This construction is consistent with harm to the investment function existing when the use of the sign ‘substantially interferes with the proprietor’s use of its trade mark to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty.’⁴⁹ It may also provide an explanation for the content of other trade mark functions, however diffidently defined by the CJEU, overlapping with dilution harm.⁵⁰ Again, the reading that I propose is framed in prevention of harm terms, revealing a cause of action more akin to unfair competition, as opposed to the business expansion rationale underpinning the protection of unused marks.

2. A (contextual) theory of harm

Acknowledging that other trade mark functions have a (limited) role to fulfil in ensuring that a brand may acquire a reputation, or that efforts into building a brand are to some extent and in particular circumstances preserved, could contribute to a more coherent infringement framework.

Indeed, earlier exhaustion cases may provide a few examples of non-origin harm which, in particular circumstances, could attract trade mark protection under other

⁴⁷ Robert Burrell and Michael Handler, ‘Reputation in European Trade Mark Law: A Re-Examination’ (2016) 17 ERAForum 85, 89.

⁴⁸ Kur (n 2) fn 56.

⁴⁹ Interflora (CJEU) (n 7), para 62.

⁵⁰ See for example Chronopoulos (n 20) 260 (‘The prohibition against identical uses serves as a kind of dilution protection below the threshold of reputation.’).

functions.⁵¹ The CJEU has long recognised, for example, that a registrant may oppose the repackaging of parallel imports carried out in a manner which may detrimentally affect the perception that consumers have of the brand.⁵² Being genuine products which had been legitimately placed on the single market,⁵³ the origin function is not triggered and, yet, a serious risk of harm to brand image would still give a cause of action to the registrant. Given that such claims are not primarily concerned with economic efficiency, a more coherent reading would displace them to the realm of other functions. Interestingly, the assessment of legitimate reasons for exhaustion to be lifted made no express reference to reputation of the registered mark within Art.5(2) TMD being a requirement,⁵⁴ whereas the nature of harm alluded to in most of those cases coincide on the investment function that the European Court would later develop in the jurisprudence.⁵⁵

However if there is a lesson to be drawn from the development of the origin function, it is that theoretical possibility ought not to be equated with certainty; other

⁵¹ A more coherent reading of trade mark functions working in tandem presupposes, however, that the origin function be limited to matters of economic efficiency.

⁵² *BMS* (n 5), para 75; Case C-348/04 *Boehringer Ingelheim KG v Swingward Ltd* [2007] 2 CMLR 52.

⁵³ Otherwise it would amount to double identity infringement. See *Kur* (n 2) 440. Cf. Martin Senftleben, 'Function Theory and International Exhaustion: Why It Is Wise to Confine the Double Identity Rule in EU Trade Mark Law to Cases Affecting the Origin Function' (2014) 36 EIPR 518. See also text to n 134.

⁵⁴ The English version of the CJEU judgment employs loose language of *harm to reputation* which does not correspond to the threshold of reputation for dilution purposes. Indeed, the French version refers to *réputation* instead of *renommé* found in Art.5(2) TMD in force at the time; a distinction which is also present in the Spanish and Portuguese versions. An interpretation in the light of the decisions which followed suggests that the concept referred in exhaustion cases should read as harm to *brand image* instead.

⁵⁵ *Interflora (CJEU)* (n 7), para 62. While such cases were developed as an extension of the origin function, non-rarely overlapping with the quality function, they may now find a more coherent explanation in other functions being independently actionable. Following my proposition that the origin function should be more concerned with matters of economic efficiency, the quality function is perhaps best limited to instances of physical adulteration or poor conditioning of genuine products referred to in earlier jurisprudence.

functions may potentially be infringed, yet not every kind of harm or effect should warrant intervention. While an abstract assessment may yield acceptable results in adjudication of traditional marks and more conventional uses of a sign, claims of greater complexity require some resort market realities. Exhaustion cases dealing with non-confusing uses of a registered trade mark followed a similar route by incorporating external matter into the assessment, so that courts could explicitly engage with other normative concerns such as undistorted competition and consumer welfare.

The *Boehringer* litigation in the UK, which dealt with repackaging of parallel imported medicaments, offers an insight into the methodology applied to this brand-related harm assessment.⁵⁶ For the purposes of regulatory compliance, importers had to provide English information relating to pharmaceutical drugs sourced from other Members States which had their packaging in foreign language. This required the original packaging to be altered which, in turn, entailed the reproduction of the registered mark on stickers, instruction pamphlets and, on occasion, the devising of entirely new packaging. Here the claimants were opposing the resale of parallel imports which had been carried out mainly in two forms. The first, known as reboxing, consisted of replacing the entire original packet with another in English. The other, called overstickering, presented a simpler solution where the importer would place a sticker with the requisite information on the foreign packet. According to the claimants, both practices were not caught by exhaustion and, therefore, would infringe under double identity. At the time, CJEU jurisprudence had established that repackaging and reproduction of the mark in parallel imports would be permissible under what became known as the *BMS*

⁵⁶ *Boehringer Ingelheim KG v Swingward Ltd* [2004] EWCA Civ 129.

conditions.⁵⁷ Double identity infringement would be excused dependent upon specific conditions aimed at safeguarding the interests of the registrant. Although treated as an issue ancillary to exhaustion, the operation of such conditions adhered to a freedom of goods rationale with a limiting effect on scope of protection of the registered mark (otherwise the acts of reproduction would be caught within absolute protection of double identity). Amongst other requirements which included disclaiming the source and giving notice to the manufacturer, the practice at hand should be necessary and could not impinge harm upon the reputation (or perhaps, to the brand image) of the trade mark and of its owner. It was largely accepted that the disclaiming obligations which the European Court had introduced would dispel the possibility of confusion as to the source of the products by an average consumer;⁵⁸ insofar as actual product conditions remained unaltered, there was no origin function issue to be considered.⁵⁹ More broadly, the exercise of trade mark rights against this non-confusing use of a registered mark was subjected to (1) an assessment weighing competitive concerns and (2) a threshold of materiality in some form of brand-related damage.

Competitive concerns associated with the practice became apparent once the issue of necessity was litigated, where the claimants had charged against the reboxing practice at a great level of generality. Because regulatory compliance and consumer information requirements could be attained by the placement of stickers on original packaging, they

⁵⁷ *BMS* (n 5), para 79.

⁵⁸ *Boehringer (EWCA I)* (n 56) [81].

⁵⁹ *BMS* (n 5), para 67 ('If the repackaging is carried out in conditions which cannot affect the original condition of the product inside the packaging, the essential function of the trade mark as a guarantee of origin is safeguarded. Thus, the consumer or end user is not misled as to the origin of the products, and does in fact receive products manufactured under the sole supervision of the trade mark owner.').

contended reboxing to be unnecessary.⁶⁰ Such a practice would invariably infringe, that is, regardless of harm to the reputation arising from the specific circumstances in which it had been carried out. The defendants, in turn, responded that UK consumers were averse to relabelling for a set of reasons which included, for example, a profound discomfort in being unable to ascertain whether the translated information accurately reflected the instructions in foreign language that remained visible and the unprofessional look of the packet overall.⁶¹ While not strictly necessary for regulatory compliance, reboxing would enable importers to compete with manufacturers on comparable terms or, in the least, increase their access to a local market which, for cultural reasons, was proven to be less receptive to the alternative.

At first instance, Laddie J refused an invitation for a blanket ban on reboxing by holding that consumer expectations developed in the UK market would make such a practice necessary. Methodologically, the analysis was far from an abstract determination. The judge reached his finding by going through a great deal of market-related evidence which included an independent research report commissioned by the Association of the British Pharmaceutical Industry, internal documents from the claimants, an opinion poll conducted amongst 300 pharmacists, and witness testimony from private practice and hospital pharmacists.⁶² This market-based component of the assessment suggests a parallel with functional analysis in *Adam Opel* unveiling a similar competitive concern that sales of replica toy models without the mark of the original car, contrary to century-long developed expectations of German consumers, would drive

⁶⁰ *Boehringer Ingelheim KG v Swingward Limited* [2000] EWHC 134 (Ch) [6].

⁶¹ *Boehringer (EWCA I)* (n 56) [41].

⁶² *Boehringer (EWHC)* (n 60) [176]-[191]. See also *Boehringer (EWCA I)* (n 56) [43].

independent manufacturers away from the market.⁶³ Within functional analysis, market realities would reveal that consumers having grown accustomed to a particular form of presentation of the products concerned made the use of the Blitz sign necessary in that specific context.⁶⁴

Once the reboxing practice was found necessary to overcome a cultural barrier in the UK market, Laddie J went on to examine whether it would risk harming the registered mark. Here the assessment would shift from broader consideration of competitive concerns to contextual analysis of the practice carried out by the defendants. However, the claimants advanced the general argument that repackaging (i.e. overstickering and reboxing) would either result in co-branding, where both the manufacturer and importer marks were displayed together, or debranding, where the manufacturer's mark was partially or fully obscured. By limiting exposure of the brand and notionally affecting consumer perceptions of the products, any such practice would be harmful. In rejecting what he defined as an unsubstantiated assertion of damage, the judge found that:

The claimants' assertions of serious damage to their respective trade marks are all at a high level of generality. No evidence has been furnished that any of the individual products and packagings in issue has caused any damage at all to the claimants.

The claimants say that each of the pleaded packagings, whether reboxed or overstickered, is highly damaging to their reputation and exclusivity. Their pleaded trade marks are said to be gravely harmed by the defendants' activities. I have already said that there is no evidence to support these assertions in relation to any particular piece of packaging. But there is also no evidence to support the assertions at the high level of generality at which they are put by the claimants. Indeed, there is much to suggest that they are not accurate. Had the claimants' assertions been true one would have expected some material to be put before the court to show that the claimants had suffered. There is none If damage was being inflicted,

⁶³ Case C-48/05 *Adam Opel AG v Autec AG* [2007] ECR I-1017, [2007] ETMR 33.

