I. Introduction

Trademark rights are not absolute. At the international level, Art. 17 of the TRIPS Agreement allows for the adoption of limited exceptions in national legislation. On the basis of this international provision, Art. 14 of the Trade Mark Directive (TMD) and Art. 14 of the European Trade Mark Regulation (EUTMR) enable the reconciliation of the interests of the trademark owner with competing interests of other traders and the public at large.

Following the case law of the Court of Justice of the European Union (CJEU), these provisions seek to reconcile the fundamental interests of trade mark protection with those of free movement of goods and freedom to provide services in the common market in such a way that trade mark rights are able to fulfil their essential role in the system of undistorted competition which the Treaty seeks to establish and maintain. The CJEU further emphasises that, in general, the EU trademark legislation in the field of limitations of protection aims ‘to strike a balance between the interest of the proprietor of a trade mark to safeguard its essential function, on the one hand, and the interests of other economic operators in having signs capable of denoting their goods and services, on the other’.

Similarly, the CJEU indicated regarding an exhaustion dispute that ‘a balance must be struck between, on the one hand, the legitimate interest on the part of the licensee of the right to the trade mark constituted by the shape of the composite bottle and the proprietor of the marks affixed to that bottle in profiting from the rights attached to those marks and, on the other, the legitimate interests of purchasers of those bottles, in particular the interest in fully enjoying their property rights in those bottles, and the general interest in maintaining undistorted competition’.

Therefore, use of a sign must be tolerated if the societal interest in unauthorised use by prohibiting such use given the circumstances, in particular, cuts into freedom of (commercial) expression and freedom of competition, turns out to be more harmed than the impact on the trademark owner’s rights.

Article 14(1) TMD and Art. 14(1) EUTMR enumerate three specific situations in which the unauthorised use of...
a trademark is in principle allowed: (a) use of one’s own name and address; (b) use of indistinctive signs and use for descriptive purposes; and (c) use of a sign referring to goods or services as those of the trademark owner, in particular where that is necessary to indicate the intended purpose. The reference in Art. 9(3)(f) EUTMR and Art. 10(3)(f) TMD respectively to Directive 2006/114/EC further indicates that the terms under which comparative advertising is permitted are also applicable in the context of trademark law. Compliance with the harmonised requirements for comparative advertising, however, prevents a finding of prima facie infringement.

The limitations listed in the first paragraph of Art. 14 only apply if the use of the trademark complies with honest practices in industrial or commercial matters (Art. 14(2) TMD and EUTMR). This requirement is also included in recital 27 TMD and recital 21 EUTMR. As it directly impacts the operation of limitations, an appropriate interpretation of this legal condition is essential.

In Gerolsteiner Brunnen, the CJEU ruled that the condition of ‘honest practice’ constitutes in essence the expression of a duty to act fairly in relation to the legitimate interests of the trademark owner. Drawing up the concept of ‘honest practices’, the CJEU explained in the Gillette case – clearly inspired by the conditions of legitimate comparative practices – that a third party’s use is not in accordance with honest practices if ‘it is done in such a manner as to give the impression that there is a commercial connection between the third party and the trade mark owner; it affects the value of the trade mark by taking unfair advantage of its distinctive character or repute; it entails the discrediting or denigration of that mark; or where the third party presents its product as an imitation or replica of the product bearing the trade mark of which it is not the owner.’

On the subject of honest practices regarding the use of trade names allegedly conflicting with an earlier trademark, the CJEU mentioned as factors in Anheuser Busch and Céline the extent to which the use of the third party’s trade name would be understood by the relevant public as indicating a link between the third party’s goods and the trademark proprietor, and the extent to which the third party ought to have been aware of this fact. Another factor mentioned was whether the trademark concerned enjoyed a reputation of which the third party sought to take advantage without due cause.

With regard to keyword advertising, the CJEU argued in Portakabin/Primakabin that an advertiser who used the trademark of a competitor as a keyword for sponsored search results could not, as a rule, rely on the trademark defences. The CJEU assumed that the advertiser would as a rule not be acting fairly in relation to the legitimate interests of the trademark owner: ‘in the event that the national court finds that the ad does not enable average internet users, or enables them only with difficulty, to ascertain whether the goods or services referred to by the ad originate from the trade mark proprietor or from a third party, it is unlikely that the advertiser can genuinely claim not to have been aware of the ambiguity thus caused by its ad. It is the advertiser itself, in the context of its professional strategy and with full knowledge of the economic sector in which it operates, which chose a keyword corresponding to another person’s trade mark and which, alone or with the assistance of the referencing service provider, designed the ad and therefore decided how it should be presented.’

Based on these CJEU rulings, the Commission’s proposal for a reform of trademark law suggested that the use of a sign conflicting with a trademark should be deemed not to comply with honest practices if it gives the impression of a commercial connection between the sign and the mark, or if it takes unfair advantage of, or is detrimental to, the distinctive character or reputation of the trademark without due cause. However, this proposal was criticised for being inappropriate and potentially dangerous since it almost literally repeated the infringement criteria, thereby resulting in a circular line of reasoning and leaving the limitations practically moot. If the Commission’s proposal had been implemented, it would indeed have had undesirable consequences. However, some argue that the situation has hardly improved since the standard for assessing honest
II. Article 10bis of the Paris Convention

1. Background

The exact meaning of the expression ‘honest practices in industrial and commercial matters’ is not provided in Art. 14(2) TMD and Art. 14(2) EUTMR. Since this concept was derived from Art. 10bis PC, you would expect this provision to provide some guidance concerning the meaning of ‘honest business practices’. 22 Article 10bis PC is the basic international standard in the area of unfair competition law that addresses the question of the right demarcation between fair competition and inappropriate competitive conduct. The Paris Convention dates back to 1883. 23

In 1900, at the Brussels Conference for the Revision of the Paris Convention, the repression of unfair freedom of competition (and commercial expression) and enhancing consumer information and consumer choice. This conduct-based approach takes into account not only the legitimate interests of the trademark owner but also those of third parties. In this way, trademark owners cannot prevent unauthorised use of the trademark if the defendant has made sufficient efforts to minimise harm, and at the same time third parties must respect trademark owners’ interests to the largest extent possible if they want the trademark limitations to apply. Accordingly, the limitations are no longer a mere repetition of the infringement criteria, but become true counterbalances and efficient safeguards against overbroad protection.

