

**FREEDOM OF COMPETITION, ORIGIN FUNCTION AND
LIKELIHOOD OF CONFUSION IN TRADEMARKS LAW**

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Introduction

In traditional trademarks law teaching, the origin function ensures achievement of balance between absolute (erga omnes) powers provided by a right to a particular trademark and freedom of competition. The origin function is presented as the only trademarks function that is protected under the law, since if legal protection was so extended as to include also the other (remaining) trademarks functions, this could impose severe restrictions to freedom of competition. However, recent legislative developments and modern case-law in trademarks law, as well as contemporary legal literature do not adhere to the view that empowering of civil protection granted to trademarks would restrict the freedom of competition. This conclusion is also supported/ strengthened by the fact that trademarks properly registered by proprietors (brand-owners) are commonly replicated in a way that jeopardizes the interests of proprietors and is unfairly beneficial to the third party, who used the respective trademark without –however- infringing the origin function per se. The present paper contains a series of trademarks law issues that point towards abandonment of traditional standpoints, according to which freedom of competition and the origin function should be regarded as priorities of trademarks law. The tendency/ trend to do away with the above standpoints stems from the market need to ensure a stronger/wider legal/ civil protection to trademarks and results in the likelihood of confusion being dissociated from the origin function.

1. Absolute (erga omnes) rights and freedom of competition

Within the context of industrial property law, there is a trend for striking a balance between freedom of competition and granting of absolute (erga omnes) rights on incorporeal assets. The main objective is to ensure that freedom of competition is the basis (the fundamental principle) of the contemporary financial system (i.e. during the post-industrial revolution era). Our legal system prioritizes the freedom of competition on the grounds that the latter strikes a balance between the need to maintain low market prices and the need to facilitate the generation of profits by enterprises. Low prices directly benefit consumers, while generation of profits leads to further investments and financial development. In the light of free competition, enterprises set the prices of their products at the lowest possible level that can result in a reasonable and fair profit. Of course, the financial trend or philosophy behind freedom of competition usually take for granted that the sources of raw material are always adequate, that the market is self-contained and that it is capable of absorbing the goods produced, at least up to a certain degree. However, every market possesses different qualities and has different features than others and, hence, freedom of competition is not recognized nor applied in the same way in all jurisdictions. Under free competition everybody is entitled to make use of terms, ideas and, in general, indications that have become customary and belong to the public domain. Any idea, method or process that has become adequately customary and well-known in trade is regarded as being common to all competitors. Only absolute (erga omnes) rights on incorporeal assets that have been properly registered constitute an exception to the principle that everybody is entitled to make free usage of ideas and indications. This exception, however, is subject to the *numerus clausus* principle, i.e. absolute (erga omnes) are only the rights that are directly classified by law as such. An idea, term or indication cannot be attributed an “absolute (erga omnes) right” status, unless a number of substantial

law conditions are met and a certain process (including fulfillment of substantial and procedural law requirements) is followed. In addition, retention of these absolute (*erga omnes*) rights usually requires either payment of a certain fee or regular use in trade (some jurisdictions require both). These legal rules prioritize freedom of competition (as opposed to absolute (*erga omnes*) rights), since the latter grant the proprietor an absolute (*erga omnes*) right to a legally protected monopoly. Hence, such proprietor alleging that he has an absolute (*erga omnes*) right on a corporeal asset has the burden to prove that he is the legal owner of such asset. Such proof is provided either by means of producing evidence of compliance with the substantive requirements spelt out by law (typically: originality and regular use in trade), such as in the case of non-registered distinctive marks, or by way of producing a certificate evidencing registration with the competent Registry/ registration authority (such as in the case of registered trademarks), which certifies/ confirms that the substantive and procedural legal requirements have been met.

Granting of absolute (*erga omnes*) rights upon incorporeal assets in the context of free competition is justified by their necessity with regard to the operation of free markets and the application of freedom of competition. Without distinctive marks and trademarks the products sold in a market would be anonymous. Hence, producers would not be able to advertise their products, while consumers would not be able to distinguish between different goods/ goods originating from different enterprises, nor to identify the characteristics and qualities of each individual product; in the end, consumers would be prevented from choosing goods of their own and free will. Absolute (*erga omnes*)/ exclusive rights on distinctive marks and trademarks allow consumers to recognize (identify) each product, to distinguish it from other similar and competing goods and to choose to buy that particular product (instead of other competing products) by reference to its particular qualities. Moreover, absolute (*erga omnes*) rights on

trademarks and distinctive marks provide a strong motive to manufacturers for maintaining high quality standards, to invest further in research in order to improve/ enhance the quality of the respective goods and to invest in advertising, since advertising constitutes a communication channel (the only available in the market) between manufacturers and consumers allowing the former to elaborate on the goods available in a market and on their particular qualities. According to recent ECJ case law, absolute (*erga omnes*) and exclusive rights on trademarks are essential elements of trade competition.

Legal protection of registered trademarks is defined and determined by assessments about the balance that must be achieved between free competition and exclusive rights. These assessments also determine which indications are eligible for registration (for example, article 3 of Law 2239/94 spelling out cases where a trademark registration is absolute (*erga omnes*)ly prohibited); or whether production of evidence of prior regular use should be required for allowing registration of a trademark –as in US law- or for renewal of such trademark or not (alternatively, it would be adequate to pay a certain fee); or the extent of legal protection granted on registered trademarks in cases where a third party makes unauthorized use of such registered indications for similar or different products (or whether law should protect only the *stricto sensu* origin function, or the advertising function as well). These fundamental questions are not easily dealt with by the lawmaker and, hence, there is ground for intervention/ interpretation by the Judge/Court. As a result, discussion and interpretative conclusions about the interconnection between exclusive rights and free competition exercise a particular influence up to a certain degree upon the interpretation and application of law of trademarks and distinctive marks, especially with regard to civil protection of trademarks against infringement of trademarks by third parties. Two different trends may be found in contemporary legal science: some prioritize freedom of competition and determine/ define the origin

function as criterion for the legal protection of trademarks, whereas others seek wider protection of trademarks by highlighting their role & importance as a communication channel between manufacturers and consumers with respect to the product's qualities and as an instrument of identification and advertising of the goods that each individual trademark distinguishes.