⁶⁴ Ch II(1)(A).

one would have expected some indications of it to have surfaced at some stage over the last few years.⁶⁵

A general assertion of damage focusing on market practices in the abstract would have put parallel importation of pharmaceutical drugs at peril: no matter the form repackaging could assume, it would inevitably fail the *BMS* test. Damage becomes an irrebuttable presumption. Following the mere placement of the importer's own mark, which happened to be another condition under *BMS*, the sole effect of the claimant's registered mark having to share the attention of consumers would warrant the court's intervention. Nonetheless, Laddie J found the assessment required something more than notional harm based upon unilaterally-assumed expectations of consumer behaviour. There should be some evidence that the practice had effectively (and detrimentally) affected perceptions of the brand in the marketplace. By the time the dispute reached a final decision at the appellate level, Jacob LJ, also calling into question the over-generalising character of the claimants' proposition, upheld this part of the judgment.⁶⁶ Not only had the damage claim been the product of abstraction, but the potential impact of the assessment was not to be taken lightly:

I am quite unable to see how it follows that that there is damage to either of the trade marks ... Nothing is done so as to disparage the claimants' trade marks. Nor so as to suggest that Munro have any commercial association with the manufacturers. If this harmless type of co-branding were illegal many an importer or dealer would find himself in trouble ... Should all this stop if the manufacturer or other ultimate source says so? Just because the dealer or importer is promoting himself? The answer is obviously not. And the reason is that no harm, no damage, is done.⁶⁷

⁶⁵ *Boehringer (EWHC)* (n 60) [165]-[166].

⁶⁶ *Boehringer Ingelheim KG v Swingward Ltd* [2008] EWCA Civ 83 [13] ('Although this argument is suggested to be specific to the products in issue (and in a sense must be) the argument has in fact proceeded at a high level of generality. If it is right it will apply to all stickered or re-boxed products.').

⁶⁷ *ibid* [43].

Specifically, the court received with justifiable scepticism this high-level assertion of damage when the claimants themselves had authorised others to proceed in the same fashion. If the broader context of market practices showed that the registered mark being used together with the brand of large-scale UK retailers (e.g. Boots) in product packaging had been tolerable, nothing would suggest co-branding to be harmful in itself.⁶⁸

More importantly, Jacob LJ's statement in *Boehringer* broaches the tension between notional and contextual approaches to infringement examined within the origin function earlier.⁶⁹ By favouring assumptions of behaviour over market realities, a more notional assessment sidesteps the question (or, perhaps, presumes the incidence) of harm. In *O2 Holdings*, a strict mark for mark comparison would make comparative advertising infringe *just because* the registered mark was being recalled; in making such a methodological choice, actionable confusion is narrowed into an issue of strict association or mere resemblance.⁷⁰ But it would fail to consider whether consumers could think that the services being advertised originated from or were otherwise associated with the registrant.⁷¹ *Boehringer* provides yet another example of methodological choices bringing about a substantive impact on infringement.

Careful consideration of the origin function and, now, trade mark exhaustion decisions shows that whenever a given practice is taken at a high level of generality, an infringement determination is tantamount to a blanket prohibition or, even, a statement of law. For example, if we accept the legal proposition that comparative advertisement

⁶⁸ *ibid* [50]-[55].

⁶⁹ Chs II-V.

⁷⁰ Text to n 130 in Ch II.

⁷¹ Ch II(1)(C).

should be insulated from any surrounding context so that mark and sign are compared in isolation, as though infringement- and registration-level methodologies were the same, most advertising material would fall foul of the infringement test. Likewise, there is an appreciable difference between a general assertion that any co-branding practice would harm one's brand image, inevitably failing the corresponding *BMS* condition, and that doing it in a specific manner may inflict such harm. A damage finding established at a higher level of generality makes it difficult, if not impracticable, for a practice to be distinguished on the facts. It devolves into an overarching determination extending to any practice fitting the same (abstract) conditions. Conversely, in a contextual assessment more direct engagement with the notion of actionable harm is inevitable; recourse to market realities requires a practice to be discerned by its effects in the marketplace.

Indeed, the methodological tension between context and abstraction that *Boehringer* so well illustrates resonates with the distinction between the trade mark use doctrine and the functions theory that we have explored earlier, though with a reverse (or rather, perverse) logic. Trade mark use is a doctrine of immunisation which operates by labelling market practices in the abstract. Instead of subtracting a practice from the realm of trade mark law, as it is the intended effect of trade mark use doctrine, an overly-abstract infringement assessment via harm to functions – like the claimants' general assertion that reboxing would be damaging - excises commercial reality entirely and moves entire categories of conduct into the realm of infringement. Now, there may be a fairly limited set of reasons which may warrant a market practice being insulated from trade mark liability, one such example perhaps being the uncertain legal position of intermediaries at the time of *Google France*.⁷² However labelling a practice as per se infringement on

⁷² Ch II(1)(B).

the account of abstraction is unjustified. With the possible exceptions of unambiguous counterfeits, which can be reasonably presumed to infringe under double identity on confusion-based grounds, there is no justification for banning a market practice on the untested assumption that a notional brand image is being harmed.

In contrast, the functions theory embraces a contextual assessment working in tandem with the notion of actionable harm. It suggests yet another parallel with Jacob LJ in *Boehringer* being more concerned with the defendant's practice (not any practice) damaging the brand image in that specific context, namely:

Now it is true that the [CJEU] said that damage is not limited to poor presentation, and that it said that partial de-branding is 'in principle' damaging. But all that must be understood in the context that the question of whether there is damage is a question of fact. The manner or form of partial de-branding could indeed in principle hurt the image or prestige of a trade mark. It would all depend on how it was done. It is a fact specific question, not one to be answered at the level of generality of the claimants' arguments. Indeed if the claimants were right, all partial de-branding (save for de minimis cases) would be damaging. That is just what the Court did not say.⁷³

The assessment of this more elusive kind of harm would thus require the overall appearance of the products, the manner in which the repackaging was being carried out, and underlying consumer perceptions to be considered. This was no abstract determination.

Similarly, the CJEU judgment in *Evora* tells us that advertising of parallel imports by an independent retailer may infringe under double identity only if the overall appearance of the advertisement could inflict serious harm upon the brand image.⁷⁴ While

⁷³ *Boehringer (EWCA II)* (n 66) [54].

⁷⁴ *Evora* (n 5).

something other than confusion may be actionable, infringement would still depend upon the advertisement departing from the usual practice amongst retailers in the same condition of the defendant.⁷⁵ Again, the assessment placed more weight on market realities, with standards of behaviour in the relevant sector possibly being an heuristic for balancing competitive concerns with trade mark protection. *Boehringer* suggests a similar rationale with the EWCA holding that large-scale retailers engaging in co-branding would detract from the claimant's assertion of harm.⁷⁶

Thus other functions may have received equal standing in *L'Oréal v Bellure*, yet earlier case law evidences that an inchoate notion of brand image had been protected before through an analysis attuned to a broader set of policy concerns. These early decisions evidence that other functions, though protected in this more incipient form, also shared a normative component at their inception and, more generally, they reinforce a more reactive view of trade mark law in matters of scope of protection.⁷⁷ As in *Adam Opel*, the European Court showed reluctance to accept that established market practices would be so easily overridden by trade mark protection. In her analysis of *Evora*, Ilanah Simon explains this aspect:

The fact that the reseller generally sold market goods of lower quality to the trade mark owner's was not enough, nor was the fact that the reseller used modes of advertising that the trade mark owner and/or his authorized distributors would spurn. Instead, it also had to be shown that the reseller's use of the trade mark 'seriously harms' the image of the mark in question.⁷⁸

⁷⁵ *ibid*, paras 44-46.

⁷⁶ Text to n 68.

⁷⁷ Graeme B Dinwoodie and Mark D Janis, 'Confusion over Use: Contextualism in Trademark Law' (2006) 92 *IowaLRev* 1597, 1604. See also text to n 16 in Ch II.

⁷⁸ *Fhima* (n 10) 326.

It was never about protecting (perceived) image as something of value in itself nor labelling market practices as per se infringement. The assessment unfolded into a fairly contextual, market-based analysis with the notion of harm at the centre. In the *Copad* decision,⁷⁹ which can be seen as prelude to *L'Oréal v Bellure*,⁸⁰ the advertising function then emerging was still subjected to a threshold of harm by reference to market realities:

The principle of harm to the advertising function being actionable is recognized, but the trade mark owner has only a limited say in defining what the image of this mark is, and relatively little chance to control the future of that image. Instead of being able to object to distributors not to his choosing per se, he must satisfy a nuanced test which takes place against the background of the wider market for his type of goods, and the general practices among discount retailers.⁸¹

With the possible exception of *L'Oréal v Bellure*,⁸² protection of brand-related functions of a trade mark always seemed to be accompanied by contextual harm analysis. Decisions that followed still indicate that damage should not be so readily (or notionally)⁸³ assumed. In *Google France*, the CJEU held that the registrant having to increase investment in keyword bidding to retain some competitive advantage would not, in itself, harm the advertising function.⁸⁴ *Interflora* would take it further by stating that the purpose of a trade mark is other than 'to protect its proprietor against practices inherent in

⁷⁹ Case C-59/08 *Copad SA v Christian Dior Couture SA* EU:C:2009:260.

⁸⁰ *L'Oréal v Bellure* (CJEU) (n 11).

⁸¹ *Fhima* (n 10) 326.

⁸² See also Annette Kur, Lionel A F Bently and Ansgar Ohly, 'Sweet Smells and a Sour Taste - The ECJ's L'Oréal Decision' Max Planck Institute for Intellectual Property, Competition & Tax Law Research Paper No 09-12 <<https://ssrn.com/abstract=1492032>> accessed 13 June 2018, 2. At face value, Case C-129/17 *Mitsubishi Shoji Kaisha Ltd v Duma Forklifts NV* EU:C:2018:594 might be interpreted as a decision of a more general character, though I offer another possible reading in text to n 134.