I first discuss Art. 10bis of the Paris Convention (PC) since it is from this provision that the expression ‘honest practices in industrial and commercial matters’ is derived (Section II). 21 I then analyse whether there is room for a broader interpretation of the concept of honest practices under CJEU case law (Section III). In Section IV, I give some examples to illustrate how national courts could interpret the concept of honest practices. Section 5 concludes.

practices has remained unspecified and the leading CJEU case law still relies heavily on the same criteria that have been applied to establish prima facie infringement. 17 As Jennifer Davis notes: ‘the interpretation of specific limitations, such as what constitutes descriptive use or what falls within the “spare parts” defence, has advanced very little from the early days of the first Directive. And in the case of descriptive use, once a descriptive word has become distinctive, it is difficult to see how a defence of descriptive use by a third party would succeed in any event. As for cases concerned with freedom of expression, there have been, since the Directive, instances in member states where the courts have been asked to choose between free political speech and trademark protection, but again they are surprisingly few. 18

Furthermore, she emphasises that ‘if the limitations to trademark infringement have had any effect, it has been to help balance the interests of (often powerful) competitors rather than to create a protected public domain for freedom of expression’. 19

If trademark limitations are supposed to balance the interests of traders and enhance freedom of competition and freedom of (commercial) expression, the honest practices proviso has to be interpreted differently than it has been so far. Merely repeating the infringement analysis when interpreting the honest practices proviso could hinder freedom of competition and (commercial) freedom of expression. 20

The question then is how to interpret the honest practices proviso without merely repeating the infringement analysis. Should judges view the honest competitor from a normative perspective (according to ethical standards concerning behavioural norms of fairness and decency in a given society or sector of trade)? Or should they adopt an empirical perspective (considering the measures taken by competitors to reduce trademark harm and how consumers perceive these measures)?

This article argues that the honest practices proviso should be more empirically based. Judges should focus on the efforts made by competitors to avoid detriment to the trademark and on whether consumers perceive the potentially infringing use differently because of these efforts. If the defendant has taken sufficient measures to minimise possible harm to the trademark owner but some confusion still exists or some advantage is taken, the use of the trademark should be allowed if these side effects are outweighed by overarching market values, such as furthering

17 Kur and Sentelke (n 1) 432; Kur, Dreier and Lugnbuch (n 12) 267.
18 Jennifer Davis, ‘Limitations to Trademark Protection’ in Irene Calboli and Jane C Ginsburg (eds), The Cambridge Handbook of International and Comparative Trademark Law (Cambridge University Press 2020) 538-570, 569.
19 Ibid 570.
20 Although non-distinctive, descriptive andgeneric signs will not be registered because of their lack of distinctiveness, these signs can however be registered if of sufficient value. This conduct-based approach takes into account not only the legitimate interests of the trademark owner but also those of third parties. In this way, trademark owners cannot prevent unauthorised use of the trademark if the defendant has made sufficient efforts to minimise harm, and at the same time third parties must respect trademark owners’ interests to the largest extent possible if they want the trademark limitations to apply. Accordingly, the limitations are no longer a mere repetition of the infringement criteria, but become true counterbalances and efficient safeguards against overbroad protection.

21 See: para 41 of the Preamble of the TMD. See also: Christopher Wadlow, The Law of Passing-Off, Unfair competition by misrepresentation (3rd edn, Sweet & Maxwell 2004) 51; Case C-200 Holterhoff/ Freiedehein ECLI:EU:C:2001:468, Opinion of AG Jacobs, para 59.
22 Although the exact intended meaning of Art. 10bis PC may be difficult to pinpoint: ‘Article 10bis of the Paris Convention obligates the member states to enact a general clause against any act of competition contrary to honest practices in industrial or commercial matters. This was a rather bold move that, to this day, has not resulted in a uniform implementation, let alone interpretation of what protection against unfair competition actually entails.’ See: Anselm Kampman Sanders, ‘Dilution and Damage beyond Confusion in the European Union’ in Calboli and Ginsburg (n 18) 499-510, 500.
23 This Convention was negotiated in Paris in 1880, signed there in 1883 and ratified in 1884. See George HC Bodenhausen, Guide to the Application of the Paris Convention for the Protection of Industrial Property as revised at Stockholm in 1967 (BIRPI 1968) 9; Sam Ricketson, The Trademark Provision in the Paris Convention for the Protection of Industrial Property’ in Calboli and Ginsburg (n 18) 3-26; Louis Altman and Malla Pollack, Callmann on Unfair Competition, Trademarks and Monopolies (4th edn, Thomson Reuters 2020) para 272; Roger W de Vrey, Towards a European Unfair Competition Law. A Clash Between Legal Families. A comparative study of English, German and Dutch law in light of existing European and international legal instruments (Martinus Nijhoff Publishers 2006) 12; Frauke Henning-Bodewig, ‘International Unfair Competition Law’ in Reto M Hilty and Frauke Henning-Bodewig (eds), Law Against Unfair Competition, Towards a New Paradigm in Europe? MPI Studies on Intellectual Property, Competition and Tax Law, vol 1 (Springer 2007) 53. See further: <https://www.wipo.int/treaties/en/ip/parsu/> accessed 18 May 2021.
competition was recognised as part of industrial property protection at the international level. The Conference agreed with the insertion of Art. 10bis PC that ‘[n]ationals of the Convention […] shall enjoy, in all States of the Union, the protection granted to nationals against unfair competition’. The provision was merely intended to stop discrimination that existed in some countries between foreigners and nationals concerning protection against unfair competition, and extend the principle of national treatment of Art. 2 PC.