2. Abandonment of freedom of competition as a priority

During the first years of application of trademarks law, protection of free competition was treated as a priority in all jurisdictions. It was the origin function that was initially protected. Even Directive 89/104/EC reads that the origin function is the function of trademarks that is mainly protected by trademarks law. ECJ has ruled (both before and after introduction of Directive 89/104/EC) that the "origin function" is the main function and central objective of a trademark. Before introduction of Directive 89/104/EC the ECJ had been clear to prioritize free movement of goods as opposed to protection of exclusive industrial property rights (*Sirena v. Eda* judgment and *HAG II* judgment); however, these rulings are of rather outdated nowadays in the light of recent case law conclusions. It is indicative that nowadays ECH has ruled that a trademark is an essential element of competition and this evidences the antagonism between freedom of competition and exclusive industrial property rights. Furthermore, according to recent ECJ case law the content of a right to a trademark is to protect the proprietor against his competitors who intend to take advantage of the repute of his trademark. This view/ standpoint adopted by ECJ that centers upon the market position, repute and nature of a trademark and identify these features as the core of legal protection of this trademark clearly supersedes/ outweighs its origin function. As a result, those who argue that freedom of competition is being subject to severe restrictions are not quite persuasive nowadays and cannot provide

adequate grounds for restricting the –wide-scope of legal protection granted on trademarks. Within this context, the protection of trademarks against the likelihood of confusion goes beyond the limits of the origin function. In other words, the origin function does not determine by itself whether a likelihood of confusion occurs or the extent up to which a trademark enjoys protection under current law. Abandonment of concerns that granting of legal protection on trademarks would affect/ harm freedom of competition was neither easy nor quick and was full of controversies. One could identify the following developments which have acted as milestones over the years:

The law quite early adopted the view that even descriptive or common indications may be registered as trademarks, as long as they have acquired and possess a secondary non-descriptive meaning (or a distinctive character, according to article 3 par. 3 of Law 2239/1994- the same applied by virtue of article 3 par. 1a' of Law 1998/38). This choice of the lawmaker asserts that 1) a descriptive or common indication may be recognizable in trade by reason of systematic, repeated and consistent use and advertising and 2) a particular indication may be associated with a particular enterprise, due to its recognition in trade, despite that (even if) it is in principle descriptive or common. Finally, based on such legislative choice common indications belonging to the public domain are eligible for registration as trademarks under current law.

Moreover, the law in most jurisdictions allows acquisition (registration) and renewal of a trademark irrespective of the extent of use of such trademark in trade. To prioritize freedom of competition does not in principle justify acquisition (registration) and retention of trademarks that are not used in trade. The factor that justifies registration and retention of a right of exclusive use on an indication is that consumers associate it with a particular enterprise (such phenomenon deriving from the regular use and advertising of the

indication trademark at stake). The market need to ensure legal certainty about the applicable regime necessitated dissociation of acquisition and retention of a right on a trademark from the degree of use. The enterprises were willing to proceed with the trademark registration before introducing a new product in the market (i.e. before the actual use of such trademark in the market). This derives from the fact that introduction of a new product in the market always comes along with expensive advertising; hence, it is reasonable to have already registered a relevant trademark beforehand. It is harder to justify renewal of a trademark irrespective of its use, even though this clearly facilitates the business planning of an enterprise. In addition, it is quite common for old trademarks to remain famous and easily recognizable, even if they have not been used for a long time; it would be unfair to deny renewal of such trademark. Of course, from a *de lege ferenda* perspective it would be more reasonable and correct to assess at the stage/time of the first or second renewal whether the respective trademark has been actually used in trade in order to deregister trademarks that have not been used at all or which are purely defensive.

Trademarks with a reputation were gradually recognized by case-law and subsequently by the law itself. Trademarks with a reputation were protected even beyond the limits of the likelihood of confusion, i.e. irrespective of the origin function and even in cases where the products thereby distinguished are not similar. This case-law became prevailing and was also adopted by the law by introduction of 2 concepts relevant to the concept of likelihood of confusion, i.e. unfair resemblance and undermining of trademarks with a reputation. The most important element is that through the introduction of legal protection of trademarks with a reputation it was recognized/acknowledged that the origin function is not the only legal function of trademarks that is legally protected and that the advertising function is equally protected even in the field of trademarks with a reputation.

Even the origin function was revised by legal science. As a result, in the context of contemporary markets it is not crucial whether the product thereby distinguished through a trademark actually originates from a particular undertaking. Usually consumers are not aware of the manufacturer of such goods, who is not the same person as the proprietor, but is an independent producer who manufactures goods in accordance with certain quality standards set by the trademark proprietor. The origin function per se, i.e. the fact that a particular product originates from a particular undertaking, was important when the manufacturing process involved personal handwork and when the quality of such product depended on the personal skills of its manufacturer. On the contrary, in the context of contemporary financial system the quality of the goods produced depends on the know-how, quality standards, raw materials therein used and standardized production processes therein applied. Hence, what is really important for consumers with regard to trademarks is that they attribute to such trademark a particular quality and they expect such quality to be consistent. As a result, the origin function approaches the quality guarantee function. It is true that consumers are interested in the quality standards of the products they choose to buy and not in the origin of a particular product (thereby distinguished through a trademark) from a particular undertaking. As a result, the value of the origin function lies in the quality guarantee function itself; the latter may be understood by reference to the fact that a consumer choosing a product bearing a particular trademark is expecting that such product has the same qualities as products bearing the same trademark that he has purchased in the past. The expectations of consumers are of particular interest to the trademark proprietor. The latter invests funds in advertising his trademark in order to build up its appeal and repute in the market and expects to benefit from the quality guarantee function and to gain the trust/confidence of consumers about his product's consistently high quality standards. Correspondingly, the trademark proprietor sustains

losses when the third parties infringe the guarantee function of trademarks, which is an essential element of fair competition.