⁸³ See also text to n 36, rejecting a notional fair use approach to other functions.

⁸⁴ *Google France* (n 7), paras 94-95.

competition.⁸⁵ As for the investment function, the European Court would state the following:

However, it cannot be accepted that the proprietor of a trade mark may — in conditions of fair competition that respect the trade mark's function as an indication of origin — prevent a competitor from using a sign identical with that trade mark in relation to goods or services identical with those for which the mark is registered, if the only consequence of that use is to oblige the proprietor of that trade mark to adapt its efforts to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty. Likewise, the fact that that use may prompt some consumers to switch from goods or services bearing that trade mark cannot be successfully relied on by the proprietor of the mark.⁸⁶

Here we may draw another parallel with origin function harm asking for more than the sign complained of recalling the registered mark.⁸⁷ Like the use of bubble imagery in comparative advertising or the Blitz sign in toy replica models would not infringe per se, the advertising function requires something other than keyword bidding merely increasing advertising expenditure by the registrant. A market practice requiring the registrant to adjust and compete on different, yet legitimate terms is not actionable.⁸⁸ The European Court's explicit reference to 'conditions of fair competition that respect the trade mark's function as an indication of origin'⁸⁹ seems to confirm the view that, albeit independently protected, other functions must attune to the normative concerns broached within a contextual assessment. At the very least, their application should adhere to the methodology developed within the origin function which, unlike the EU-wide concept of trade mark use, does not comport with per se categorisation. To give another example,

⁸⁵ *Interflora (CJEU)* (n 7), para 57.

⁸⁶ *Interflora (CJEU)* (n 7), para 64.

⁸⁷ Ch II(1)(B).

⁸⁸ See also *Kur* (n 2) 442-444.

⁸⁹ *Interflora (CJEU)* (n 7), para 64.

the contextual character of the functions theory calls into serious question the proposition that *L'Oréal v Bellure* may have made comparison lists generally unlawful.⁹⁰

Hence an expansion to other functions should be checked by a contextual assessment feeding from extrinsic market realities so courts may arrive at a determination of actionable harm. A fully-functional model for infringement may not accept, at face value, that the investment function of a mark for bath bombs would be harmed just because Amazon would not share Lush's values of ethical trading.⁹¹ Rather, it would require courts to first inquire whether consumers see the brand conveying such an ethical image, that is, if the brand image reflects consumers understandings or is just another untested assumption.

3. Steering away from a L'Oréal-centred mindset

In this section, I examine how national courts have dealt with other functions in *Cosmetic Warriors*⁹² and *Volkswagen*,⁹³ handed down in the UK and Germany, respectively. By following a more notional construction of such functions, they both appear to sidestep contextual harm analysis and label a market practice infringing. This analysis indicates that generalisation may introduce a per se infringement framework which is incompatible with the very nature of the functions theory and, furthermore, runs counter to trade mark policy.

⁹⁰ See for example Darren Meale and Joel Smith, 'Enforcing a Trade Mark When Nobody's Confused: Where the Law Stands After L'Oréal and Intel' (2010) 5 JIPLP 96, 99.

⁹¹ *Cosmetic Warriors* (n 17).

⁹² *ibid.*

⁹³ *Volkswagen (BGH)* (n 17).

A. Generalisation: when context devolves into abstraction

In *Cosmetic Warriors*, the claimants were the producers of Lush cosmetics which had been particularly known for their colourful soaps and bath bombs. The defendants were the operators of the Amazon website. Although Lush products were not offered on the Amazon UK website, the defendants used the mark in Google keyword advertising and within their own search engine. By means of the latter, whenever a user searched for ‘lush’ on the Amazon platform, the corresponding results would disclose a selection of potential substitutes to the claimant’s products. The underlying facts suggest that the main contention was one consumer confusion or, perhaps, duty of transparency under the CJEU keyword test.⁹⁴ Amazon were not offering Lush products and all alternatives displayed in the search results were mixed up together ‘without any overt reference to the Lush item not being available.’⁹⁵ But once such an issue is remediated, there is little to say about the (now assumedly) non-confusing referential use affecting other functions of the Lush mark. Indeed, Baldwin QC’s (sitting as Deputy Judge) decision seemed to acknowledge that a disclaimer could have been sufficient for the origin function to be left unharmed.⁹⁶ Shortly after the trial, the parties reached a settlement which involved the defendants including a disclaimer ‘Amazon doesn’t sell Lush cosmetics’.⁹⁷ So it is

⁹⁴ Ansgar Ohly, ‘Keyword Advertising or Why the ECJ’s Functional Approach to Trade Mark Infringement Does Not Function’ (2010) 41 IIC 879.

⁹⁵ *Cosmetic Warriors* (n 17) [11]. Cf. *Multi Time Machine Inc v Amazon.com Inc* 804 F3d 930 (2015), dismissing a factually similar claim of initial interest confusion in the US. Though adopting a different standard, much of the case seemed to have turned on the ‘transparency’ of the message conveyed to consumers.

⁹⁶ *Cosmetic Warriors* (n 17) [66] (‘In circumstances where there is no overt indication whatsoever that Lush products are not available for purchase on the Amazon site and where the consumer has been informed (from the drop down menu) that Lush Bath Bombs are available, I do not consider that the average consumer would ascertain without difficulty that the goods to which he was directed did not originate from Lush (the *Google France* test).’).

⁹⁷ Amazon.co.uk Ltd, ‘Amazon.co.uk: lush: Beauty’ <https://www.amazon.co.uk/s/ref=nb_sb_noss_2?url=search-alias%3Daps&field-keywords=lush> accessed 10 April 2018.

somewhat troubling that a finding under the investment function would have the effect of instating a freestanding blanket prohibition on *any* referential use of the Lush mark by Amazon. According to the judge:

In relation to the investment function, Lush is a successful business which has built up an image of ethical trading. This is an image which it says it wishes to preserve and it has taken the decision not to allow its goods to be sold on Amazon because of the damage that it perceives there would be to that reputation. Moreover, Mr Shipley, a senior manager of the first defendant, accepted that some consumers would regard Amazon's attitude to, for example, UK taxation as repugnant and he also accepted that a brand owner was entitled to his own view as to whether his brand should be associated with companies which are believed by some members of the public to act in ways which they find unattractive. Mr Carr objected to reliance on the answers of Mr Shipley based on the fact that he was not part of the business team at Amazon and there was no evidence whatsoever from Lush on this point. It seems to me, however, that Mr Shipley was doing no more than giving common-sense answers to not particularly difficult questions.⁹⁸

Cosmetic Warriors once again raises the normative question of the extent of control a registrant should be allowed to exert on market practices which had emerged within the origin function,⁹⁹ though couched in terms of other trade mark functions. To be sure, Lush's attempt to curtail the use of the mark by Amazon is not entirely inconsistent with the brand protection rationale of early decisions like *Boehringer*, *Evora* or *Copad*.¹⁰⁰ However there is a significant methodological difference. Here the court does not dwell on harm analysis that we have identified in those cases, instead assuming that a notional mismatch between Lush's 'reputation for ethical and commercially friendly trading'¹⁰¹ and Amazon's attitude to UK taxation would be actionable in itself.¹⁰² This approach

⁹⁸ *Cosmetic Warriors* (n 17) [70].

⁹⁹ Ch II(1)(A).

¹⁰⁰ Ch VI(2).

¹⁰¹ *Cosmetic Warriors* (n 17) [17].

¹⁰² *ibid* [70].

shares more similarities with the general assertion of damage arising from the mere practice of repackaging goods and co-branding which UK courts had rejected in the not-too-distant past. Furthermore, circumstances may suggest that risk of harm would be comparatively lower to *Boehringer* or *Evora*, for example. Amazon UK had not offered Lush products. Absent confusion, referential use of a mark seems to pose a lesser threat than shoddy repackaging or poor taste advertising of genuine goods.¹⁰³ And except for *L'Oréal v Bellure*, which I believe may have been given a far too generous reading,¹⁰⁴ the CJEU jurisprudence continues to favour contextual harm analysis. In *L'Oréal v eBay*, sales of unpackaged luxury goods would not be labelled as per se infringement, but rather subjected to a contextual assessment; harm to the image of luxury goods would become dependent upon circumstances like the overall appearance of the packaging, its importance to the product and brand strategy.¹⁰⁵ Nor does the factual background in *Cosmetic Warriors* suggest Amazon's referential use to be tantamount to the sale of replicas or imitations.

A possible explanation may be that the court took *L'Oréal v Bellure* at face value and surmised that any unauthorised use of a registered mark in advertising and promotion would (or should) be inherently objectionable.¹⁰⁶ Once we better understand the functions theory, however, it is hard to see this characterisation as anything but misconceived.

¹⁰³ See for example Mark A Lemley and Mark P McKenna, 'Owning Mark(et)s' (2010) 109 *MichLRev* 137, 158 ('Research regarding brand extensions suggests that consumers generally do not alter their global evaluations of brands (i.e., their assessments of the brand's quality) when they encounter negative information about related products offered under the same mark.'). If negative brand extension experiences rolled out by the trade mark owner may have a less than significant spill-over effect, there is little reason to believe that third-party referential, non-confusing use would be so different.

¹⁰⁴ Text to n 86 in Ch II.

¹⁰⁵ C-324/09 *L'Oréal SA v eBay International AG* [2012] BusLR 1369 (CJEU) [78]-[79].

¹⁰⁶ Cf. Dev Gangjee and Robert Burrell, 'Because You're Worth It: L'Oréal and the Prohibition on Free Riding' (2010) 73 *MLR* 282, 282 ('Referencing activity and building on the efforts of others are fundamental to creative and competitive processes.').