Eleven years later, in 1911, the Revision Conference of Washington went a step further by agreeing on an obligation among Convention countries to ensure effective protection against unfair competition. At the 1925 Revision Conference of The Hague, this obligation was strengthened by introducing a definition and including examples of acts of unfair competition in Art. 10bis PC. The 1934 London Conference improved the provisions, and an additional example of acts of unfair competition was included at the Revision Conference of Lisbon in 1958 (Art. 3(3) PC). As a result of the last revision conference in Stockholm in 1967, Art. 10bis PC now reads as follows:

‘(1) The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition.
(2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.
(3) The following in particular shall be prohibited:
1. All acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities of a competitor;
2. False allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;
3. Indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.’

The current text of Art. 10bis PC reflects the described historical development of the provision. The first paragraph prescribes the duty to ensure effective protection against unfair competition. The second paragraph defines unfair competition as ‘[a]ny act of competition contrary to honest practices in industrial or commercial matters’. The third paragraph includes three examples of cases which must especially be forbidden: the causing of confusion regarding a competitor’s establishment, goods or activities (para. 1); the discrediting of a competitor’s establishment, goods or activities (para. 2); and the misleading of the public as to the nature or other characteristics of one’s own goods (para. 3). This section is added in Art. 10ter PC, which provides for legal remedies for effectively restraining acts of unfair competition.

Art. 10bis PC constitutes a flexible, open minimum level of protection against unfair competition. The duty to ensure effective protection does not require the promulgation of specific legislation. In implementing the treaty obligations, countries are permitted to maintain their own traditions and historical sources regarding unfair competition law. A similar obligation exists under Art. 2 of the TRIPS Agreement, according to which members of the World Trade Organisation must comply with Art. 10bis PC.

2. Meaning of ‘honest practices’

The leading standard for protection against unfair competition under the Paris Convention is based on the concept of ‘honest practices in industrial or commercial matters’, which is included in the definition of acts of unfair competition in Art. 10bis (2) PC. ‘Practices’ refers to the actual practices; the stipulation that these practices must be ‘honest’ reveals a normative requirement. The meaning of honest practices is basically influenced by the norms of the protecting country in question because a transnational, universally accepted standard has not evolved yet.
In the event of an international case, however, the national interpretation must be supplemented with accepted international norms to the extent to which these norms can be derived from the status quo reached at the international level.

For international standards in the field of protection against unfair competition to have some harmonising effect across countries and territories, arguably, at least a minimal objective standard at the international level is necessary. As, however, the meaning of honesty mainly depends on the sociological, economic, moral and ethical concepts of a specific society, it may differ between Paris Union countries. Standards of ‘honesty’ further change with time and new acts of unfair competition are continuously identified.

Notwithstanding the differences between countries, certain aspects of practices can however be marked as ‘fair’ or ‘unfair’. Obvious acts of unfair behaviour are explicitly enumerated in Art. 10bis(3): causing confusion, disseminating and the use of misleading indications. These examples do not restrict the scope of the general definition of honest practices covered in para. 2, but they certainly reflect the contours of the concept of honest practices. For example, these acts have in common that traders succeed in competition without relying on their own achievements in terms of the quality and pricing of their goods and services. Rather, they profit unduly from the work of another trader or affect consumer demand with false or misleading statements.

a) Normative approach

Traditionally, the concept of honest practices referred to ethical standards concerning behavioural norms of fairness and decency in a given society. In literature, it has been shown that these norms were inspired by French legal tradition. A normative approach based on ethical standards can, however, be criticised as imprecise since the establishment of relevant behavioural standards is strongly influenced by the customs and habits of a given trade circle. Actually, trade circles stipulate the de facto guidelines for honest practices by which a competitor’s conduct will be judged. Such that defining honest practices by reference to the way honest traders actually compete might lead to a certain degree of circularity: ‘Gegen die spezifische Ankündigung an Konventionalnormen zur Konkretisierung der großen Generalklausel spricht ferner, dass die Entscheidung über Art und Maß „anständiger Gepflogenheiten“ im Geschäftsverkehr nicht denen überlassen bleiben darf, die diese Gepflogenheiten im Wege tatsächlichen Verhaltens herausbilden und mit einem sozialen, verbandrechtlichen oder ähnlichen Geltungsanspruch unterlegen. Sonst könnten diese Kreise letztlich über die an sie anzulegenden rechtlichen Maßstäbe selber bestimmen.’