Greek law 2290/95 transposed into Greek legislation the international Convention for the World Trade Organization (Uruguay Round) and relevant Protocols. One of these Protocols applies on industrial and intellectual property rights and is known as Trade Related Aspects of Intellectual Property (TRIPS) Agreement. The importance of the TRIPS Agreement lies on the fact that it recognizes eligibility for trademark registration to a number of indications, including verbal terms and fictitious indications, as well as other diagrams, color combinations, artistic elements, names of persons, simple letters or numbers; the latter should remain freely accessible to the public. According to the aforementioned International Convention, the above indications are also eligible for trademark registration and are not excluded *ipso jure*. In addition, the TRIPS Agreement introduces an exclusive list of requirements that must be fulfilled in order to allow trademark registration and the countries that have transposed it into their domestic legislation are not allowed (have no discretion) to require fulfillment of additional conditions in order to permit/accept such trademark registration. Consequently, TRIPS Agreement introduced an internationally accepted distinction between indications eligible for trademark registration and public domain indications (the latter being accessible to everybody interested in using them).

Moreover, EU Directive 89/104/EC introduced a wider protection of trademarks. First of all, it introduces the principle that a right to a particular trademark is registered (and protected) as an absolute (*erga omnes*) right, i.e. irrespective of whether a likelihood of confusion has occurred with respect to the origin of the goods from a particular undertaking. This occurs in case where the respective goods and indications are fully identical to each other, i.e. in the case of article 4 par. 1a of Law 2239/94 (reflecting article 5 par. 1a of the 89/104/EC

Directive); this is confirmed by the 89/104 Directive preamble at [10]. In the latter case, the right upon such trademark is absolute (*erga omnes*), similarly to the ownership right found in property law. Unauthorized use of a trademark by any third party who does not qualify as the trademark's proprietor on similar goods constitutes an infringement of the right to a trademark regardless of the existence of likelihood of confusion. Such interpretation adequately explains why there is a trademark infringement 1) when a third (unauthorized) party uses a proprietor's registered trademark upon genuine (original) goods, which the manufacturer (who qualifies as proprietor of the respective trademark) has put into the market as anonymous goods, or 2) when a third (unauthorized) party detaches a trademark from a particular product and puts it into the market as anonymous, or 3) when a third (unauthorized) party offers for sale "unfairly resembling" (copied) goods in prices that are so low that it becomes apparent that they are not genuine, or 4) when there are parallel imports taking place, as well as when other cases apply, where, despite that a third party has used without authorization a registered trademark, it is difficult to substantiate the existence of a likelihood of confusion in respect of the origin of the goods from a particular undertaking. All the above cases qualify as trademark infringement, in spite of the fact that the trademark's origin function is not jeopardized/ prejudiced, since all the above cases involve unauthorized use of genuine products, but it cannot be reasonably argued that the origin function is at likelihood. The ECJ ruling on OPEL case is important to this respect. In that case, OPEL car manufacturing company had managed to register a particular trademark for cars/vehicles, as well as for children toys and replicas of genuine OPEL cars that bore the OPEL trademark. One would expect that the ECJ would apply article 5 of Directive 89/104/EC (which introduces absolute (*erga omnes*) protection on trademarks irrespective of the existence of likelihood of confusion), since there was a case of unauthorized use of the respective trademark on goods similar to those distinguished in the

market by means of such trademark. However, the ECJ ruled that 1) protection provided in the light of article 5 par.1 of the 89/104 Directive is afforded in order to protect the functions of a trademark and, more precisely, the origin function and 2) as long as consumers do not perceive the indication attached upon the respective replicas (which was similar to the original trademark) as evidence that these products originate from a particular (famous) car industry or from an affiliate enterprise, then there is no reason for applying the protection scheme for trademarks. However, such interpretation is contrary to article 5 par. 1a' of said Directive and to older case law (Diffusion case), where the Court had reaffirmed the absolute (*erga omnes*) scope of protection. We hope that the aforementioned approach of the ECJ in the OPEL case was no more than an exception to well-established case law.

Moreover, the respective Directive is supplementary to the concept of the likelihood of confusion in the sense of likelihood of resemblance; however, it has been held by ECJ (in cases *Sabel/Puma* and *Marca Mode*) that this does not constitute a distinct/ separate/ individual type of trademark infringement (like unfair resemblance/undermining of trademarks), but a sub-category of likelihood of confusion. In addition, the Directive explicitly provides a protection regime for trademarks with a reputation against the likelihood of unfair resemblance/ undermining of trademark even on non-similar products. Further, the Directive not only introduces an absolute (*erga omnes*) right on a trademark in cases of full/ total identity between two respective indications and products, but also forbids parallel importation of genuine products originating from third (non-EEC) countries, since such use of a trademark (i.e. importation and sale of within a market) amounts to a use of a registered trademark upon the same products (that it is expected to distinguish according to its registration with the Trade Registry, according to the terms of article 4 par. 1a of Law 2239/94). The issue of parallel imports is dealt with by

the provisions of article 7 of the 89/104/EC Directive and article 20 par. 3-4 of Law 2239/94.