Drawing on the doctrinal distinction between the EU-wide concept of trade mark use and functions that I have proposed, the CJEU judgment should be read as subjecting the practice of comparison lists to trade mark liability; whether the practice would be infringing, in that particular context, is a question of functions that the court never got to answer.¹⁰⁷ In reality, the EWCA bypassed functional analysis to make an abstract determination of infringement based upon the nature of the product alone (i.e. an imitation). When it comes to presuming a practice as infringing, *L'Oréal v Bellure* therefore hardly makes *ratione decidendi*. Rather, other UK decisions have attempted to steer infringement back to more contextual, harm-based functions analysis.¹⁰⁸ Furthermore, the potential implications of a determination of harm to the investment function – which poses a more fundamental question of whether trade mark law should be allowed to discriminate against certain market operators based on inflated assumptions feeding the construction of a brand image – call for a more sceptical (or cautious) stance on infringement.

Yet, the reasoning in *Cosmetic Warriors* reveals a proprietary logic furthering the notion of registration as an entitlement which would afford the registrant absolute control over the (presumed) content of a brand. It advances an absolute protection rationale which cannot be accommodated within a functional model. Amazon's use of another's trade mark to present alternatives – not remarkably different from, say, comparative advertising¹⁰⁹ – is met with reproach for attempting 'to ride roughshod over intellectual property rights, to treat trade marks such as Lush as no more than a generic indication of

¹⁰⁷ Ch II(1)(B).

¹⁰⁸ See for example *Supreme Petfoods* (n 45); *Walton International Limited v Verweij Fashion BV* [2018] EWHC 1608 (Ch).

¹⁰⁹ Case C-533/06 *O2 Holdings Ltd v Hutchinson 3G UK Ltd* EU:C:2008:339, [2008] 3 CMLR 14. See also Ch II(1)(C).

a class of goods in which the consumer might have an interest'.¹¹⁰ Labelling the practice carried out by Amazon as inherently objectionable not only reveals a fundamentally misconceived conception of brand image,¹¹¹ but it fails to grapple with harm analysis intrinsic to the functions theory.

The CJEU's own reluctance in *Google France* and *Interflora* to accept that any potential effect associated with the use of a registered mark would result in actionable harm is hard to reconcile with Baldwin QC's approach to the investment function.¹¹² The judge took at face value a statement of questionable causation – a spillover of Amazon's assumedly poor reputation before consumers – and found infringement because 'there is no material to question the wisdom of Lush's decision not to permit its goods to be sold on the amazon.co.uk website.'¹¹³ If anything, it placed on the defendant the burden to disprove a series of highly questionable assumptions: (1) consumers apprehend or even care about Lush's ethical image, (2) the same consumers would believe Amazon to have such a poor reputation, (3) which would extend to the Lush brand consequent upon the sign merely being used to indicate substitutes on Amazon's online sales platform (which, incidentally, happens to be known for offering a myriad of products from multiple brands with no necessary connection between them). The fact that Lush products had been offered on the Amazon France website for a significant period should also detract from

¹¹⁰ *Cosmetic Warriors* (n 17) [53].

¹¹¹ Ch VI(3)(B).

¹¹² Text to n 84.

¹¹³ *Cosmetic Warriors* (n 17) [71]. Cf. Ohly, 'The Freedom of Imitation' (n 28) 511 ('... proprietisation is no end in itself; it is only justified as far as it is necessary to ensure the proper functioning of markets.');

Kur (n 2) fn 56 ('... the fact that even "ordinary" marks may *claim* protection against use negatively affecting their reputation or distinctive character does not mean that such protection is granted in a quasi-automatic manner.');

Keeling and others (n 1), para 2-023 ('If a large amount of money has been spent on a mark with no discernible effect on how the public perceives the mark or how the mark operates within the relevant market, there is surely no rational justification for that apparently useless investment being rewarded by protection as a further trade mark "function".').

such an assertion of damage, or at least caution against too easily assuming detrimental brand image effects.¹¹⁴ Perhaps more importantly, a fundamental question seemed to be neglected. In another scenario where origin harm would not be in issue, should disjunctive ethical values of wholly different companies negate referential use of a mark which may be beneficial to consumers by increasing choices available to them? And if so, shouldn't we ensure such a mismatch effectively exists or, even, inquire into the extent to which it would be material to consumers?

To be sure, there is some reason in protecting investment decisions and efforts into building a brand image which, for example, may turn on the choice of product packaging and get up.¹¹⁵ Otherwise producers would have less expectation that their commercial decisions could ever yield a certain image (and perhaps, reputation) amongst the consuming public. That used to be the rationale underpinning earlier exhaustion cases which lay the groundwork for the doctrinal development of other functions. However, expectations are also measured by standards of behaviour and longstanding market practices in the relevant sector. Acknowledging the possibility of protection against certain kinds of harm which may frustrate efforts towards the construction of a particular image – thus allowing marketing strategy to roll out within an undistorted competition environment – is fundamentally different to granting absolute control over its message based on presumed expectations of an average consumer.¹¹⁶ In adopting a more sceptical stance on brand-related harm, *Boehringer* gives us a valuable lesson.¹¹⁷ The more contextual assessment unveiled in early exhaustion case law is also consistent with

¹¹⁴ *Cosmetic Warriors* (n 17) [18], [71]. Cf. *Boehringer (EWCA II)* (n 66) [50]-[55]; *Evora* (n 5), para 46.

¹¹⁵ Text to n 46.

¹¹⁶ See also *Keeling and others* (n 1), para 2-023.

¹¹⁷ Text to n 58.

protection of origin function depending upon (1) the trade mark performing such a function and (2) a determination of actionable harm accounting for other normative concerns like fair competition and consumer welfare.

The CJEU decision in *Copad*, which had already made an incursion into brand territory by recognising an ‘aura of luxury’ deserving protection, nonetheless required harm assessment to grapple with ‘the nature of the goods normally marketed by those discount stores, and the marketing methods normally used in that sector of activity’.¹¹⁸ Most of us would agree that luxury products in discount stores hardly conform to the wishes of the claimant, let alone the brand image that it seeks to build, and, yet, infringement assessment had to engage in a more cautious enquiry into the practice carried out by the defendant. Now, if the rather blatant (notional) mismatch between luxury products and the commercial environment of discount stores cannot be characterised as per se infringement, there is little reason for treating disjunctive ethical values of litigating parties as presumed harm. Even if we assume a prevailing interest in commercialising genuine branded products in *Copad*, the unauthorised use made by Amazon (absent confusion) may further other interests by, say, offering possible substitutes to consumers. From this perspective, it is not remarkably different from comparative advertising.

Cosmetic Warriors give us a warning that abstract methodology crosses factual boundaries to generalise a practice, narrowing the scope of adjudication in ways which may prove detrimental to core trade mark policy. The implications are manifold. By subtracting choices that context would otherwise make available, an abstract assessment

¹¹⁸ *Copad* (n 79), para 32.

forecloses broader normative concerns associated with non-traditional marks, for example. This could mean that the use of an identical shape may infringe under other functions just because a competitor pursued a market strategy different to the one that the registrant had conceived for its brand. An abstract methodology makes it more difficult, if not impossible, for courts to discern different kinds of unauthorised use of a mark, some of which may be legitimate and further core trade mark policy. It also raises concerns beyond economic efficiency. Tethering what should be contextual harm analysis to the assumed, one-sided expectations of an average consumer may be chilling on expressive uses of a trade mark, for example. Following the *Cosmetic Warriors* proposition that harm to the investment function stems from unauthorised use being notionally inconsistent with the message that a trade mark owner purports to transmit, every parody or critique reproducing a mark for the purposes of ‘double identity’ would invariably infringe. Such an approach would be as questionable as a third-party sign sitting next to the registered mark be presumed damaging, or a sign merely recalling a brand in comparative advertising resulting in likelihood of confusion.

Similarly, harm to the advertising function analysis in *Cosmetic Warriors* reveals a notional character consequent upon the mere use of the mark by Amazon potentially attracting the attention of consumers ‘whilst at the same time making no effort at all to inform the consumer that the goods being offered are not in fact the goods of Lush’.¹¹⁹ Here the concept of harm appears to coincide on some sort of unfair advantage mixed up with a duty of transparency that the CJEU introduced under the origin function via the *Google France* keyword test.¹²⁰ It is unclear whether the disclaimer that Amazon have

¹¹⁹ *Cosmetic Warriors* (n 17) [69].

¹²⁰ *Google France* (n 7).

later introduced could dispel such harm, nor does the judgment explain why an attempt at drawing attention of consumers by referencing someone else's mark should be reproached in itself. Rather, Baldwin QC's notional assessment sits awkwardly with the CJEU holding that the mere use of a mark in a referencing service does not have a detrimental effect on the advertising function.¹²¹ If bidding for keywords in Google Adwords, arguably the best known instance of unauthorised use drawing the attention of consumers, is not actionable per se, it is hard to find an explanation for the advertising function being so harmed in *Cosmetic Warriors*. Neither would it be supported by earlier case law which adopted a more sceptical stance on brand-related harm.¹²²

In Germany, the *Volkswagen* decision makes another example of abstract application of trade mark functions devolving into proprietary discourse.¹²³ The defendant, which operated a significant number of independent repair garages, advertised a general inspection including Volkswagen vehicles. Instead of using the word marks 'Volkswagen' or 'VW', the advertisement displayed the equally famous device mark of a VW within a roundel. The claimant brought trade mark infringement proceedings arguing such use to harm the origin and advertising functions of the device mark. At first instance, nothing was found in the unauthorised use to be indicating or otherwise implying that the repair parts and services provided by the defendant originated from or were associated with the claimant. The origin function had not been affected, yet the

¹²¹ *Interflora (CJEU)* (n 7), paras 54-59; *Google France* (n 7), para 98. See also *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2012] EWCA Civ 24 [141] ('... the use of a trade mark as a keyword in order to advertise goods which are an alternative to but not mere imitations of the goods of the proprietor and in a way which does not cause dilution or tarnishment and which does not adversely affect the functions of the trade mark must be regarded as fair competition and cannot be prohibited.').