34 Bodenhausen (n 23) 144; Henning-Bedoweg (n 29) 177; Altman and Pollack (n 23) para 27:12, pp 32-33; de Vrey (n 23) 14.
35 Wadlow (n 21) 64; Schricker and Henning-Bedoweg (n 30) 31; Axel Becker, Unlauterer Wettbewerb (Mohr Siebeck 2011) 145; de Vrey (n 23) 13-14.
36 WIPO (n 32) 23. See also: Ladas (n 25) 1685, 1689; Henning Harte-Bavendamm and Franke Henning-Bedoweg (eds), Gesetz gegen den unlauteren Wettbewerb (UWG) (CH Beck 2004) 579; Wilhelm Nordemann, ‘Der verständige Durchschnittsgewerbetreibende – Zum Begriff der “guten Sitten” in § 1 UWG’ [1975] GRUR 625, 628.
37 The first example, for instance, illustrates the great value the Convention States attach to protection against confusion regarding a competitor’s establishment, goods or activities, while the Paris Convention includes specific obligations to protect typical business and competitor’s establishment, goods or activities, while the Paris Convention certainly reflects the contours of the concept of honest practices by way of actual conduct and subject them to a claim to validity under social or association law, or a similar kind of law. Otherwise, these circles could ultimately determine for themselves the legal standards to be applied to them. (transl.). Harte-Bavendamm and Henning-Bedoweg (n 36) 580-581; Hopperger and Sentfelten (n 37) 64. See also Wadlow (n 21) 66.
38 Another argument against the specific link to contractual norms for the concretisation of the broad general clause is that the decision on the type and extent of ’honest practices’ in commercial trade must not be left to those who articulate these practices by way of actual conduct and subject them to a claim to validity under social or association law, or a similar kind of law. Otherwise, these circles could ultimately determine for themselves the legal standards to be applied to them. (transl.).
39 Callmann, Der Unlautere Wettbewerb. Kommentar zum Gesetz gegen den unlauteren Wettbewerb und zu den materiellrechtlichen Vorschriften des Gesetzes zum Schutz der Warenbezeichnungen (J Bensheimer 1929) 39.
40 Harte-Bavendamm and Henning-Bedoweg (n 36) 580; Hopperger and Sentfelten (n 37) 64; Hestege (n 21) 63; Ulrich Loessner, ‘Suggestivwerbung, unlauterer Wettbewerb, Wettbewerbsfreiheit und Verbraucherschutz’ [1975] GRUR 99, 103.
41 Harte-Bavendamm and Henning-Bedoweg (n 36) 580-581; Hopperger and Sentfelten (n 37) 64. See also Wadlow (n 21) 66.
42 Notwithstanding the differences between countries, certain aspects of practices can however be marked as ‘fair’ or ‘unfair’. Obvious acts of unfair behaviour are explicitly enumerated in Art. 10bis(3): causing confusion, disseminating and the use of misleading indications. These examples do not restrict the scope of the general definition of honest practices covered in para. 2, but they certainly reflect the contours of the concept of honest practices. For example, these acts have in common that traders succeed in competition without relying on their own achievements in terms of the quality and pricing of their goods and services. Rather, they profit unduly from the work of another trader or affect consumer demand with false or misleading statements.
Clearly there are also no objective standards of feelings, instincts or attitudes toward a certain conduct, which makes it extremely difficult to provide specific prescriptions concerning a uniform evaluation of specific acts.⁴⁴

Even if judges try to find and specify pre-existing norms for the community at large, there is a risk that their decision may consciously or unconsciously align with their own moral sensitivities. Since conflicts in competition are so versatile and complicated, the clarity needed for a moral reaction might also be lacking.⁴⁵ This normative approach could further be criticised because of its arbitrariness and counterproductive effects:

‘In Verbindung mit dem Abstellen auf den „Gesamtkarakter“ der Wettbewerbshandlung und mit der Heranziehung „beweglicher Elemente“ bei seiner rechtlichen Bewertung erweckt die Anstandsformel den Eindruck einer gewissen Beliebigkeit, warum im konkreten Fall die Argumentationstopoi gerade so und nicht anders selektiert und kombiniert werden. Dies bedeutet letztlich einen „Verzicht auf ein rechtsystematisch vermitteltes Verständnis“ der großen Generalklausel überhaupt. Wegen der praktisch unbeschränkten Verfügbarkeit der Anstandsformel konnte sie im Zuge nationalsozialistischer „Rechtsneuerung“ zum dogmatischen Vehikel selbst dazu avancieren, unter erklärter Absage an den Primat der Rationalität (wettbewerbs)rechtliche Entscheidungen schlicht im Wege „göttlich geoffenbarter Intuition“ treffen zu können."⁴⁶

Furthermore, the fact that traders profit from their acts of competition or cause financial loss to another competitor is not in itself unlawful. The saying ‘no one should reap what he has not sown’⁴⁷ should be applied in a more refined manner. If traders are prohibited from using other traders’ work or experience, progress would be hindered and monopoly would become common use.⁴⁸ Rather, traders should be stimulated to compete for the custom of the public on the most favourable terms. The focus should be on whether competitors use fair and lawful means.⁴⁹ An act might be un tactful or tasteless yet still not be dishonest.⁵⁰ A normative approach (in the sense of ‘ethical’) is also not urged by a reading of the Paris Convention itself, and it seems to be contrary to the circumstances in which the current text of Art. 10bis (2) PC was adopted at the expense of the French proposal at the 1925 Hague Conference.⁵¹

Furthermore, the defendant’s state of mind does not seem to be relevant.⁵² This is also implied by the full formulation ‘contrary to honest practices in industrial or commercial matters’, which refers to a generally accepted standard by honest traders. If individual defendants do not satisfy these standards, their being in good faith does not impact the standard of liability.⁵³ This is also implicitly indicated by the three examples of Art. 10bis (3) PC, none of which refers to any overt mental element or any reservation for bona fide conduct.⁵⁴

In addition, the negotiating history shows that Art. 10bis PC does not distinguish acts carried out with a certain form of dishonest intent. At the 1925 Hague Conference, Italy apparently suggested explicitly limiting the proposed text to acts done ‘dans le but de détourner la clientèle d’un concurrent’, but did not find sufficient support at the Conference.⁵⁵ Article 10bis (2, 3) as adopted was also explicitly aimed to be free from any criterion of intention to impair: ‘la notion de dénigrement […] n’implique pas une intention injurieuse’.⁵⁶

Nautic’s radio receiver, which had the same functionalities as the Decca receiver but was substantially cheaper and had an enhanced technical capacity. In other words, if the Supreme Court had ruled the case normatively, i.e. according to the norms in a given trade, it would not have allowed Holland Nautic to offer alternative radio receivers without paying a reasonable fee for the maintenance and improvement of the navigational system. If so, Decca’s 33-year monopoly position on the market would in fact have been extended even though they had never had any intellectual property rights on what they had created (Dutch Supreme Court, 27 June 1986, Holland v Nautic ECL/INLPHR/1986:AD7158). Although the notion of the ‘reasonable man’ enables courts to reject any practices that might be in line with market practice in the sector concerned but be dishonest in some extrinsic sense: Wadlow (n 21) 66.

Although the notion of the ‘reasonable man’ enables courts to reject any practices that might be in line with market practice in the sector concerned but be dishonest in some extrinsic sense: Wadlow (n 21) 66, 85-86.

Jan Gerhard Schräck, ‘Unfair Competition and Consumer Protection in Western Europe’ (1970) 1 IIC 415, 422; Harte-Bavendam and Henning-Bodewig (n 36) 580-583.

