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Country Correspondents

The Country correspondents section of *World Trademark Review* is a feature in which leading firms from countries across the globe take a detailed look at a specific topic affecting trademark owners

Advertising

This issue contains an array of insights on advertising, ranging from legislative updates to the impact on brand owners' marketing strategies of new regulatory measures. Several jurisdictions consider new laws – or the need of them – to clarify "inconsistent" rulings. All the articles underscore the importance of raising awareness about how trademarks are used in advertising.

SteinhauserRijsdijk Advocaten BV

Inconsistencies on comparative advertising in Benelux still apparent

The ECJ's decision in the *O2 Case* has clarified key issues unique to Benelux. However, inconsistencies in approach are still apparent

EU legislation on comparative advertising is governed by two directives: the Unfair Commercial Practices Directive (2005/29/EC) and the Misleading and Comparative Advertising Directive (2006/114/EC). Rather than examining these in detail, it is useful to consider how they contrast with the historical approach taken in Benelux. While the European Court of Justice's (ECJ) ruling in *O2 Holdings Limited v Hutchison 3G Limited* (Case C-533/06, June 12 2008) has clarified the way comparative advertisements should be treated, a number of questions remain.

The essence of the advertising directive is found in Article 194a of Book 6 of the Dutch Civil Code, which defines what comparative advertising is and when it is allowed. Article 4 of the directive states that comparative advertising shall, as far as comparison is concerned, be permitted when the following conditions are met:

- It is not misleading within the meaning of Articles 2(b), 3 and 8(1) of this directive or Articles 6 and 7 of the Unfair Commercial Practices Directive;
- It compares goods or services meeting the same needs or intended for the same purpose;
- It objectively compares one or more material verifiable and representative features of those goods and services;
- It does not discredit or denigrate the trademarks, trade names, other distinguishing marks, goods, services, activities or circumstances of a competitor.
- For products with designation of origin, it relates in each case to products with the same designation;
- It does not take unfair advantage of the reputation of a trademark, trade name or other distinguishing marks of a competitor, or of the designation of origin of competing products.
- It does not present goods or services as imitations or replicas of goods or services bearing a protected trademark or trade name; and
- It does not create confusion among traders, between the advertiser and a competitor, or between the advertiser's trademarks, trade names, other distinguishing marks, goods or services and those of a competitor.

Unresolved issues

Prior to *O2* there were two unresolved issues under the Benelux regime. First, if one did not meet the conditions for comparative advertising as provided in Article 4 of the Misleading and Comparative Advertising Directive, would this constitute trademark infringement or fall under tort?

Second, under Benelux legislation a mark owner can prevent the use of a sign, other than for the purposes of distinguishing goods or services, when use without due cause takes unfair advantage of, or is detrimental to, the distinctive character of the trademark (Article 2.20 (1)(d) of the Benelux Convention on Intellectual Property). This 'other use' ground is set out in Article 5(5) of the Trademarks Directive (2008/95/EC) and is based on the Benelux practice.

The adoption of Article 5(5) has not been harmonized across the European Union – most member states have not incorporated this provision into national law. Article 5(5) therefore raises an interesting question in Benelux. Does trademark use in comparative advertising qualify as 'other use' for the purposes of Article 5(5)?

In the Benelux trademark use in comparative advertising was, in general, qualified as 'other use', as provided for in Article 5(5) of the Trademark Directive and Article 2.20(1)(d) of the Benelux Convention. As long as the advertising was in line with the requirements for comparative advertising, the competitor was deemed to have 'due cause' to use the trademark.

However, according to the Benelux Court of Justice in *Claeryn v Klarein* (Case NJ 1975, 472, March 1 1975), 'due cause' has to be restrictively interpreted. Therefore, trademark use in comparative advertising was often deemed to be infringing. An example is a case involving two competitors in the electronics market, Correct and Media Markt. Media Markt advertised with the slogan 'Only at Media Markt the correct price'. The Hague Court of Appeal qualified this as 'other use' of another party's mark, and found that this took unfair advantage of, and was detrimental to, the distinctive character and repute of the CORRECT mark. Moreover, there was no due cause. Thus, Media Markt infringed the trademark rights of Correct (Case IER 2004, 77, May 27 2004).

Qualifying 'other use'

The most recent Benelux ruling before *O2* was the *KPN v UPC* (Case IER 2007, 54, March 20 2007) judgment of the Arnhem Court of Appeal, in which the court confirmed that the use of a competitor's mark in comparative advertising is governed by Article 2.20(1)(d) of the Benelux Convention and Article 5(5) of the Trademarks Directive.