¹²² Text to n 73.

¹²³ *Volkswagen (BGH)* (n 17).

practice would still infringe under the advertising function. According to the Bundesgerichtshof:

An impairment of the advertising function is given if due to the use objected to the trade mark owner's opportunity is impaired to use the trade mark as an element of sales promotion or as an instrument of trade strategy [citing to *Google France*]. If third parties, by using a designation identical with a well-known trade mark, attempt to participate in the aura of the mark in order to profit from its attraction, its reputation and its prestige, an exploitation of the distinctiveness and value of the trade mark regularly is given [citing to *L'Oréal v Bellure*; *Google France*]. The image transfer connected with this exploitation of value and distinctiveness generally also entails an impairment of the distinctiveness of the well-known prior trade mark and thus an impairment of its advertising function.¹²⁴

Here the BGH also seemed to follow a more notional construction of harm to other functions. The court would not explain why, let alone how the non-confusing, referential use of a mark would necessarily impair distinctiveness. Instead, it went more lenient on establishing this blurring-like harm, to the extent that the claimant needed not show that the practice would entail a change in the economic behaviour of consumers; a requirement that the CJEU had imposed on the same kind of harm under dilution.¹²⁵ Rather, the court simply endorsed the proposition that 'the attention caught by the advertising was distinctly higher if the defendant advertised their inspection work by the word/device designation than by using the words "VW" or "Volkswagen" which would be sufficient to describe the object of the service offered'.¹²⁶ As in *Cosmetic Warriors*, there was something inherently objectionable in attempting to draw the attention of consumers which, in itself, would result in other trade mark functions being harmed. Damage is entailed, no matter the context surrounding the defendant's practice or

¹²⁴ *ibid* [14].

¹²⁵ Case C-252/07 *Intel Corp Inc v CPM United Kingdom Ltd* [2008] ECR I-8823, [2009] ETMR 13; Case C-383/12 *Environmental Manufacturing LLP v OHIM* ECLI:EU:C:2013:741.

¹²⁶ *Volkswagen (BGH)* (n 17) [12].

perceptions that consumers may have had of the advertising or the Volkswagen brand. (Alas, UK courts have on occasion taken a similar stance under unfair advantage in too readily assuming unauthorised use of a third-party trade mark to be actionable, as though a transfer of brand image would stem from the mere existence of a link.¹²⁷)

There is something remarkable in courts devoting significant time and resources in examining a less controversial claim under the origin function while short-circuiting analysis of other functions. Admittedly, the reasoning in *Volkswagen* may suggest that the investment function assessment was essentially one of necessity. The defendant could have used the words ‘VW’ or ‘Volkswagen’ to convey the same advertising message, for example. But cases like *Boehringer* tell us that the very notion of necessity may not be readily apparent; a practice which may be notionally suitable as an alternative could face trade or cultural barriers. Similarly, the CJEU case law on exhaustion called for consideration of the practice complained of within the broader context of the relevant sector.¹²⁸ Absent some recourse to market realities, it is hard to say whether the choice of one mark over another would place a competitor in more adverse conditions or how significant the use of the device mark could have been. It was only upon consideration of market-related evidence that the reproduction of the Blitz mark in toy cars was found necessary, that enjoining such a use would have a significant foreclosure effect on the market. Put another way, the notional assessment carried out in *Volkswagen* suffers from the limitations of abstraction that we have identified in *Cosmetic Warriors*, namely, it restricts the range of choices available to adjudicate claims of greater complexity.

¹²⁷ *Specsavers (EWCA)* (n 121) [163]-[164]. Cf. *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2010] EWHC 2035 (Ch) [173]-[185]; *Whirlpool Corp v Kenwood Ltd* [2009] EWCA Civ 753 [135]-[138]; *Argos Limited v Argos Systems Inc* [2018] EWCA Civ 2211 [102]-[112].

¹²⁸ Text to n 75.

Rather, the judgment in *Supreme Petfoods* may have offered a better answer. In addressing a burden of proof issue that had arisen in the context of double identity infringement, Arnold J stated that ‘[n]ot only [does] Article 16(1) of TRIPS not require a likelihood of damage to functions other than the origin function to be presumed, but also it is much less obvious why such damage should be presumed.’¹²⁹ His position is consistent with *Interflora* requiring that functions are performed before they can be enforced¹³⁰ and, furthermore, would render an approach more coherent with a functional model. It also finds support in earlier case law placing more weight on evidence that the practice would impact consumer perceptions of the brand in the marketplace. Expecting a claimant would substantiate these unconventional claims of brand-related harm not only is consistent with *Boehringer*,¹³¹ but it deals with costs more sensibly. Overall, it makes sense that the party putting forward such a claim should support it (as opposed to placing the burden on the defendant to prove a negative). Given their exceptional nature, higher enforcement costs associated with a standard-based approach more carefully inquiring into the potential effects of the practice at hand should not pose an issue and, indeed, may well serve to adjust the system.¹³² Louis Kaplow, for example, argues that the ordering of non-monetary sanctions affecting behaviour calls for more precision, which may warrant higher costs in adjudication.¹³³ From a utilitarian perspective, there is no reason to provide economic incentives for exceptional claims, which distance themselves from

¹²⁹ *Supreme Petfoods* (n 45) [133].

¹³⁰ Text to n 38.

¹³¹ Text to n 56.

¹³² See for example Louis Kaplow, ‘Rules versus Standards: An Economic Analysis’ (1992) 42 *DukeLJ* 557, 577.

¹³³ *ibid* 606.

the core zone of confusion-based infringement protected under the origin function, to be litigated more often or too easily.

The CJEU's recent decision in *Mitsubishi* further illustrates the potential risks of generalisation.¹³⁴ The defendant had been importing Mitsubishi forklift trucks from outside the EU without the authorisation of the registrant. Before entering the single market, such products received physical modifications, in accordance with regulatory requirements, and, subsequently, had the Mitsubishi mark removed from them. Contrary to the AG opinion,¹³⁵ the CJEU would refuse to immunise the practice as non-trade mark use, instead holding that such kind of de-branding would harm the functions of the trade mark.¹³⁶ At face value, this decision could be interpreted as a general statement to the effect that any kind of de-branding would now infringe. However, the European Court has distinguished earlier exhaustion cases,¹³⁷ which dealt with intra-Community trade. This was not a first sale for exhaustion purposes, neither was there a real necessity issue. Unlike pharmaceutical drugs, where repackaging or relabelling was an imposition, de-branding in *Mitsubishi* was a means to circumvent regional exhaustion; removing the mark was not a regulatory requirement. Not only does the factual background provides some context,¹³⁸ but the practice itself could amount to reverse passing off or unfair competition in Member States.¹³⁹ Therefore it should not amount to a blanket ban on de-

¹³⁴ *Mitsubishi* (CJEU) (n 82).

¹³⁵ *ibid*, AG Opinion, paras 56-69.

¹³⁶ *ibid*, para 43.

¹³⁷ *ibid*, para 41.

¹³⁸ *ibid*, AG Opinion, paras 29-43.

¹³⁹ See for example *Keeling and others* (n 1), paras 20-120 to 20-123. This may also suggest a single market integration concern driving the CJEU approach.

branding.¹⁴⁰ (Admittedly, holding that protection under double identity is indeed absolute prior to the first authorised sale of the relevant products in the EU may have been a preferable solution.¹⁴¹)

While the limited number of decisions on other functions may be insufficient to establish whether *Cosmetic Warriors* and *Volkswagen* are *de minimis*, they provide a cautionary tale. Methodological and, even, procedural choices have an appreciable impact on the substantive standard for infringement. Although long recognised in behavioural studies,¹⁴² so-called framing effects – that is, variation in the formulation of a question may yield different outcomes – remain largely unexplored in trade mark doctrine. As I have argued earlier, a functional model loses much of its potential if infringement assessment adheres to an abstract methodology; the functions theory can only be fully understood and most productively applied alongside a contextual assessment incorporating market realities through the average consumer construct.

B. Lessons from a hybrid average consumer

A more realistic profiling of the consumer played a fundamental role in enabling courts to consider that consumers would not ascribe origin significance to the Blitz sign in toy replica models,¹⁴³ or that the marks of the parties have long coexisted on the market to the extent that the sign Ideal Home would designate more than a single source.¹⁴⁴ By

¹⁴⁰ See also *Boehringer (EWCA II)* (n 66) [54]-[55], addressing de-branding of pharmaceutical drugs commercialised within the single market.

¹⁴¹ Kur (n 2) 440 ('... absolute protection basically granted by Art. 5(1)(a) in its current wording only needs to be qualified by the functions theory if the goods in relation to which a mark is used by the alleged infringer are *legitimately commercialized* in the EU.')

¹⁴² Ch V(3)(B).

¹⁴³ *Adam Opel (BGH)* (n 21).

¹⁴⁴ *IPC Media (EWCA)* (n 45).

acting as a conduit for market realities, the figure of a hybrid average consumer, as Graeme Dinwoodie and Dev Gangjee have defined it,¹⁴⁵ is instrumental in the development of a coherent functional model.¹⁴⁶

Dev Gangjee further argued that European trade mark law had been framed on the assumption of a broadcast model, to the extent that ‘the essential or origin function therefore clearly presumes a one-way flow of information from producers to consumers.’¹⁴⁷ While this holds true for most conventional forms of infringement, I argue that adjudication of claims of greater complexity have been resorting to the functions theory to bridge this gap with reality. Specifically, functional analysis in *Adam Opel* can be seen as effectuating a shift from this one-way, broadcast mindset to embrace a deeper understanding of brand image embedded in the conscience of consumers in the marketplace. Put this way, origin function assessment unfolds into an enquiry as to whether the brand image perceived by the public (to some or a large extent) matches the brand identity that the producer seeks to transmit. It departs from abstract registrar logic to seek confirmation of the informational content that a brand is asserted to have. This illustrates the potential of the functions theory as a methodological springboard for opening a more direct dialogue with processes of construction of meaning which have been extensively studied in other fields. Following European trade mark law’s most recent incursions into brand territory, it is only natural that more realistic (or externally

¹⁴⁵ 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 2016).