In conjunction with the reference to the ‘overall character’ of the competitive act and the use of “flexible elements” in making a legal assessment, the standard of decency gives the impression of a certain arbitrariness as to why the topoi of argumentation are selected and combined in precisely this and not that way in a specific case. This ultimately means “refraining from a legally systematically acquired insight” of the major general clause in the first place. Because of the practically unlimited applicability of the standard of decency, in the context of National Socialism it was used to advance “legal renewal” and become a dogmatic vehicle for making (competition) legal decisions simply by way of “divinely revealed intuition”, with a declared rejection of the primacy of rationality, (transl.); Harte-Bavendam and Henning-Bodewig (n 36) 580, 609. See also: Neumann (n 36) 628, who argued that ethical norms could be influenced: ‘Das ganze wäre auch nicht weiter bemerkenswert, wenn es nicht einen eminent politischen Bezug hätte: Mit den herrschenden Ausschau überbaut sich in Zeiten politischer UnruheUnrecht judizieren, ohne daß äußerlich ein Bruch in der Rechtsprechung erkennbar werde.’⁵³

International News Service v Associated Press 248 US 215, 239-240 (1918).

44 Ladus (n 25) 1685; Loewenheim (n 41) 103; Harte-Bavendam and Henning-Bodewig (n 36) 581; Ulmer and Kraßer (n 40) 67.

45 Gerhard Schräck, ‘Unfair Competition and Consumer Protection in Western Europe’ (1970) 1 IIC 415, 422; Harte-Bavendam and Henning-Bodewig (n 36) 580-583.

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47 International News Service v Associated Press 248 US 215, 239-240 (1918).

48 Ladus (n 25) 1689.

49 Ulmer and Krasser (n 40) 66; Ulmer (n 40) 58.

50 Ladus (n 25) 1689.

51 At the 1925 Hague Conference there was little opposition regarding the general clause stating “constitue un acte de concurrence déloyale tout acte contraire aux usages bonnes en matière industrielle ou commerciale” with the exception of France opting for a more explicit definition of ‘tous les actes contraires à la loi, aux usages commerçance ou à l’équité’. Both proposals were rejected, however, because they were found to be too vague and indeterminate for implementation in an international convention by a number of delegations, such as Italy, Japan, the United Kingdom and the United States. The Working Party was therefore unable to submit any general clause against unfair competition. However, when the French delegate M. Maillard suggested leaving Art. 10bis unchanged instead of enumerating a few specific forbidden acts, after the Programme’s proposal was revived by the Dutch delegation, all delegations supported this Franco-Dutch proposal, with the United States (with the support of the United Kingdom) only asking to include as clarification that only commercial acts of competition were concerned. Following another important reservation made by Belgium, the proviso was finally accepted unanimously. See: Actes de la Haye (1926) 475; Wadlow (n 21) 66, 85-86.

52 The term ‘honest’ might suggest that a certain form of subjectivity as ‘fault’ or ‘bad faith’ is required. See Wadlow (n 21) 64, WIPO (n 32) 24; Harte-Bavendam and Henning-Bodewig (n 36) 578; ‘Der Mensch ist – sozialerisch gesehen – nicht für die Rennheit seiner Gesinnung verantwortlich, sondern für die Qualität seiner Handlungen unter Einbeziehung auch der Handlungsebenen.’

53 Wadlow (n 21) 64.

54 ibid 65.

55 Actes de la Haye (1926) 350; Wadlow (n 21) 65; Bodenhaven (n 23) 145.

56 See Wadlow (n 21) 65. For example, in the Spanish law of 1991, the objective approach is explicitly expressed in the legislation: ‘any act against good faith in an objective sense’, WIPO (n 32) 24; Ladus (n 25).
Subjective elements could, however, be relevant when establishing an applicable sanction, although Member States must always ensure that effective sanctions are taken against repetitive future acts irrespective of the defendant’s state of mind. The merits of adding subjective elements to the equation will be discussed in more detail below.

b) Empirical approach

More recently, the concept of honest practices has been interpreted in light of the goal of safeguarding the efficient operation of competition as a main instrument of market economies. Since unfair competition law was created as a special law to safeguard the interests of the honest businessman, the starting point for assessing honesty is the businessman’s standard of behaviour. If a practice is seen as unacceptable by all businessmen, it is difficult to define this conduct as a fair act of competition.

Nevertheless, some practices might be broadly accepted within a certain branch of business while still being perceived as ‘improper’ by other market participants, i.e. consumers. An empirical approach lending weight to consumer perception could therefore reintroduce ethical standards, such as personal responsibility for market actions with respect to the interests of other market participants, and respect for the equality of rights in the marketplace.

In addition, some practices might at first glance not harm other businessmen or consumers, while still having a detrimental effect on the economy at large. For instance, selling at dumping prices might in the long term ruin small and medium-sized companies and therefore harm free competition. Such behaviour is often viewed as ‘unfair’.

It further seems more consistent to interpret the general definition of honest practices in Art. 10bis (2) PC not only in view of protecting competitors’ interests but also with an eye to safeguarding consumers’ interests. One example that particularly highlights acts of unfair competition and defines the meaning of the honest practices provision concerns protection against acts that mislead the public and thus also refer to consumer interests.

Furthermore, the scope of Art. 10bis PC need not be restricted to acts of direct competition. Although several references to the goods and services ‘of a competitor’ are included in this article and seem central to its analysis, a competitive relationship between traders in different branches of industry or trade or an indirect competitive relationship may suffice. Nevertheless, it is possible to interpret the wording ‘of a competitor’ more restrictively as requiring a direct competitive relationship between the party guilty of unfair competition and the party whose interests are impaired.

The 1996 WIPO Model Provisions on Protection against Unfair Competition, a non-binding legal instrument that is nevertheless of legal influence as an international recommendation, also indicates that omission of the requirement that the act be an act of competition makes it clear that consumer interests also are protected. The Provisions also no longer require a competitive relationship between parties. The WIPO Model Provisions further extend examples of prohibited acts from three to five: in addition to the risk of confusion, disparagement and misleading acts, they also include damaging goodwill or reputation and the protection of trade secrets. These classic forms of prohibited acts are further elaborated into subcategories.