The problem of qualifying trademark use in comparative advertising as 'other use' is that it is unique to the Benelux, whereas the intent of the EU legislature was to harmonize the rules. Since *O2*, it is clear that trademark use in comparative advertising has to be regarded as use for the advertiser's own goods and services for the purposes of Article 5(1) and (2) of the Trademark Directive, not 'other use' for the purpose of Article 2.20(1) (d) of the Benelux Convention and Trademark Directive Article 5(5).

The question of whether to assess a

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L'Oréal v Bellure (June 18 2009, C 487/07) marks a return at EU level to the old Benelux practice whereby famous and well-known trademarks have always been protected against unfair use. Much has happened between the *Clareyn/Klarijn Case* (March 1 1975, NJ 1975, 472) and the European Court of Justice (ECJ) decision in *L'Oréal v Bellure*. Benelux case law has evolved and the protection of well-known trademarks has acquired a firm basis in legal practice. EU legislation is based on this Benelux approach and the L'Oréal ruling forms the tailpiece of this evolution. It gives trademark owners a strong weapon with which to protect their well-known marks throughout the European Union – stronger even than previous Benelux practice.

Protection of well-known trademarks under Benelux legislation

Well-known trademarks enjoy special, wide protection under EU legislation. Article 5(2) of the EU Trademarks Directive (89/104/EEC) states that the holder of a trademark which has a reputation in an EU member state is entitled to prevent the use, without due cause, of a sign that is identical or similar to the trademark if such use takes unfair advantage of, or is detrimental to, the distinctive character or reputation of the trademark. Article 9(1)(c) of the EU Community Trademark Regulation (207/2009) provides the same protection for Community trademarks.

This provision stems from Benelux legislation that allows a trademark holder to prevent the use of a sign, other than for the purposes of distinguishing goods or services, where such use, without due cause, may be detrimental to the trademark owner. This has always been possible in the Netherlands; the same rule has applied in Belgium and Luxembourg since the Benelux Trademark Act 1962 came into force in 1971. Although this right is not exclusively granted to owners of well-known trademarks, the Benelux Court of Justice clarified its position in the *Clareyn/Klarijn Case*. In this landmark case involving CLAREYN, a famous Dutch brand of gin, and the later sign KLARIJN, used for a detergent, the court ruled that a trademark's reputation can be an important factor in the assessment of potential detriment. Furthermore, it held that detriment may be caused by the fact that the use of the sign is such that it "appeals to the senses of the public in such a way that the trademark is harmed in its appeal and its power to stimulate the consumer's desire to buy". This detriment can consist of the loss of distinctive character, as a result of which the trademark is no longer capable of prompting an immediate association with the goods and services for which it is registered. According to the court, if the trademark at issue is well known, this negative effect will manifest itself sooner because, as a rule, the power to stimulate the consumer's desire to buy depends on the trademark's fame and reputation. The Benelux Convention on Intellectual Property, which came into effect in 2006, codified the rule that the owner of a well-known trademark can prevent the use of a sign that is identical or similar to the trademark when such use, without due cause, takes unfair advantage of or is detrimental to the distinctive character or reputation of the trademark. This provision (in Article 2.20 (1)(c) of the convention) is a further elaboration of the law from the position in the *Clareyn/Klarijn* judgment. It differs from EU legislation in that protection is additionally offered to prevent the use of a sign other than for the purposes of distinguishing goods or services (Article 2.20 (1)(d)). This criterion consists of three elements of infringement:

- taking unfair advantage of the distinctive character or the reputation of the trademark;
- causing detriment to its distinctive character (ie, dilution); or
- causing detriment to its reputation.

Dilution is the most common form of infringement. Benelux case law shows that the risk of dilution can be readily established – irrespective of the products or services for which the sign is used – particularly in respect of famous trademarks, such as COCA-COLA and ROLLS-ROYCE. Examples under the Benelux Trademark Act include:

- the use of an image of a figure similar to the famous Rolls-Royce "Spirit of Ecstasy" figure for ties, which was held to be detrimental to the distinctive character and appeal of the trademark (Rotterdam District Court, January 13 1995, BIE 1996, 18);
- the use of a later trademark KATJA for soap, which was held to be detrimental to the reputation of the well-known trademark KATJA for liquorice because the association with soap as a product intended for personal use was likely to harm the trademark's power to stimulate the consumer's desire to buy products under the trademark (Utrecht District Court, April 9 1997, BIE 1997, 77);
- the creation of shampoo bottles resembling the champagne bottles of the well-known trademark MOET & CHANDON, which were held to take unfair advantage of the distinctive character and reputation of Moët's trademarks (District Court of The Hague, November 8 2000, BIE 2001, 64); and
- the use of the domain name XS4U for erotic products and services, which was

held to take unfair advantage of the distinctive character of well-known trademark XS4ALL for internet services, as well as being detrimental to the latter's reputation (Arnhem District Court, summary proceedings, October 27 2004, BIE 2005, 75).