¹⁴⁶ Ch V(4).

¹⁴⁷ Gangjee (n 22) 40.

coherent) thought processes are also incorporated into trade mark infringement.

According to Dev Gangjee:

Acknowledging trade marks in their brand incarnation need not commit us to a one-way ratchet of ever expanding protection and could instead result in improved doctrinal coherence as well as greater leeway for unauthorised referential activity by consumers or the general public.¹⁴⁸

Being more amenable to incorporating lessons from brand scholarship, this hybrid average consumer could be key in discerning actionable levels of harm under other trade mark functions. We have seen that earlier exhaustion jurisprudence had been averse to overarching assumptions which could entail a blanket ban on unauthorised referential activity;¹⁴⁹ infringement turned on a market-based assessment of whether the practice would be necessary and the potential impact on the reputation of the registered trade mark. More importantly, harm to reputation in those earlier cases, which revealed an inchoate concept of brand image, depended upon a factually-intensive endeavour requiring evidence that the practice carried out by the defendant may have detrimentally affected consumer perceptions of the brand. In *Boehringer*, market realities showed that in the UK pharmaceutical sector (1) consumers would likely reject over-stickered imports and (2) co-branding had been an usual practice amongst local retailers.¹⁵⁰

The average consumer thus may be the best doctrinal mechanism for the operation of trade mark functions, feeding contextual matter into the assessment directly. Indeed, the literature illustratively examined earlier suggests that origin function assessment may already be assimilating more realistic cognitive responses from consumers to trade

¹⁴⁸ *ibid* 33.

¹⁴⁹ Text to n 61.

¹⁵⁰ *Boehringer (EWCA II)* (n 66).

marks.¹⁵¹ An identified strand of UK decisions already signal a departure from the notional construction of a single hypothetical consumer to have some resort to market-based evidence in adjudication of claims of greater complexity.¹⁵² *Hearst Holdings* is one such example.¹⁵³ There, infringement assessment crossed the boundaries of the graphic representation on the register to encompass an overarching brand-like concept of a cartoon character, which may find an explanation in the origin function that trade marks are expected to perform. In so doing, Birss J went through a great deal of market-based evidence to establish that consumers would perceive Betty Boop as a source indication. But his analysis also reveals a strong protection of goodwill component if we consider that protection is afforded (or perhaps, warranted) insofar as the cartoon character reflects consumer understandings in the marketplace.¹⁵⁴ In part, the origin function enquiry determined whether there was something worth protecting, suggesting yet another parallel with the goodwill requirement in UK passing off¹⁵⁵ and competitive individuality in German unfair competition.¹⁵⁶ It would be only natural that the same enquiry be extended to other functions, that is, that we better ascertain whether the claimant's brand identity has successfully converted into an image in the marketplace. Otherwise, there is hardly any goodwill warranting extended levels of protection.

The functions assessment in *Adam Opel* again provides us with a good example. With the case returning from the Court of Justice for a final judgment, the BGH held that

¹⁵¹ Ch V(3).

¹⁵² Ch III(2)(B).

¹⁵³ *Hearst Holdings Inc v AVELA Inc* [2014] EWHC 439 (Ch).

¹⁵⁴ Text to n 144 in Ch V.

¹⁵⁵ See for example *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 WLR 491 (HL); *Starbucks (HK) Ltd v British Sky Broadcasting Group* [2015] UKSC 31. See also text to n 54 in Ch II.

¹⁵⁶ See for example *Ribbed Case (BGH)* (n 36); *Towel Hooks* (2006) 37 IIC 348 (BGH).

‘the quality, advertising, communication or investment [functions] are not affected by the use of the Opel Blitz logo because the customers do not associate the Opel Blitz logo with toy cars put on the market by the claimant’.¹⁵⁷ Here a finding under the origin function happened to coincide with other functions being unharmed. Because market-related evidence revealed that consumers would not ascribe to the mark the origin significance that the claimant asserted it to have, the Blitz sign had been no more than a feature expected of toy replica models. Few would dispute a finding that if the sign used in such circumstances is not perceived as an indication of origin for the products claimed in the registration, there was no effect on brand image to be considered under other functions. *Adam Opel* also draws an important distinction with dilution. The scope of double identity, limited to identical products, meant that a brand image would have to be established in respect of the products claimed in the registration, that is, *for toys*. In the end, there was no significant *toy brand* to be harmed. Conversely, the claimants did establish a link of the Blitz sign with the registered mark for motor vehicles under dilution, although tarnishment and unfair advantage were ultimately dismissed on substantive grounds.¹⁵⁸

Cosmetic Warriors, however, presents another scenario which may require further reflection. The origin function being unharmed – by Amazon disclaiming search results for ‘lush’, for example – would not so readily dismiss or be as closely connected to infringement under other functions. In theory, the use of a sign in a manner which may not lead to source confusion could still impinge some harm upon the image of the registered mark. Shoddy repackaging of parallel imports and advertising in poor taste are

¹⁵⁷ *Adam Opel (BGH)* (n 21) [25].

¹⁵⁸ *ibid* [27]-[30].

but two examples of market practices which *may* infringe absent confusion.¹⁵⁹ But even if we were to accept the kind of harm that Baldwin QC conceived (*i.e.* a disjunctive message resulting from Amazon's use of the mark) as *potentially* actionable, which is debatable, one would still expect some harm-based enquiry into Lush's brand image. In *Boehringer*, an incursion to the realm of brand image required more than the claimant merely asserting that the practice complained of would notionally affect consumer perceptions in the market. Rather, the complaint had been made at so high a level of generality that it could never be substantiated by evidence.¹⁶⁰ Furthermore, the complexity of a dispute dealing with referential use of the mark, alongside the more substantial impact that the different choices in decision making could bring about, should encourage a more reality-based construction of the average consumer. Instead of a notional character mirroring the perception that the claimant believed its brand should have, the average consumer should have attempted to reflect the 'real world thought processes of real people'.¹⁶¹ There is a qualitative dimension to brand image, or the protectable subject matter of other functions, which is deserving of more careful consideration.¹⁶² If less controversial merchandising protection in *Hearst Holdings* prompted a sceptical enquiry into the origin function that a cartoon character would perform,¹⁶³ perhaps courts should exercise similar diligence in determining the brand dimension of a trade mark under other functions.

¹⁵⁹ Text to n 52.

¹⁶⁰ Text to n 66.

¹⁶¹ *Whirlpool Corp v Kenwood Ltd* [2008] EWHC 1930 (Ch) [70]. Discussed in text to n 144 in Ch III.

¹⁶² See also *Gangjee* (n 22) 49, referring to the qualitative dimension of reputation not receiving sufficient attention in the jurisprudence.

¹⁶³ *Hearst Holdings* (n 153).

4. Self-aligning system?

In the wake of *L'Oréal v Bellure*, the functions theory was heavily criticised for taking the form of a more standard-based, open-ended system.¹⁶⁴ The CJEU recognised that functions other than the origin function may be actionable as double identity infringement, but only defined the investment and advertising functions in subsequent case law. At the time, commentators decried the trade mark system would soon be swamped with an array of functions;¹⁶⁵ others echoed that 'the unpredictable function theory is a source of legal uncertainty for trade mark users because the scope of protected functions is unforeseeable'.¹⁶⁶

Now that the controversial judgment approaches its tenth anniversary, some of the critique may be overblown. The number of cases litigated on the advertising and investment functions has been fairly limited (perhaps due to them largely overlapping with dilution). Aside from a quality function struggling to find some autonomy¹⁶⁷ and a communication function which may be more theoretical than real,¹⁶⁸ there is no indication of other functions surfacing in the foreseeable future.

Furthermore, legal scholarship may have become more amenable to standards in intellectual property law in recent years. Martin Senftleben, who once lambasted the standard-based nature of the functions theory as a source of legal uncertainty,¹⁶⁹ now

¹⁶⁴ See for example *L'Oréal SA v Bellure (CJEU)* (n 11); Senftleben (n 53).

¹⁶⁵ See for example Meale and Smith (n 90) 99 ('... now brand owners have a potentially endless list of functions to rely upon, of which we have so far only been given a few examples').

¹⁶⁶ Senftleben (n 53) 521.

¹⁶⁷ *Gangjee* (n 22) 40. See also n 55.

¹⁶⁸ *ibid* 40-42. See also text to n 177.

¹⁶⁹ Senftleben (n 53) 521.

makes a persuasive case for an open-ended defence in European copyright. Contrary to conventional wisdom, judges from civilian jurisdictions are experienced in the application of standards, he argues.¹⁷⁰ Specifically, '[a] civil law judge applying an open-ended norm ... will seek to contribute to the evolution of consistent case law and enhance legal certainty by following relevant case precedents.'¹⁷¹ There is no reason why trademark law should be any different.