In other words, the assessment of honest practices should not be limited to a moral judgement, but rather take all factors into account. According to Schricke:

‘Moral standards alone may be sufficient for Gustav Freytag’s romantic nineteenth century description of the business world in Soll und Haben; but they are no longer able to resolve complicated conflict situations in the world of competition. Admittedly, the ethical basis for competition law should be retained, but it must be built upon. Here the jurisprudence of “interests and values” has something to offer. […] It permits us to change over from indirect interest weighing immanent in ethical evaluation to a direct balancing of interests. The modern “interestjurisprudence” (Interessenjurisprudenz) allows the weighing of interests of all parties involved and the making of a decision based upon norms from the constitution and the entire legal system.’

63 Para 3(3); included at the 1958 Lisbon Conference.
64 See: Höppenger and Senftleben (n 37) 67. See also: Ladas (n 25) 1687, 1689; Schricke (n 45) 430; Wadlow (n 21) 60. However, de Vrey argues that this ‘type of unfair competition, as dealt with in Article 10bis of the Paris Convention, is – again – mainly directed at the protection of (hon- est) competitors. The Paris Convention, therefore, does not emphasize the protection of the consumer in this respect. The introduction of consumer protection within the realms of unfair competition law took place at a later date.’ See de Vrey (n 23) 15.
65 In para 2 of the general definition, as well as in the first and second example of prohibited acts from para 3.
66 See also: Bodenhanssen (n 23) 144; Wadlow (n 21) 62; de Vrey (n 23) 13; Ladas (n 25) 1687; Höppenger and Senftleben (n 37) 65.
67 Höppenger and Senftleben (n 37) 72-73; Schricke and Hennig-Bodewig (n 30) 38; Amsler Ohy, ‘Unfair Competition (Basic Principles)’ in Jürgen Basedow and others (eds), The Max Planck Encyclopedia of European Private Law (Oxford University Press 2012) 1713.
68 WIPO, ‘Model Provisions on Protection Against Unfair Competition. Articles and Notes’ (WIPO 1996) 10, note 1.06.
69 Schricke (n 45) 443.
In practice, the notion of unfair competition has also increasingly turned into a balancing of interests.\(^70\) Differences in interpretation of the notions of ‘fair’ or ‘unfair’ are further reflected in the different focus on the various interests at stake. For instance, the terms might be interpreted differently in countries where the traditional law of unfair competition underlines the interests of the honest businessman than in countries where consumer interests or the public at large are particularly emphasised.\(^71\)

Nevertheless, when assessing the interests of all the parties involved, judges, who are themselves consumers, should be cautious not to be too easily convinced by consumer-friendly arguments. Otherwise, the individual legal protection of the competitor will be pushed to the background and freedom of competition will ultimately suffer.\(^72\) Consumer protection should not be used as a pretence for promoting other interests. Protection against unfair competition under general clauses, such as Art. 10\(^{\text{bis}}\) PC, should only protect consumers when this protection is necessary to safeguard fair, undistorted competition. However, it should not be used to shelter consumers at the expense of freedom of competition and commercial expression.\(^73\) The same applies to the interests of the public at large, since consumer interests could easily be equated with public interest and consumers are by far the largest proportion of the population.\(^74\)

### III. CJEU case law

The analysis of Art. 10\(^{\text{bis}}\) PC illustrates that three types of cases should be specifically forbidden: causing confusion, discrediting, and using misleading indications. In light of this it is justifiable that in assessing honest business practices, as provided by Art. 14(2) TMD and Art. 14(2) EUTMR, the CJEU refers to the risk that consumer decisions are impacted by the suggestion of commercial links. This category of commercial tort governing the general structure of trademark law is clearly in line with Art. 10\(^{\text{bis}}\) (1, 3) PC.

However, the other two categories which the CJEU identified in its case law, the potential ‘unfairness’ of free-riding and the risk of impairment to the inherent value of the trademark, cannot be found in the primary text of the PC. Substantive protection standards specifically for trademarks are only barely sketched in the PC, which merely establishes an international obligation to provide for protection against origin confusion.\(^75\) Moreover, the notion of confusion in Art. 10\(^{\text{bis}}\) PC must be interpreted autonomously:

‘This lies in combatting unfair acts of competition, not in conferring protection to a “property right” as constituted by the mark. To the extent that it concerns the confusability of goods with identical or similar designations, the risk of mistaken identity must thus indeed exist among the public with respect to attributing the product to a specific source. Protection going beyond this may be acceptable by the virtue of normative standards in trademark law, but not in competition law.’\(^76\)

Despite having much in common with competition law, trademark law does not have the same objective of protection, and the concept of risk of confusion therefore need not necessarily be interpreted in exactly the same way.\(^77\) Art. 10\(^{\text{bis}}\) PC seeks to prevent unfair acts of competition and does not aim to grant protection to the ‘property right’ conveyed in a trademark.\(^78\) The other two acts the CJEU aims to protect against, i.e. risk of free-riding and damage in the form of dilution, can especially be seen as forms of enhanced protection that go beyond protection of the origin function of the trademark.\(^79\)

Nevertheless, the protection level of Art. 10\(^{\text{bis}}\) PC only constitutes an international minimum standard which, arguably, no longer fulfils the current conditions of unfair competition law. The examples enumerated in the third paragraph may appear for instance too narrow from this perspective.\(^80\) The first paragraph refers to acts that involve confusion with a competitor, but in principle does not seek to prevent consumers from being deceived. The second paragraph only protects competitors against statements that are clearly untrue. The third paragraph protects consumers against misleading acts with regard to goods but does not mention services.\(^81\) Besides, Art. 10\(^{\text{bis}}\) PC provides for certain minimum standards of protection that all nationals of Member States are entitled to claim, ‘but there is nothing to prevent a particular member of the Union legislating more generously than Art. 10\(^{\text{bis}}\) requires (whether in terms of substantive law, or in terms of the rights and remedies made available) and in that case the foreign ressortissant cannot be denied the more generous protection of national law’.\(^82\)

Indeed, the second paragraph of Art. 10\(^{\text{bis}}\) contains a broad and comprehensive definition of unfair competition

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\(^{70}\) See also: Ladas (n 25) 1676-1677; Schricker (n 45) 443, 446.

