



JONES DAY
COMMENTARY

SMELLS GOOD TO BRAND OWNERS: EUROPEAN COURT OF JUSTICE STEPS IN TO PROTECT TRADEMARK OWNERS FROM COPYCATS

Brand owners who operate in Europe will welcome the decision of the European Court of Justice (“the ECJ”) in *L’Oréal v. Bellure and others*, in which it has widened the scope of protection for trademark owners. Now, when an infringer utilizes another’s trademark to promote its own goods, this can constitute “taking unfair advantage” of the trademark owner’s mark, even if the essential function of the trademark owner’s mark (to guarantee origin) is not jeopardized.

The ECJ’s clarification of what constitutes “taking unfair advantage” in the context of trademark laws and comparative advertising defenses means that trademark owners can now stop copycats from getting a free ride on the back of their famous brands, and the copycats can no longer escape liability by hiding behind a comparative advertising defense.

BACKGROUND AND FACTS

Council Directive (EC) No. 89/104 (the “Directive”) is the root of all trademark laws in the European Union. Each country has implemented this Directive to be its national trademark law. To promote and attempt to ensure the harmonization of trademark laws across the European Union, a national court of a country of the European Union can, when it considers it necessary, refer questions of law to the European Court of Justice for clarification. The judgment of the ECJ is then binding across the European Union, with the aim that all national courts of the European Union interpret the legislation in the same way.

That is exactly what happened in this case.

The dispute is in relation to L’Oréal’s well-known brands of perfume—*Trésor*, *Miracle*, *Anaïs-Anaïs* and

Noa—and cheaper brands marketed by a third party as *smell-alike* perfumes designed to reproduce the scent of L'Oréal's brands. L'Oréal had two complaints. First, retailers were provided with comparison lists showing to which L'Oréal brands the smell-alikes corresponded. Second, the smell-alikes were sold in similar packaging and had similar bottle designs to L'Oréal's registered trademarks.

L'Oréal's word marks were reproduced in an identical form on the defendants' comparison lists and, for these, L'Oréal proceeded under Article 5(1)(a) of the Directive. To succeed under Article 5(1)(a), L'Oréal needed to show that its word marks had been infringed by identical third-party designations used in relation to identical goods. The defense to L'Oréal's claim under Article 5(1)(a) was that the use of the trademark(s) to designate goods of the proprietor (L'Oréal) did not jeopardize the essential function of L'Oréal's trademark(s) (to guarantee origin) and thus was permitted under the rules relating to comparative advertising, *i.e.* it did not “take unfair advantage” of L'Oréal's trademark(s).

For its bottle and packaging trademarks, L'Oréal brought its case under Article 5(2). To succeed under Article 5(2), L'Oréal needed to show that its bottle and packaging trademarks had a reputation and that the use by the defendants of bottles and packaging similar to those trademarks constituted “the taking of an unfair advantage” of that reputation.

Accordingly, the English Court of Appeal sought clarification from the ECJ on what was meant by “unfair advantage” in the context of each of the defenses to Article 5(1)(a) and in Article 5(2).

THE RESULT

The ECJ, in answering the questions of the English Court of Appeal, came out very much on the side of the brand owner. In sum, as long as the brand owner can show that its trademark has a reputation, the scope of protection afforded to that mark will be considerably wider and the potential to prevent use by third parties seeking to profit by clinging to the coat tails of that reputation will increase throughout the courts of the countries of the European Union. Equally, looked at in terms of the comparative advertising defense, use of a trademark owner's mark in a

comparison list (where the copycat is sold by reference to the trademark owner's brand) is now outside the protection of the comparative advertising regulations.

WHAT IS “TAKING UNFAIR ADVANTAGE”?

In relation to the defense to L'Oréal's claim under Article 5(1)(a), the ECJ established the principle that if an advertiser states, explicitly or implicitly, in comparative advertising that the products marketed are an imitation or replica of a product bearing a trademark with a reputation (for example, as in the comparison lists provided to the retailers), the advantage gained by the retailer must be considered to be unfair. This means the defense to the claim under Article 5(1)(a) does not apply. It will not apply even when the essential function of the trademark owner's mark (to designate origin) is not jeopardized.

In relation to the interpretation of “unfair advantage” in Article 5(2), the ECJ established the following principles:

- (i) The trademark in question must have a reputation in the country in which the claim is brought (or if a Community Trademark, throughout the EU).
- (ii) The use of the third party's sign must create a link to the trademark owner's mark. Note, importantly, that this “link” does not need to go as far as the establishment of confusion in the minds of the public.
- (iii) The third party's sign must intentionally cling to the coat tails of the trademark owner's mark so that it:
 - (a) benefits from the power of attraction, reputation, and prestige of the trademark owner's mark; and
 - (b) exploits, without paying any financial compensation and without being required to make efforts of its own, the marketing effort that has been expended by the trademark owner.

Therefore, if a third party is using the trademark owner's trademark to promote its brand by way of association to the trademark owner's mark and the requirements of (i), (ii), and (iii) above are satisfied, trademark owners may be confident of successfully enforcing their trademarks to prevent such use.

IMPACT IN THE UNITED KINGDOM

Historically, the United Kingdom has taken a narrow approach to the scope of protection offered to a trademark owner, with the focus being very much on the harm to the essential function of the trademark; *i.e.* its operation as a badge of origin. The ECJ decision in *L'Oréal*, in the context of Article 5(2), means that the courts of the United Kingdom will now need to take a wider approach, taking into account all the factors that the ECJ has now stated constitute "taking unfair advantage," concepts more readily applicable (from an English point of view) to the continental European approach to unfair competition, in particular in the Benelux courts (which have long favored wide protection for the trademark owner) and, as we will see below, Germany.

IMPACT IN GERMANY

From the point of view of unfair competition, the ECJ has confirmed what has previously been consistent practice in Germany. The German courts have regularly held that the use of comparison lists explicitly naming the copycat product illicitly exploit the trademark owner's reputation and constitute unfair competition.

In terms of German trademark law, the ECJ decision opens a route, if not a highway, for trademark owners to argue beyond the classic approach to a trademark infringement case, in which a trademark owner argues that the third-party use is detrimental to the ability of its mark to function as an indication of origin. The ECJ decision has strengthened the communicative, investment, and advertising functions of trademarks, and these are likely to be invoked more often in the future.

LAWYER CONTACTS

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