Indeed, traditional common law thinking that standards become increasingly predictable and less costly as a body of case law develops finds a civilian parallel in unfair competition law in Germany. In that jurisdiction, the Act Against Unfair Competition of 1909 incorporated a general clause, stemming from Art.10 *bis* of the Paris Convention, which proscribed the performance of acts contrary to honest practices.¹⁷² What many would have considered an invitation for legal uncertainty, raising concerns similar to those currently associated with the functions theory, never realised: the ambit of the provision was constrained by legal practice. According to Frauke Henning-Bodewig:

From the very start, judicial practice and legal literature attempted to systemise the wealth of decision material by creating what are known as "case groups" ("*Fallgruppen*"). Since the legislative text itself was not particularly explicit, these case groups soon acquired major importance, by means of which the necessary legal certainty was provided. In this way, German competition law became a kind of "case law", but with the difference that -- theoretically -- the decisions of the supreme civil court, the *Bundesgerichtshof*, are not binding.¹⁷³

¹⁷⁰ Martin Senftleben, 'The Perfect Match: Civil Law Judges and Open-Ended Fair Use Provisions' (2017) 33 *AmUInt'lLRev* 231.

¹⁷¹ *ibid* 256.

¹⁷² Act Against Unfair Competition of 1909 (*Gesetz gegen den unlauteren Wettbewerb*), s.1 ('Any person who, in the course of trade and for the purposes of competition, commits acts contrary to honest practice may be enjoined from such acts and held liable for damages.')

¹⁷³ Frauke Henning-Bodewig, 'A New Act against Unfair Competition in Germany' (2005) 36 *IIC* 421, 422.

This process of arranging decisions by case groups which emerged in Germany raises a few points of interest. For one, it suggests that claimants have a propensity to focus on a narrower set of causes of action, perhaps assuming a risk aversion profile and behaving more rationally than trade mark scholarship suggests. A general clause would allow different, even novel kinds of claims to be asserted, yet that seldom happened. Rather, thematic decisions coalesced into case groups which were later incorporated into statutory law, the so-called supplementary protection of achievement being the prime example. Deriving from the case group for slavish imitation,¹⁷⁴ this cause of action encompasses instances of ‘deception of origin by imitation of another’s products or services’.¹⁷⁵ Conversely, market practices like sales promotions and discounts, which had been over-regulated but became acceptable by influence of CJEU jurisprudence, were jettisoned from the UWG 2005.¹⁷⁶

One can see some resemblance to the functions theory. As a body of case law gets developed, content is expected to be added to other functions which, in turn, should become determinate over time; by the same token, departure from known precedents to create new functions may be discouraged and, indeed, would require some convincing justification. Current practice seems to be moving in this direction. At present, court decisions indicate that the advertising and investment functions largely coincide on dilution harms. Taken together with confusion-based infringement under the origin function, the emergence of more functions (or rather, different kinds of actionable harm) is more speculative than real. If unfair competition practice has failed to develop any

¹⁷⁴ *ibid* 428-429.

¹⁷⁵ See for example *Towel Hooks (BGH)* (n 156) [3].

¹⁷⁶ Henning-Bodewig, ‘A New Act against Unfair Competition in Germany’ (n 173) 423; Manuela Finger and Sandra Schmieder, ‘The New Law Against Unfair Competition: An Assessment’ (2005) 6 *GermanLJ* 201, 202-204.

further trade mark-relevant cause of action, nothing suggests new functions will come to existence just because European trade mark law now allows for the theoretical possibility. The communication function is a good example. Although briefly mentioned in *L'Oréal v Bellure*,¹⁷⁷ there is no notice of it ever being litigated in courts. The notorious difficulty in providing a workable definition of a communication function of a trade mark or, more importantly, in conceiving how and why such a function would be harmed may have served as a deterrent.¹⁷⁸

By focusing on an expansionist discourse, the criticism of the standard nature of functions as a source of legal uncertainty may also have downplayed an important facet of such an open-ended system. It is agnostic. Limitations on scope of protection are being developed in similar fashion; honest concurrent use¹⁷⁹ and territorial scope of unitary rights¹⁸⁰ may be coalescing into the trade mark functions iteration of case groups to engage with broader normative concerns.

Not so long ago, a group of scholars contended that for trade mark protection to be reconciled with other core values like freedom of expression and consumer welfare an open-ended defence would be the preferred approach. In their view, such a clause would be 'offering room for the courts to develop appropriate new defences on a case-by-case basis in circumstances that are comparable to those expressly exempted in the

¹⁷⁷ *L'Oréal v Bellure* (CJEU) (n 11), para 58.

¹⁷⁸ See also Keeling and others (n 1), para 2-023, suggesting that the communication and investment functions may come to the same thing.

¹⁷⁹ *IPC Media (EWCA)* (n 45); *Supreme Petfoods* (n 45); *Victoria Plum Limited v Victorian Plumbing Limited* [2016] EWHC 2911 (Ch); *Walton v Verweij* (n 108).

¹⁸⁰ Case C-235/09 *DHL Express France SAS v Chronopost SA* [2011] ETMR 33 (CJEU); Case C-223/15 *combit Software GmbH v Commit Business Solutions Ltd* [2016] Bus LR 1393 (CJEU); Case C-93/16 *Ornua Co-operative Ltd v Tindale & Stantion Ltd Espana SL* [2017] ETMR 37 (CJEU).

legislation'.¹⁸¹ Yet, there is a strong case to be made that the functions theory could perform this role more coherently. For one, trade mark policy, which largely turns on consumer understandings, seems more amenable to judicial development of limitations on scope of protection than statutory defences, as the CJEU's increasingly narrow reading of defences would confirm.¹⁸² There is the caveat, however, which we may draw from the German trade mark use experience, that courts should be cautious about dealing with precedent, so that factual matters are not generalised into statements of law. Put differently, prior cases should not be extrapolated to establish overriding presumptions of consumer behaviour for any given situation, as we have seen in the formulaic reasoning that German courts sometimes devolves into.¹⁸³ To be sure, there are many, justifiable reasons for the use of heuristics in adjudication, but it should not detract from the contextual character of the functions theory. Else, infringement assessment would risk losing sight of trade mark policy by surrendering to legal formalism, turning decision making into another kind of abstract assessment.

A scheme of protection dealing with proscription limitations by context may also avoid the challenges of interpretation posed by statutory defences in European law. An analysis attuned to extant consumer understandings which may differ among Member States is less likely to be generalised into an abstract rule and also gives some leeway for regulatory autonomy in sensitive matters such as freedom of expression.¹⁸⁴ Taking the

¹⁸¹ Martin Senftleben and others, 'Recommendation on Measures to Safeguard Freedom of Expression and Undistorted Competition in EU Trade Mark Law' (2015) 37 EIPR 337, 340.

¹⁸² See for example Case C-102/07 *Adidas AG v Marca Mode CV* [2008] ETMR 44 (CJEU), para 48; *Adam Opel (CJEU)* (n 63), para 44.

¹⁸³ Text to n 110 in Ch IV.

¹⁸⁴ See also Senftleben and others (n 181) 340 ('... at stake are not only the interests of trade mark proprietors and consumers but also those of competitors and the public at large, and that none of those interests must be disregarded when the prerequisites and scope of protection are examined.').

example of a parody, the functions theory would adjudicate a potential conflict by focusing on the trade mark interests potentially affected, notably confusion-based harm, while avoiding issues foreign to trade mark law such as the aesthetic judgment of humour or mockery that have emerged in the copyright parody defence.¹⁸⁵ In the reading I propose, a parody would hardly be found infringing when it is clearly distinguishable from the work being parodied, for there would be no harm to the origin function. And the broader definition of the sign comprising surrounding contextual matter, as we see developed in the UK, would limit most issues of parody to likelihood of confusion.

Which leads us to another important aspect of a more contextual reading of the functions theory. While other functions may have broadened the theoretical scope of protection under double identity – though they still fall short of an otherwise absolute protection – a broader definition of the sign in context made such claims less frequent. The UK mark for sign comparison standard may have narrowed double identity to a smaller subset of cases.¹⁸⁶ Honest concurrent use in *IPC Media* and referential use in *BMW v Technosport* were adjudicated as issues of likelihood of confusion, for example.¹⁸⁷ But even so, the functions theory played a role in setting out a threshold for actionable confusion in those cases, while the broadly defined signs, which were no longer identical to the registered mark, made other functions unavailable. *Specsavers* is perhaps the prime example of a broadly defined sign affecting the choice of causes of action.¹⁸⁸ Following this, an own brand applied to a shape mark or explanatory text accompanying the reproduction of a mark in a parody may well be sufficient turn those

¹⁸⁵ Case C-201/13 *Deckmyn v Vandersteen* [2014] ECDR 21 (CJEU).

¹⁸⁶ Ch III(2)(A).

¹⁸⁷ *IPC Media* (EWCA) (n 45); *Bayerische Motoren Werke Aktiengesellschaft v Technosport London Limited* [2017] EWCA Civ 779.

¹⁸⁸ Text to n 82 in Ch III.

uses into an issue of likelihood of confusion. But even in double identity, recent disputes seem to be focussing on the origin function only,¹⁸⁹ which might be indicative of a self-adjustment similar to German unfair competition.

Lastly, this analysis shows that legal certainty and determinacy are fundamental concerns which, however, must be put in perspective within the increasingly complex reality in which we find ourselves. We should not expect that normative concerns and commitments which shaped the system in the distant past hold true and remain to be applied indistinctively nowadays. As commercial practices, technology and, mostly, consumer attitudes have developed, trade mark law needs to evolve.¹⁹⁰ This may require that concessions be made so that trade mark law may still attune to its core objectives of economic efficiency and protection of goodwill while also reconciling other interests potentially affected by an expansion trajectory to non-traditional marks and uses of a sign. The conventional discourse that a registration-based system governed by a set of abstract rules would yield efficient, accurate or even equitable results lost much of its strength in the past years. If nothing else, limitations of abstraction prompted recourse to other doctrinal mechanisms that would allow courts to grapple with an increasingly complex reality.

¹⁸⁹ See for example *Supreme Petfoods* (n 179); *Walton v Verweij* (n 179).

¹⁹⁰ See also *Dinwoodie and Janis* (n 77) 142 ('... the variety of policy concerns that are likely to be implicated by trademark claims will only expand as trademarks increasingly take on new social and commercial roles').