\(^{71}\) WIPO (n 32) 25. See also: Schricker and Henning-Bodewig (n 30) 31.

\(^{72}\) Schricker (n 45) 445.

\(^{73}\) Ibid 435. See also Nordemann (n 36) 628 ‘Aber wer ibsen’s „Nora“ kennt, weiß, daß die Mensch der Mehrheit keine verlässliche Größe ist, und unsere Gerichte wissen das auch. Schon in besten Friedenszeiten (1901) mußte das RG – wie eingangs zitiert feststellen, daß im Handelsverkehr tatsächlich aufgekommene Praktiken eine Unsitte sein könnten […]’.

\(^{74}\) Ibid.

\(^{75}\) Art 6\(^{\text{bis}}\) PC regulates the exemption of well-known marks from national registration requirements, and art 6\(^{\text{ter}}\) PC protects traders against unauthorised registration of trademarks by unfaithful agents and representatives.

\(^{76}\) Henning-Bodewig (n 29) 176.

\(^{77}\) Although the current legal standard of the average consumer appears in both fields. See for trademark law: Case C-342/97 Lloyd Schuhfabrik v Kijsten Handel Bv ECLI:EU:C:1999:323 and for unfair competition: Case C-210/96 Gut Sprengendeke ECLI:EU:C:1998:369. See also: de Vreij (n 23) 312.

\(^{78}\) Henning-Bodewig (n 29), 175-176.

\(^{79}\) Dev Saif Gangjee, ‘Property in brands’ (LSE Working Papers 8:1-27) 13; Kur and Sentilében (n 1) 16; Kamperman Sanders (n 22) 503-509.

\(^{80}\) Schricker and Henning-Bodewig (n 30) 32-33; Béar (n 35) 145-146; Höpperger and Sentilében (n 37) 67.

\(^{81}\) Further acts that are not explicitly included include misappropriation of trade secrets (although see art 39 TRIPS) and the regulation of comparative advertising. Free-riding on the efforts of competitors, such as dilution and slavish imitation, are also not mentioned. For an outline of acts not explicitly enumerated in art 10\(^{\text{bis}}\), see WIPO (n 32) 48-68.

\(^{82}\) Wadlow (n 21) 55. See also: Kur and Sentilében (n 1) 31.
Inevitably, the exclusive rights needed to secure protection against confusion also safeguard the investments made in the creation of a favourable trademark image. By granting basic protection against confusion, the exclusive link between an enterprise and its trademark is secured, as are the investments made in the evolution of brand-related associations in the consumers’ minds.88 The WTO Panel discussing EC protection for trademarks and geographical indications for agricultural products and foodstuffs describes this protection reflex in the following way:

‘The function of trademarks can be understood by reference to Article 15.1 [TRIPS] as distinguishing goods and services of undertakings in the course of trade. Every trademark owner has a legitimate interest in preserving the distinctiveness, or capacity to distinguish, of its trademark so that it can perform that function. This includes its interest in using its own trademark in connection with the relevant goods and services of its own and authorized undertakings. Taking account of that legitimate interest will also take account of the trademark owner’s interest in the economic value of its mark arising from the reputation that it enjoys and the quality that it denotes.89

Nonetheless, granting more protection in addition to the protection reflex inherent in basic protection against confusion is not unproblematic. Based on the dilution doctrine, trademark owners acquire control over the use of a trademark across all markets irrespective of whether consumers are confused.90 Under CJEU case law, even damage is not required when proprietors claim that a third party has taken a free ride on their trademark’s reputation.91 As a result, trademark owners are increasingly rewarded for their investments.

Justification is required to approximate trademark protection to the exploitation rights known from copyright and patent law in this way.92 While the primary purpose

complementary or alternative to intellectual property in the EU?’ in Christophe Geiger (ed), Constructing European Intellectual Property (Edward Elgar 2013) 329-339, 336. See also Bjorkenfeldt, who argued that the case was highly controversial and pointed out that its outcome may be highly beneficial to brand owners but may also lead to a lower standard of competition and less consumer choice (Mats Bjorkenfeldt, ‘The genie is out of the bottle: the ECJ’s decision in L’Oreal/Bellure’ (2010) 1 JPLP 105). Therefore, the concept of dilution should be interpreted rather strictly. See Kamperman Sanders (n 87) 338; de Vrey (n 23) 312; Kamperman Sanders (n 22) 499-510, 509-510: ‘The CJEU has consistently used its mandate based on the trademark Directive and the EUTMR to harmonize the law against unfair competition under the guise of trademark law. [...] With every new function of the trademark the CJEU comes up with and deems worthy of protection, it becomes increasingly difficult to see where the limits of protection of trademark rights lie and where unfair competition law begins. What is worrying in this regard is that the law against unfair competition, although not harmonized and subject to national law in the EU member states, is often subject to very different policy considerations that find justification in the preservation of a competitive market as a whole, rather than the protection of individual trader’s interests.’

88 Senffelen (n 6), p. 141.

89 See WTO Panel, 13 March 2005, WTO Document WT/DS174/R (n 1), para 7.664. See also: Senffelen (n 6) 141-142.

90 Although the CJEU be seen as exemplifying the European concept of unfair competition. While some Dutch commentators (DJG Visser, Comment on Case C-487/07 L’Oreal/Bellure ECLI:EU:C:2009:378, IER 7974) may have welcomed the case, English commentators (Darren Meale and Joel Smith, ‘Enforcing a trade mark Law, as undertaken by the CJEU through its case law on EU trademark law and other jurisdictions. See also: Kur and Senffelen (n 1) 48, 21.