3. Special issues

The antagonism between freedom of competition and trademarks is enshrined by a number of conclusions raised below:

a) The level of use of a trademark as a condition required for its registration and renewal

Under US trademarks law it is required to produce evidence about prior use of the respective indication in order to register or to renew a trademark. The ratio of such requirement is that freedom of competition does not allow registration and retention of absolute (*erga omnes*) rights on indications that are not regularly used in trade. On the other hand, trademarks law in most jurisdictions does not introduce any requirement of evidence of prior use in order to allow registration and renewal of trademarks; this has been also confirmed by the TRIPS Agreement and 89/104/EC Directive. However, in the light of EU Regulation 40/94 about European Trademarks, use of a trademark is very important in order to determine the scope of its protection and retention with regard to identical or similar national trademarks that have been registered beforehand. Abandonment of the requirement of prior use for registration or retention of a trademark signals a detachment from/ abandonment of the principle of freedom of competition priority as opposed to absolute (*erga omnes*) rights.

b) Use of a trademark as a factor important with regard to its protection

ECJ has introduced/confirmed the rule (in cases Cannon-Canon, Sabel/Puma and Adidas-Marca Mode) that the likelihood of confusion

is higher in cases where the trademark bears a strong distinctive character. Vice versa, a strong presence and repute of a trademark in a market effectively prevent the occurrence of likelihood of confusion. The way that ECJ interprets and applies the above rule results in a wider protection of trademarks. ECJ applied the above rule in cases where it was difficult to substantiate resemblance between the respective products distinguished by competing trademarks and to substantiate the existence of a likelihood of confusion. As a result, this principle should be deemed as a factor empowering the protection scope of trademarks and as an attempt of ECJ to expand such protection scope even beyond the *stricto sensu* legal provisions. Taking into account that the ECJ cases introducing the above rule derived from References for a Preliminary Ruling to the ECJ mostly made by German national Courts, one should examine the way Directive 89/104/EC has been transposed into German Law. Under German Law the provision of the Directive regarding wider protection of trademarks with a reputation against the likelihood of unfair resemblance and undermining has been transposed only into the national legal provisions providing for civil protection of trademarks and not into the national legal provisions that regulate/provide for legal protection of prior rights at the administrative stage of trademark registration. Hence, protection of trademarks with a reputation is not adequate at the stage of registration. On the other hand, introduction of the above rule has been particularly aimed at conferring wider protection to trademarks with a reputation even at the registration stage. However, adoption of this rule leads to its generalization and to its application within the scope of civil protection of trademarks; as a result, this rule introduces a third class/category of trademarks (the first 2 being common trademarks and trademarks with a reputation), i.e. the “widely known & well-established” trademarks. The result is that trademarks that have been well-established in a particular market, without- however- being trademarks with a reputation, enjoy a wider protection both from a civil law perspective and from an

administrative process perspective. Consequently, a likelihood of confusion may occur even when the products thereby distinguished are not clearly relevant to each other.

c) Trademark registration of combinations between common verbal terms

An extreme view that argues in favor of recognizing absolute (*erga omnes*) rights (irrespective of any implications to the freedom of competition) was adopted in case C-383/99, where ECJ ruled that the indication BABY DRY was not eligible for trademark registration. In that case ECJ had to deal with an application to register as a trademark a combination of words, where each of the 2 words is used in common parlance of the relevant class of consumers to designate the goods thereby distinguished, but their syntactically unusual juxtaposition is not familiar expression in the English language, either for designating the respective goods or for describing their essential characteristics. In this way, the applicant attempted to register totally descriptive terms as trademarks by way of using a combination of such terms (a word combination) devoid of any descriptive character. However, soon thereafter the ECJ reverted to its original –and correct– view that similar combinations of descriptive terms (word combinations) are not eligible for registration as trademarks, such as DOUBLEMINT, STREAMSERVE, BIOMILD, POSTKANTOOR. The ECJ seems to adopt a rather strict interpretation of the conditions required for trademark registration and for granting legal protection to indications that fulfill such requirement based on an assessment carried out at the registration stage. This view empowers legal certainty, since a liberal/wide interpretation of the legal requirements for allowing a trademark registration would only result in weaker legal protection and in legal uncertainty. These factors/criteria should also be applied when assessing eligibility for trademark registration of indications bearing a laudatory meaning or indications relevant with

site locations/geographical sites & terms (e.g. see Chiemsee ECJ case, where the term “Chiemsee” refers to the largest Bavarian lake). In this context, freedom of competition should be prioritized and the legal provisions introducing absolute (erga omnes) prohibitions on trademark registration should be interpreted strictly.

d) Protection of look-alike products

After a series of controversial Court judgments, the law finally recognized that color combinations or even a single color are eligible for trademark registration and for being granted legal protection. Initial objections to the above eligibility for registration had been based on the argument that the number of colors is not endless and that to allow trademark registration of individual colors would prohibit free competition. Eligibility of colors for trademark registration was confirmed by the Common Announcement of EU Council and EU Commission of 1996 that was published in the Formal Index of Publications. It is highlighted that the legal provisions of article 2 of Directive 89/104/EC and of article 1 of Law 2239/94 make no direct reference to colors or color combinations within the index of indications that are eligible for trademark registration. Only article 15 of TRIPS Agreement contains a direct reference to color combinations. ECJ Case law only recently confirmed legal protection of color combinations and/ or individual colors in Libertel and Heidelberger cases. In Libertel (C-104/01), the ECJ ruled that:

[Para 24:] *“The Council of the European Union and the Commission made a joint declaration, entered in the minutes of the Council meeting on the adoption of the Directive, that they consider that Article 2 does not exclude the possibility ... of registering as a trade mark a combination of colours or a single colour ... provided that they are capable of distinguishing the goods or services of one undertaking from those of other undertakings (OHIM OJ No 5/96, p. 607)”.*

[Para 41:] *“However, that factual finding would not justify the conclusion that colours per se cannot, as a matter of principle, be considered to be capable of distinguishing the goods or services of one undertaking from those of other undertakings. The possibility that a colour per se may in some circumstances serve as a badge of origin of the goods or services of an undertaking cannot be ruled out. It must therefore be accepted that colours per se may be capable of distinguishing the goods or services of one undertaking from those of other undertakings, within the meaning of Article 2 of the Directive”.*

These contemporary views prevailed for many reasons, namely: a) contemporary status of trade and finance: many enterprises/undertakings have built up a strong corporate profile upon a single (individual) color, such as KODAK (yellow), VODAFON (red), FUJIFILM (green); b) tackling linguistic difficulties: adoption by an enterprise/undertaking of an individual color or combination of colors facilitates communication between such enterprise/ undertaking and its clients in different States and markets where it undertakes its business; c) a common international advertising and marketing strategy: once again, adoption of an individual color or color combinations grants to the respective undertaking an opportunity to develop an international advertising and marketing strategy in different States and markets; d) easier recognition and identification of the respective goods (thereby distinguished) by consumers. In other words, it is much easier for every consumer to identify and distinguish individual colors and color combinations than terms, word combinations and verbal indications. Consequently, colors and color combinations are used as useful means of communication between the respective undertaking (that qualifies as trademark proprietor) and consumers and facilitate the exercise of influence upon the latter. It results that colors and color combinations serve important advertising purposes and must be protected under the law. Any attempt by a third party to adopt similar color indications, even by using different verbal indications and terms,

amounts to an attempt to use indications registered as a trademark by a competitor and to take advantage of such trademark owned by the latter. Many judgments of Greek Courts have dealt with protection of look-alike products and color combinations (especially with regard to foods and beverages). Use of color combinations with differentiated/different verbal terms and word indications is quite common in private label products, which are put at the disposal of consumers by supermarkets. In this case, producers of these goods usually copy/replicate color combinations typically found on famous products and labels, but use different verbal terms and word indications. Case law has regularly disapproved such practice, on the grounds that resemblance of the private label product to/with the famous product is aimed at persuading consumers that the former is similar to a famous product of the same class and that consumers may reasonably choose to purchase such product instead of the famous one, since both products bear almost identical qualities and features. Hence, unfair resemblance (in the sense that the junior mark resembles the senior famous one) attributes to the junior mark a reputation and market appeal that would otherwise (i.e. if original non-resembling indications were used) require long-term and expensive advertising expenditure. In many cases, resemblance to devices of famous products is aimed at causing a likelihood of confusion. Unfair resemblance should also be examined in the light of the fact that nowadays consumers do not ask from the storekeeper for a particular product, but rather choose themselves the goods they intend to purchase from the shelves of a store. Moreover, nowadays advertising is based on images and icons rather than sound and, hence, similarity in terms of external features is much more important than differences in sound indications thereby used (if any). Based on the above argumentation, Greek case law has confirmed that the following color combinations placed upon the respective products (as labels) are protected under the law: LOREAL, CAMPARI, UNCLE'S BEN RICE, MARLBORO, NESCAFE, BOUNDY etc. In all these cases

the existence of a likelihood of confusion was substantiated by reference to the similarity or resemblance of color combinations of their packing. In addition, case law has confirmed that a) the shape and size of a product, color combinations, packing and verbal terms and word indications fall within the protection scope of Law 146/14 on unfair competition and on Law 2239/94 on trademarks; b) that a likelihood of confusion does occur even where the main verbal element of the indication at stake is different than the one used in the respective (competing) trademark, but the similarities between the respective labels (visual representations, color combinations) cause an impression that the products of that third party originate from an affiliate enterprise; c) that, in order to determine whether consumers are given the aforementioned impression of “affiliation” between the two undertakings of the respective products, it is important to assess whether the color combination thereby used can attract the attention of consumers. Similar cases abroad led the Courts to for and introduce the concept of “initial likelihood of confusion” (see below). In all these cases, the origin function does not adequately justify the legal protection that is therein afforded, because the different verbal terms (word indications) and artistic devices may be adequate to provide consumers with information about the fact that the respective goods originate from different undertakings. Hence, legal protection is aimed at ensuring not only the origin function, but also the repute of color combinations that have been properly registered as trademarks. As a result, under contemporary trade ethics/usage/tradition and in the light of the “unfair competition” general clause anybody who introduces a new product into a market or modifies the external features and packaging of his products is required to register as his own trademark and make usage of indications that are clearly different and distinguishable from distinctive indications and signs bore by other (competing) products that are already available in the market.

e) Cumulative application of legal provisions granting absolute (erga omnes) rights

