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Strategic branding: Does Trade Mark Law Provide for Sufficient Self Help and Self Healing Forces?

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General principles

- The tensions between trademark law and free competition are generally considered to be smaller* than in other areas of IP law, because
 - trade marks do not restrict, but rather enable competition by identifying goods and services as to their commercial source
 - trade marks do not hinder offering of goods or services, even when they are exactly the same as those of a competitor, as long as the source is correctly indicated by a proper trade mark. And
 - identifying one's goods or services by a proper mark is no problem, as new marks are in infinite supply

* With the exemption of parallel importation



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However...

- Conflicts with competition principles may arise where the above-mentioned hypotheses do not hold true, i.e. where
 - marks are not only used and protected as indications of commercial source, but as assets whose intrinsic value is protected independent of likelihood of confusion arising with regard to commercial origin (extended protection against dilution etc.)
 - “mark“ and “product“ are the same, as will typically occur when 3D shapes are protected as marks
 - certain categories of marks are not in infinite supply, such as single colours, or signs carrying a specific meaning



How to react?

- Even where conflicts with free competition exist, trade marks get “special treatment“ in view of their specific character
- In particular, compulsory licenses have been banned by Art. 21 TRIPS as irreconcilable with the very nature of trade marks
- Frictions with competition aspects must therefore recommendably be solved “internally“, i.e. by the self-healing forces mentioned in the title of this presentation
- As an example for incumbent problems and possible ways to solution, the presentation will focus on “event marks“ and related phenomena (more issues – colour marks, 3D shapes – are adressed in the paper)



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Event marks: the phenomenon

- Organisers of sports tournaments etc. try to recoup costs and derive gains from the attention commanded by the event, inter alia by way of merchandising
- Registration of trade mark rights in the logos and insignia used is a centerpiece of the strategy
- While registration is unproblematic for logos, emblems, figurines etc. developed for the event, the organisers are usually also interested in being able to claim a sole right in the name of the event as such
- Powerful organisations (FIFA, IOC) usually get political support for their claims from governments fearing that otherwise, they won't even qualify as a candidate country



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How event marks are exploited

- Once the rights have been secured (and the event draws near), the organisers will threaten to sue everyone not having their authorisation, whenever reference is made to the event in the context of commercialising goods or services
- The word “ambush marketing“ has been coined to describe the conduct of non-authorized users, thus suggesting “evil intent“
- In most cases, competitors will give in to the threats for fear of costly and lengthy proceedings
- Resistance can only be expected from (nearly) equally strong competitors taking a vital interest in the matter; see German case “Fussball WM 2006“ (FIFA/Ferrero)



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The legal issues, general

- Trademarks, including event marks, can only be protected if they are not devoid of distinctive character, or descriptive of the goods or services they are intended to designate
- According to the ECJ's interpretation of the provisions, "the need to keep free" in the interest of competitors is taken into account (only) for assessing descriptiveness, whereas evaluation of distinctive character depends solely on the understanding of the sign by consumers
- Event marks are seldom straightforwardly descriptive of the goods or services they designate, except for articles immediately connected with the sport etc.
- Whether an event mark is registered or not depends therefore essentially on the competent authority's assessment of consumer perception



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The legal issues: Interpretation by the German Federal Supreme Court

- Concerning the distinctiveness of “Fussball WM 2006“, The German Federal Supreme Court has argued that consumers do not generally associate the name of the event with a particular commercial origin, and do not expect goods bearing the sign to have been approved (on the basis of licensing contracts) by the organisers of the event.
- The trade mark was therefore held liable to cancellation with regard to all goods and services having an even remote connection with the event.
- All’s well that ends well? Not quite, because the deal had already been done and the money cashed in – and the story is going to continue at other times and different places.....



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What does this mean for the self-healing forces?

- As the German experience shows, self-healing forces do exist (but they may come too late)
- In addition, the strong focus placed by the ECJ's interpretation of EU trademark law on consumer perception does bear risks
 - by asserting their alleged rights in a very pro-active (aggressive) manner, strong players can shape market reality, and thereby also ultimately the perception of consumers (“consumer education“)
 - the contention that consumers expect all articles displaying an event mark to have been authorized by the trade mark holder, and would be subject to a likelihood of confusion where that is not the case, then becomes a self-fulfilling prophecy



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Other examples

- The situation regarding event marks is remindful of the development in the area of sports clubs' names and emblems
- In the Arsenal case, the ECJ has decided that any display of such signs on fan articles needs to be regarded as trademark infringement (irrespective of the national judge's appraisal of consumer perception)
- A similar development is under way with regard to toy models of vehicles (cars, trains), see ECJ Opel/Autec
- In that case, unlike Arsenal, the ECJ does not want to attribute the merchandising (toy) market entirely to the original manufactureres, but leaves that for the national courts to decide
- However, in the longer run, it is likely that also that market will be captured, by influencing consumer understanding



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Conclusions – what to do?

- If that and similar developments shall be prevented, the role of competitive aspects for the interpretation of trade mark law must be articulated more openly and strongly
- Otherwise, trade mark law may have to face similar situations as in other areas of IP law (blocking of access to downstream markets).
- But what, then, about Art. 21 TRIPS? Suggestions, discussion?



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Thank you for your attention!