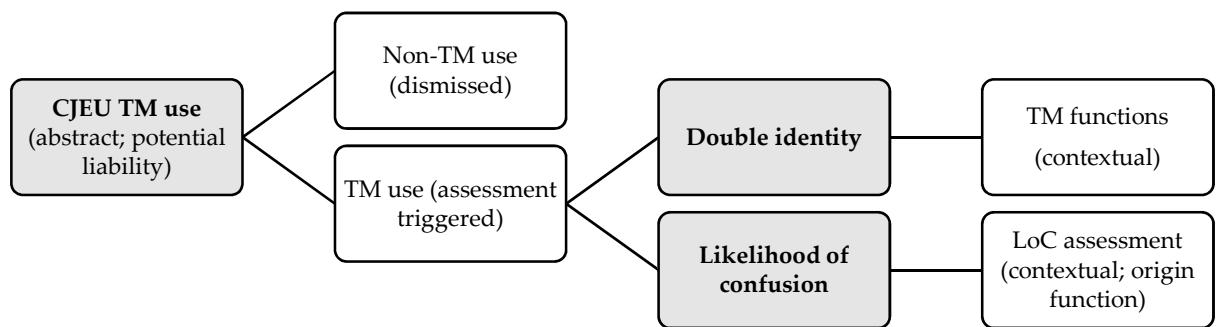
VII. CONCLUSION

In this thesis, I defended that a coherent reading and application of the functions theory is not only possible, but desirable. While commentators have often focused their analysis on functions providing a substantive standard for infringement or critiqued the absence of a positive definition of other functions, I proposed that the functions theory would be better explained by shifting the debate to methodology. Put this way, the functions theory may deliver a more transparent process of reasoning, allowing infringement assessment to engage with normative choices (or internalise policy concerns) which a conventional industrial property model otherwise fails to grasp. It presupposes a contextual assessment, so that it can be properly discerned and applied by national courts. My argument unfolded as follows.

In Chapter II, I began examining the trade mark functions theory developed by CJEU jurisprudence. By focusing on confusion-based claims, I showed that the development of the functions theory and an increasing judicial awareness of context in infringement are entwined. Contextual analysis in turn relies on a more nuanced understanding of the consumer. This analysis suggested that the functions theory should be seen as a doctrinal device that, together with a more realistic (or hybrid) construction of the average consumer, enabled infringement assessment to be infused with market realities, to respond to a problem that the expansion of trade mark law had created. I further proposed that a more coherent reading of the CJEU jurisprudence can be attained by emphasising the theoretical distinction between (1) the trade mark use doctrine, as a defensive theory of immunisation driven by abstract rules, and (2) the functions theory operating through a contextual assessment. The functions theory requires some regard for market realities, whereby the (legal) consumer subject should be – at least partially –

informed by the perceptions of actual consumers rather than reduced to a purely notional, hypothetical person. This context assimilation process has implications for the infringement assessment conducted by national courts.

Figure 1



To support this proposition, Chapter III investigated the development of an increasingly contextual infringement assessment in the UK. The actual use of the trade mark by the claimant, the context in which the sign is used by the defendant, consumer understandings and market practices are all factors taken into account in determining whether the use of a sign is liable to adversely affect the trade mark functions. I thereby suggested that the methodological shift to a *mark for sign* standard (following CJEU guidance examined in Chapter II) effected a deeper change in the nature of the comparison: infringement analysis is favouring consumer perceptions over the formality of the registrar. I further suggested that this 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: instead of focusing on the question of whether the marks taken in isolation are confusingly similar, UK courts seem to be anchoring

infringement to a finding of confusion (to some extent) reflecting understandings of consumers inhabiting the marketplace.

Seeking another possible benchmark, Chapter IV investigated the extent to which German courts have assimilated the functions theory and the notion of context developed in the CJEU jurisprudence. I thereby identified some notable methodological differences between the CJEU functions-based approach and trade mark use in Germany. Instead of shifting the standard of comparison to render likelihood of confusion analysis more contextual (as the UK approach in Chapter III indicates), German courts have just relabelled their already-existing trade mark use analysis as ‘functions’. Thus external matter is introduced *upstream* via trade mark use assessment while likelihood of confusion retains its formalistic, abstract character. As such, trade mark use worked as a gateway to context, to offset the formality of the conventional paper-based approach to infringement; whenever the issue of trade mark use was raised, courts would reach for market realities. Infringement thus followed a two-stage approach in Germany. While likelihood of confusion analysis adhered to a strictly formal mark for mark comparison (sharing similarities with the prior UK mark for mark position examined in Chapter III), trade mark use would factor in a myriad of external matter like distinctiveness of the registered mark, the use of the sign by the defendant, market practices and consumer understandings. This gateway function of trade mark use could explain why it has become (and still is) a question separate to determination of confusion in Germany.

The doctrinal analysis carried out in these chapters raised a few points of interest. It contradicts more conventional accounts of registration-based systems being strictly limited to (or precluding anything other than) a mark for mark comparison standard. It further suggested that this typical infringement assessment insulated from market realities

concealed a design flaw which became apparent once trade mark law expanded its boundaries. While infringement of word or image marks were easily accommodated within this traditional industrial property model, other categories of marks with higher potential to stifle competition (e.g. shapes and colours) required a different set of considerations that are unaccounted for in a paper-based assessment. By infusing an otherwise strictly abstract infringement assessment with market realities, courts were able to better engage with these more complex claims.

Chapter V thus advanced the basic framework for a context-based model drawing on the origin function approached under the likelihood of confusion and double identity causes of action (i.e. confusion-based infringement). It was divided in four parts. The first part addressed the apparent inconsistencies identified in UK and Germany. By addressing what I considered limitations and unnecessary complexity inherent in the German approach, I defended that a downstream model incorporating functions analysis into likelihood of confusion directly would be preferable (Fig. 1). In the second part, I considered some of the inconsistencies identified in the UK approach to functions, which, once resolved, would provide a foundational framework. The third part provided the justifications for a functional model, namely, why is it normatively desirable to retain (or even further develop) a contextual approach to infringement. I proposed that the functions theory operating *downstream* through single-stage infringement assessment may be understood as a transparent process of reasoning which may further core objectives of trade mark law more effectively. By making use of market-related evidence, it has the potential to broach (or internalise) normative concerns that would otherwise remain buried in a paper-based assessment. It may address some of the issues vexing trade mark law at the infringement and remedies level. In particular, the functions theory can more easily explain (and adjudicate) issues of merchandising, referential use and honest

concurrent use. The last part of the chapter explored potential applications of the functional model. Here I suggested a more coherent (and desirable) reading of scope of protection, by limiting application of so-called notional fair use (instead situated within a spectrum) and defending more clear engagement with the notion of actionable confusion (tethered to a narrower construction of origin function harm). I further considered scenarios broaching the tension (or rather, disconnect) between registration and infringement non-traditional marks. A functional model would render a more doctrinally coherent (and normatively desirable) environment for non-traditional marks that currently face an unsurmountable burden at the registration level which runs counter to other core objectives of European trade mark law (e.g. incentives to expansion and single market integration). Such marks could be registered but obtain ‘thinner’ protection via functions analysis.

Finally, Chapter VI expanded the proposed model to other functions. I addressed how, as a matter of policy and legal practice, a methodology could be devised to incorporate market-related evidence in the functions theory so that a purposive construction of infringement is attained. Trade mark functions, realising their full potential as a theory of harm, could be used to gauge the extent of factual review, with experience showing that courts are somewhat used to sorting claims by their complexity. For example, a straightforward case of harm to the origin function, that is, a conventional infringement claim that would not trigger what German courts considered a trade mark use issue need not have resort to much empirical evidence and could therefore rely on a more normative (or limited in scope) approach. However issues that have been characterised as less-conventional uses of a trade mark (e.g. merchandising and comparative advertising), which are already subjected to trade mark use (in Germany) and functional (in the UK) analyses, may undergo a more extensive depth of review.

Likewise, a more sceptical stance on other functions is a natural development: following the more use-influenced approach to infringement applied to uses of a mark that are more controversial, harm to the investment or advertising functions should require additional layers of factual review. Thus the CJEU's holding that other trade mark functions are independently protected is but another expansion movement which – as it has happened with the origin function – should be met with an in-depth contextual infringement assessment. This could mean that to full embrace trade mark law as protecting other functions (or possibly, different dimensions of a brand) which are only tangential to source-identification judgement, we should be ready to accept that consumers do not always buy into the meanings that trade mark owners assert their brands to have. Rather, brand image, in its manifold dimensions, is the manifestation of a dyadic process in which consumers play an active role. Just as consumers were proven not to attach origin significance to the Blitz sign for toys, but rather the car manufacturer, we should be asking ourselves the extent to which consumers really assimilate the brand-like message that other trade mark functions purport to protect.

By and large, functional analysis is a strong statement for reality-based rights when it comes to infringement; a statement that trade mark functions require a methodological shift that recent CJEU jurisprudence seems to be nourishing. In becoming increasingly contextual, infringement assessment could be departing from a registrar-based, proprietary logic to embrace a consumer-centred view of trade mark law with potential for further research.

To be sure, this thesis is by no means exhaustive. Amongst other things, it seeks to raise awareness of methodology in trade mark infringement and, hopefully, broach other avenues of research. There are many possible applications of the functional model

yet to be explored or further developed. Identifying specific markets which could provide insights on consumer behaviour and attitudes towards practices like referential use is a possibility. How are such practices developed and what makes them more acceptable amongst operators of some markets rather than others? Behavioural studies may offer another interface which may prove profitable. While trade mark scholars have recently grappled with such literature to draw insights into consumer attitudes and construction of brand image, my research touches on another dimension of behaviourism with potential to be explored: the effects of cognitive restraints and heuristics/biases on decision-making. We should try to understand, for example, how, if at all, issues such as framing and priming may affect trade mark office examiners and judges.

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