It is quite common in practice to apply cumulatively multiple legal provisions applicable on (and referring to) absolute (erga omnes) rights that belong to different classes, in order to afford wider legal protection. More precisely, legal provisions destined to regulate and protect intellectual property rights are commonly applied in order to protect artistic devices that have been registered as trademarks. However, practice evidences that in most of these cases the indications that have been registered as trademarks cannot be classified (do not qualify) as intellectual work, because they lack any creativity (creative/ innovative character) and, as a result, they cannot be protected as intellectual property rights. Furthermore, in some cases efforts had been made to register as trademarks artistic devices and diagrams (especially figures deriving from comics), which may qualify as intellectual work, but whose protection scope under intellectual property law has expired. Consequently, to afford legal protection from a trademarks law perspective (i.e. under trademarks law) to such artistic devices and figures would indirectly infringe intellectual property law and restrict free competition. In other cases, undertakings (prospective brand-owners) applied to register as a trademark the particular shape (external features) of a product, which had been based on a patent properly licensed. Here, too, it is crucial to determine whether to afford and invoke additional legal protection by reference to Trademarks Law would infringe the time limitations and restrictions that apply on legal protection of absolute (erga omnes) rights. For instance, would it be legitimate to register as a trademark a patent that does not enjoy anymore legal protection under Patents Law because the respective patent license has already expired (and it is no longer protected as a patent under the law)? In addition, it is common to encounter cases where indications reflecting industrial designs have been registered as trademarks. It is true that by applying

trademarks law it would be difficult to deny trademark registration of indications that at the same time (cumulatively) qualify as industrial designs. However, there is a likelihood of indirectly infringing trademarks law on the following grounds: 1) trademarks law introduces an option for allowing trademark renewal for an indefinite time, whereas industrial designs may be granted legal protection as such for a maximum of 25 years; 2) civil and administrative law provisions granting legal protection on trademarks introduce a much wider protection scope compared to legal provisions regulating industrial designs; and 3) registration of trademarks is destined to distinguish between various products available in the market, whereas registration of industrial designs serves the purpose of empowering creativity. One may wonder whether the introduction of a special legal regime for industrial designs (i.e. introduction of a process, by virtue of which industrial designs may be properly registered as such and are afforded legal protection, while the respective licensee is granted an absolute (erga omnes) right thereon) disqualifies properly registered industrial designs from trademark registration eligibility and disqualifies their licensee from invoking protection under trademarks law. On the other hand, from a scientific and legal theory perspective one cannot deny the eligibility of industrial designs for registration as trademarks. One may conclude that the lawmaker grants the licensee/brand-owner an option to invoke the protection scope afforded either to trademarks or to industrial designs and that, if the respective indication has been properly registered as (both) a trademark and a industrial designs, then the licensee/brand-owner may invoke cumulatively provisions applying to trademarks and industrial designs.

f) Prohibition of parallel imports from third (non-EEC) States

Directive 89/104/EC (article 7) and Law 2239/94 (article 20 par. 3-4) recognizes that a brand-owner of a particular trademark has made

conclusive usage of his right on such trademark when he has exercised his right under the law to import his respective goods for the first time into the European Economic Area (i.e. European Union States, Iceland, Norway and Lichtenstein). Such proprietor is entitled to prohibit other parties from importing and introducing into the European markets products originating from third (non-EEC) States that bear a particular trademark and are thereby distinguished. On the contrary, when such proprietor has introduced such goods in the European markets himself, then he is deemed as having exhausted (as having made conclusive usage) his right upon his registered trademark and no additional restrictions may be imposed with regard to their further importation and introduction/entrance into the market of another EEC State. This reflects a clear choice of the European lawmaker to prioritize protection of industrial property rights as opposed to freedom of competition. Free movement of goods is prioritized only within the European Union and not when it comes to (in respect of) goods originating from third (non-EU) States, regardless of whether such goods are genuine or not. The ratio of such principle stems from macro-economic assessments destined to protect EU industries rather than purely formalistic (legal) standpoints. It becomes apparent that both freedom of competition principle and the origin function of trademarks are disregarded. Macro-economic objective that justify prohibition of parallel imports from third (non-EEC) States may be used as evidence that freedom of competition is not always an objective/ a target to achieve/reach/fulfill per se and is not always useful from a social and financial perspective. To abolish prohibition of parallel imports would culminate in a collapse of EU industries (since the latter are not capable of competing industries of developing countries, which produce low cost goods) and in a dramatic rise of unemployment rates, while it is rather doubtful whether this would cut down prices of consumer goods. These conclusions were also confirmed by a recent study of EU Commission regarding the revision of the legal regime applicable on parallel imports (NEDA

Report, 1999). This was followed by an announcement of Commissioner Bolkenstein (on 17 June 2000) that EU Commission does not intend to amend the legal provisions that prohibit parallel imports.

g) Exclusivity of distribution networks: protection scope

In Greek case law it is common to encounter cases where a trademark proprietor invokes rights upon registered trademarks in order to restrict independent traders and bar/ prevent them from making reference to the respective trademarks when making public (open) announcements about the goods they offer. ECJ case law (in cases DIOR/EVORA, BMW, HOELTERHOFF, GILLEETTE and TOSHIBA) has accepted that there is no trademark infringement when a third party, who acts as an independent (i.e. he does not belong to the distribution network) retail reseller on genuine products, makes usage of such trademark in order to make a public (open) announcement that he offers such goods for sale. Only when there is evidence that by reason of the aforementioned use, the reputation of such trademark is degraded there is room to argue that the trademark has been infringed (Dior case). Moreover, the ECJ accepts that there is no trademark infringement where a third party, who professionally undertakes the maintenance of goods, makes usage of the respective trademark in order to make a public (open) announcement that he professionally undertakes to provide product maintenance services with regard to the goods thereby distinguished through the respective trademark, unless there is evidence that this causes an impression to the public that such individual is a member of the brand-owner's distribution network (BMW case) or is professionally affiliated to/with the latter. In addition, ECJ accepts that in the context of a legitimate comparative advertising, the person therein advertised cannot be regarded as unfairly taking advantage of distinctive indications that belong to a third party (competitor), when reference to such