Benelux legislation has allowed owners of well-known trademarks to enjoy extensive protection for decades. The EU Trademark Directive and the EU Community Trademark Regulation extend this protection throughout the European Union. The recent *Intel* and *L'Oréal* judgments have further defined the scope of protection for well-known trademarks and are based on older Benelux case law to a significant extent.

Intel and *L'Oréal*

In the *Intel* judgment the ECJ held, among other things, that a well-known trademark is said to be diluted when an earlier mark that used to prompt immediate association with the goods and services for which it is registered is no longer capable of doing so. This reasoning comes directly from the *Clareyn/Klarijn* judgment. The more famous or distinctive the trademark, the more likely the risk of dilution. Unfortunately for trademark owners, the ECJ set a high threshold of proof for dilution, defining it as: "[a] change in the economic behaviour of the average consumer of the goods or services for which the earlier mark was registered as a consequence of the use of the later mark, or a serious likelihood that such a change will occur in the future."

Legal scholars – and practitioners in general – consider this heavy burden of proof to be problematic. The general view is that the ECJ has set the bar too high for the trademark holder. Subsequent Benelux case law has demonstrated how difficult it is for a trademark holder to attack a later sign according to the *Intel* criterion. In *G-Star Raw v Pepsi Raw* (District Court of The Hague, summary proceedings, December 15 2008, IER 2009, 9) the court expressly stated that the ECJ had set a strict and high standard. G-Star was unable to prove that consumers' economic behaviour would be affected by the use of PEPSI RAW.

The ECJ's *L'Oréal* ruling offers a more helpful tool for owners of well-known trademarks. The ECJ held that the owner of a well-known mark need not show that there is a likelihood of confusion, a likelihood of detriment to the distinctive character or reputation of the mark, or even any general detriment. Gaining from the reputation of a well-known trademark without investment (ie, sponging) is an infringement, whether it causes detriment to the trademark or not. On the basis of this clear and useful standard, owners of well-known trademarks are advised principally to claim for unfair advantage in respect of the trademark's reputation or distinctive character, rather than opting for the claim of dilution that was so commonly used before *Intel*.

Two recent cases in the Netherlands show that the owner of a well-known trademark may stand a better chance of success when invoking unfair advantage (ie, the *L'Oréal* criterion), rather than dilution (ie, the *Intel* criterion). In *F1 v Goldzade* the District Court of The Hague found that F1 is famous worldwide as a trademark for car races. It found that Goldzade, the owner of the contentious sign, had profited from the commercial efforts of the well-known trademark owner to create and maintain the reputation of the mark F1 without providing financial compensation. The owner of the trademark F1 could therefore prevent the use of the sign FONE1 for energy drinks, even if use of the attacked sign would not cause detriment (summary proceedings, September 4 2009, B9 8158). More recently, the same court confirmed that the use of a table containing a description of types of fragrance, linked to a product code and a comparison with famous perfumes, infringed the rights of the owners of the famous marks. It stated that: "The table, printed on double pages at the end of the brochure, is intended for no other purpose than as a tailpiece aimed at persuading customers to purchase an FM product... The summary proceedings judge therefore... fails to see why the summary table does not conflict with the criterion recorded in the *L'Oreal v Bellure judgment*" (*Coty Prestige v FM Group*, District Court of The Hague, summary proceedings, October 14 2009, B9 8266).

Comment

The existing framework of protection for well-known and famous trademarks stems from old Benelux legislation and case law. Recent Benelux case law suggests that this old system, as transposed into EU legislation and elaborated by further case law, gives famous and well-known trademarks even greater protection than before. *L'Oréal* and subsequent case law have clarified that the owners of famous and well-known marks can contest the use of signs that sponge off a trademark's reputation, even if this does not cause detriment – an important gain for trademark owners. WTR

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