indications (that essentially distinguish a competing product) is a prerequisite/requirement for effective competition. In all the above cases is applicable article 6 par. 1 of Directive 89/104/EC (article 20 par. 1 of Law 2239/94), which introduces a number of restrictions upon rights on trademarks. On the other hand, Greek case law has accepted that the advertising function of a trademark with a reputation is infringed, especially in cases of parallel imports, when the person who carried out the respective parallel import has taken advantage of the advertising function and has exceeded the necessary level when making public (open) announcements about the products he offers for sale. Unfortunately most of these judgments lack proper reasoning because a) they commonly refer to delusion caused to consumers by the fact that the trader making use of such trademark belongs to the supplier's distribution network; however, trademarks law is not aimed at averting such dilution, nor at protecting a distribution network per se, unless the dilution caused to consumers affects the advertising function of trademarks; b) almost none of these judgments applies article 4 par. 1c of Law 2239/94 (which is also included –by way of reference– to article 26 par. 1 of Law 2239/94). However, the advertising function of trademarks is afforded provided that the conditions of article 4 par. 1c are fulfilled; the burden of proof rests with the claimant (brand-owner), who must produce evidence that the respondent has unfairly taken advantage of or has degraded the respective trademark; c) taking into consideration those judgments, it is not always clear whether the Court stroke a balance between the interests of a brand-owner (who has a legitimate interest to ensure that his trademark's advertising function is adequately protected) and the interests of a third party trader, who is not a member of the brand-owner's distribution network and attempts to inform the public about the goods he offers for sale by means of public (open) announcements. The above assessment should abide by the criteria of article 20 par. 1 of Law 2239/94, which are destined to restrict the scope of protection of trademarks; hence, it is the

defendant who burdens the proof to produce evidence that the above provision is applicable in the case at stake (i.e. to prove that the respective conditions have been fulfilled). To invoke rights on trademarks in order to exclude third parties (who qualify as independent importers) from a particular distribution network and to bar them from selling such goods through (via) the distribution network, amounts to a serious restriction on freedom of competition, which can only be justified by trademark protection reasons.

h) Comparative advertising

Legal provisions regulating comparative advertising (article 9 of Greek law 2239/94 and Directives 84/450/EC and 2005/29/EC) strive to strike a balance between freedom of competition and absolute (*erga omnes*) rights upon trademarks. In comparative advertising, one inevitably makes usage of a trademark owned by a third party by way of reference to such trademark for the express purpose of making a comparison between the products thereby distinguished. This usage in principle falls within the scope of absolute (*erga omnes*) protection afforded to trademarks in the light of article 5 par. 1 (a) of the Directive and article 4 par.1 (a) of Law 2239/94. However, in order to protect freedom of competition and enhance advertising (which –after all- facilitates fair comparison between different products), the lawmaker has allowed the usage of trademarks owned by third parties for the express purpose of comparative advertising, as long as the conditions of article 9 of Law 2251/94 are fulfilled. This statement leads to the conclusion that it is the competitor (competing third party) trademark proprietor who is entitled to claim an injunction order (restraining order) against any unfair comparative advertising; the respective legal provision is not destined to protect consumers.

i) Protection of a trademark's advertising function

Directive 89/104/EC provides for protection of a trademark's advertising function only for trademarks with a strong reputation (article 4 par. 3 and article 5 par. 2 of the Directive; and article 4 par. 1 [c] and article 26 par. 1 of Law 2239/94). The advertising function of common trademarks is not protected. However, a number of strict conditions must be fulfilled before affording legal protection to the advertising function of trademarks with a reputation. First of all, the law requires that the respective trademark enjoys reputation. In addition, there must be a certain degree of similarity between the trademark with a reputation and the indication (sign) at stake. As ECJ ruled in the Adidas/Fitnessworld case, there is no need to identify a degree of similarity between the mark with a reputation and the indication (sign) at stake such that there exists a likelihood of confusion between them (after all, trademarks with a reputation are protected even beyond likelihood of confusion); it is sufficient for the degree of similarity between the mark with a reputation and the sign to have the effect that the relevant section of the public establishes a link between the sign and the mark. However, this criterion introduced by ECJ is rather vague, since it does not determine when the conditions required for its application are fulfilled. It rather causes an impression that, in respect of trademarks with a reputation, such comparison is destined to identify whether the signs or indications therein compared are similar to each other. The latter criterion may be found in trademarks law provisions applicable in the Benelux States (where –prior to the 89/104/EC Directive- the lawmaker had introduced the “likelihood of association” concept). However, following the 89/104/EC Directive, likelihood of association (which occurs where the respective signs or indications are similar to [resemble] each other) is regarded as belonging to the concept of likelihood of confusion, according to the express provision of article 5 par. 1 [b] of said Directive. From this perspective, the above ECJ ruling is not flawless, since, in order to spell out the conditions required for affording legal protection to trademarks with a reputation, it makes

reference to the concept of “similarity/resemblance”, whose importance in identifying a “likelihood of association” is crucial; however, at the same time the latter is used as a criterion/condition required for granting protection to common trademarks (and not to trademarks with a reputation). The above evidence that similarity/resemblance is not a proper criterion in order to determine the scope of protection granted to trademarks with a reputation. Trademarks law could contain provisions requiring fulfillment of other conditions (such as repute, unfair advantage, YPOSKAPSH) in order to activate its protection mechanisms for trademarks with a reputation, instead of the above requirements (similarity/resemblance). The importance of such assessment is highlighted (becomes evident) in the case of non-verbal trademarks with a reputation (i.e. those that do not include any word indications) and, in particular, trademarks comprised of either the external features & external shape of the respective product, or of color combinations. Usage of such signs or indications confers an unfair advantage, whereas it is difficult to prove the existence of similarity.

An additional condition that must be fulfilled in order to apply protection to trademarks with a reputation is the existence of unfair advantage with no reasonable cause, or devaluation of the distinctive character of a trademark with a reputation. Greek case law commonly grants protection to trademarks with a reputation wherever the condition of “repute” is fulfilled and does not investigate whether the other requirements are met. For instance, there may be doubts as to whether the condition of “unfair advantage with no reasonable cause” is fulfilled: a) in the case of independent importers of genuine reputed/ famous products, who offer them for sale outside the official distribution network and; b) in particular, in the case where such importers trade exclusively in one particular product and make usage of a particular trademark in order to promote these products (even by means of advertising- see above), but openly declare and make clear to

the public that they do business as independent importers outside the official distribution network. In the latter case there is no “unfair advantage with no reasonable cause”, since these independent importers pay up the value of the goods they import (a part of the price reflecting the trademarks’ value), whereas they contribute to the rise/ increase of the total sales’ turnover of the products thereby distinguished via the trademark at stake.

Even though the 89/104/EC Directive and Law 2239/94 protect the advertising function of trademarks with a reputation, we may reasonably argue that application of the case-law principle that “the more repute a trademark enjoys, the more likely is likelihood of confusion to occur” (and, consequently, civil protection afforded therein should be proportional) could serve as a ground for granting protection to the advertising function of trademarks that have established a strong presence in the market and enjoy a certain degree of recognition among consumers, but do not qualify as “trademarks with a reputation”. Of course, it is true that the more is the concept of likelihood of confusion enshrined and the more is civil protection of trademarks reinforced, the more we lean towards (approach/favor) a stronger and more effective protection of the advertising function.

Furthermore, the ratio of the trademarks’ advertising function has not been identified by legal theory and case law. Advertising function qualifies as the advertising power of a trademark, i.e. strong and direct recognition of a particular trademark by the public. In this context, advertising function pre-supposes that long-term and persisting/persistent advertising efforts have been made beforehand. Hence, only trademarks with a reputation (and not common trademarks) may develop such advertising function. On the other hand, the concept of advertising function may be determined/ qualified/ identified more widely and in a way that would not be

attributed exclusively to trademarks with a reputation. In this sense, a trademark is a means of communication between the manufacturer-trademark proprietor and consumers. Hence, the manufacturer uses the respective trademark not only in order to name his products and distinguish them from other competing goods by way of reference to their origin from a particular undertaking (origin function), but also in order to provide feedback about (to make a public announcement about) their quality standards and other attributes (quality guarantee function). Moreover, he uses the respective trademark in order to exercise influence over the consumer and create in a consumer's mind certain representations associating the product's trademark with a number of values, ideas or a particular lifestyle, which may influence a consumer's buying will. In this context, even if a trademark has not been extensively advertised and is not widely recognized, it may, nonetheless, serve as a means of communication between the brand-owner and consumers. Any intervention by a third party that disrupts such communication or reflects his attempt to take advantage of it, should be deemed as infringement of a trademark and should trigger application of civil protection rules. The ability/quality of a trademark to create psychological representations on the minds of consumers may be inherent in the case of indications that are genuinely chosen for trademark registration. ECJ case law does not provide adequate guidelines with respect to advertising function issues. However, we may identify discrepancies/differences between ECJ case law and Greek case law. For instance, ECJ accepts that the element (condition) of repute exists (is fulfilled) provided that the respective sign/trademark/indication enjoys recognition, according to the circumstances of the case. On the contrary, Greek case law requires on top of that (additionally) fulfillment of additional conditions, such as existence of genuine character and originality of the mark/sign at issue, unique character and positive assessment by consumers. Moreover, ECJ has clarified that, despite the expression used in article 4 par.3 and article 5 par. 2 of the Directive (article 4 par. 1c

and article 26 par. 1 of Law 2239/94), it derives from the ratio of these provisions that advertising function is also protected in respect of similar/resembling products (despite that the Directive reads that "..."). However, in the aftermath of Arsenal case (which highlighted the importance of advertising and ruled that advertising is a means of making usage of the trademark at stake and that every use of advertising purposes qualifies necessarily as a trademark usage), we assume that time has come for ECJ to determine the content and scope of advertising function of trademarks.

j) Trademark usage

In many instances Greek courts had to deal with cases, where indications or signs, which did not meet the conditions required by law for trademark registration, had, nevertheless, been registered as trademarks and, as a result, this would distort the balance between freedom of competition and the protection scope granted to absolute (*erga omnes*) rights. In cases where the Court had to rule on a claim for application of legal provisions destined to protect trademarks against third parties, who had been using the trademark (indication or sign) at issue, Greek Courts denied protection by reference to the provision of article 20 par. 1 of Law 2239/94, i.e. by accepting that the usage at stake did not qualify as "usage of a trademark". Whether the use of a particular trademark owned by a third party (proprietor) qualifies as "usage of a trademark" or not, is a matter of fact. The ECJ in Arsenal case ruled that any trademark usage aimed at serving advertising purposes qualifies as "usage of a trademark".

Conclusion

In all the above cases the Courts had to strike a balance between freedom of competition and protection of absolute (*erga omnes*) rights upon trademarks. The Courts do not always prioritize absolute (*erga*

omnes) rights as opposed to freedom of competition, whereas the ECJ has not yet expressly confirmed that the advertising function of trademarks falls within the protection scope of law with no restrictions and beyond any limitations. However, case law tends to favor a gradual strengthening of protection afforded to absolute (*erga omnes*) rights and signals an attempt to override the origin function. This tendency/trend is more easily identified in foreign case law, where the Courts have acknowledged special forms of likelihood of confusion, such as likelihood of association, initial likelihood of confusion, reverse likelihood of confusion and after-sales confusion.