87 The concept of dilution has its origins in an old German case held by the Landgericht of Elberfeld in 1924 (Oddol). In order to bypass the requirement for likelihood of confusion, the court based its decision on principles of tort laid down in the German civil code. In doing this the court created a new doctrine, now commonly known as the dilution doctrine. According to this doctrine, actions were tortious if they violated ‘guten Sitten’ or good morals, which was in line with the Roman legal principle of ‘boni mores’, and in turn allowed courts to anticipate new and unforeseen circumstances (Kamperman Sanders (n 22) 502-503; Civil Court of Elberfeld (1925) 23 Juristische Wochenschrift 502). Since current trademark law is closely interwoven with unfair competition principles, it therefore makes sense to also expand the trademark limitations to acts of dilution.

86 It can, however, be questioned whether harmonisation of unfair competition law, as undertaken by the CJEU through its case law on EU trademark law, is desirable in the first place. Some have argued that by doing so the CJEU might exceed its mandate. The broad concept of ‘free-riding’ in L’Oreal/Bellure ECLI:EU:C:2009:378, IER 7974 may have welcomed the case, English commentators (Darren Meale and Joel Smith, ‘Enforcing a trade mark

which is further illustrated by the three examples enlisted in the third paragraph. As the word ‘notamment’ in the third paragraph of Art. 10bis PC indicates, the listed acts are only some examples of what should be prevented. All dishonest acts in commercial and industrial matters therefore fall under the definition and should be prevented.83

Moreover, the WIPO Model Provisions further extend the categories of prohibited acts from three to five: in addition to risk of confusion, disparagement and misleading acts, the Provisions also include damaging goodwill or reputation and trade secrets. These non-binding provisions carry a certain political weight since they have the unanimous support of all WIPO and Paris Union members.84

Since EU trademark law also provides protection that goes beyond confusion85 it therefore makes sense to interpret the concept of ‘honest practices’ in light of the current broader approach when applying trademark limitations,86 and refer not only to the risk of confusion but also to the potential ‘unfairness’ of free-riding and the risk of impairment of the inherent value of the trademark.87

83 Ladas (n 25) 1683.

84 Kur and Senffelen (n 1) 21. See for critical comments: Henning-Bodewig (n 29) 185. See also: de Vrey (n 23) 21-22. Cornish is critical, however, about the extensive protection offered by the Model Provisions: ‘The Model and its proponents have performed to acknowledge that there is much in it which can only be read into Article 10bis by the most wildly sanguine interpretation.’ In his view, the Model would favour ‘a very extensive view of activities which should constitute unfair competition’. The protection provided by the Model Provision seems to be in some aspects similar to European trademark law, ie offering goodwill protection irrespective of any confusion. See William R Cornish, ‘Genevan Boottstraps’ (1997) 19(7) EIPR 336, 337.

85 art 10(2)(c) TMD and art 9(2)(c) EUTMR. At the international level, art 16(1) TRIPS also stipulates that owners of a registered trademark have the exclusive right to prevent any unauthorised third parties from using in the course of trade signs for goods or services that are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. Regarding use of identical signs for identical goods or services, a likelihood of confusion shall be presumed. With respect to art 6bis PC, the protection of well-known marks has been broadened on a number of fronts. Most importantly, the scope of protection of well-known marks has been extended to dissimilar goods, provided that the trademark use indicates a connection between goods and services and the owner of the well-known mark and that the trademark owner’s interests are damaged by such use (art 16(3) TRIPS). Enhanced protection of reputable trademarks is further anchored in EU trademark law and other jurisdictions. See also: Kur and Senffelen (n 1) 48, 21.

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of trademark law is to ensure market transparency with the consequence that protection may last forever – because consumers would be confused if trademark protection ended at some point – copyright law and patent law seek to offer an incentive and reward for the creation of intellectual property and the disclosure and dissemination of works or inventions respectively to enrich the public generally.

Furthermore, branded goods are not necessarily high-quality products. Broad brand protection might encourage traders to improve the advertising and persuasive value of their marks instead of maintaining and improving the quality of the product in question. In addition, the CJEU may consistently emphasise the fact that the function of origin is the most important and essential function of a mark, but in practice the advertising and goodwill functions have a higher economic relevance.

As a result, trademark owners can hide behind the protection of the consumer that results from the origin function while in fact seeking to protect their own investments in the marketing of branded goods. Implementing concepts that go beyond the origin function in the honest business practices proviso would stimulate this process further.

Given this weak theoretical foundation, we need to be careful when extending trademark protection beyond the core function of protecting trademarks as source identifiers. This cautious approach is necessary not only when establishing prima facie infringement but also when assessing defence arguments in light of the honest practices proviso. In Interflora, Advocate General Jääskinen explained:

‘I find this very problematic from the point of view of competition because the Court is actually stating that the trade mark proprietor is entitled to use his right to prohibit the use of a sign in circumstances where this would result in a move away from a Pareto optimal situation. The situation of the trade mark proprietor would not improve as he by definition would not suffer any detriment because of the use, but the competitor’s situation would worsen because he would lose a part of his business. Also the situation of the consumers who had not been misled by the ad but consciously preferred to buy the competitor’s products would be impaired.’

Remarkably, the CJEU apparently subjected the limitations to trademark protection to an honest practices test based on the same terms as those used to identify infringement, thereby making the defences quite ineffective in practice. As trademark protection gradually expands, the trademark limitations should adapt to these changes. Therefore, some argue that ‘[t]he only way to make sense of the wording would be to clarify that although the basic concepts (likelihood of confusion, abuse of reputation) informing the evaluation of honest business practices are the same as those governing infringement, their application is different in that the leeway for using a basically conflicting mark is much broader where applications or limitations apply, thereby confining the proprietor’s right to oppose such use to cases of disproportionate harm’. The interpretation of the honest practices standard must thus be carried out in a more “fine-grained fashion: thoroughly informed by the countervailing interests underlying the different limitations”.

Interestingly, if we look at the CJEU case law more carefully, it also seems to offer room for declaring a use honest even if it causes some trademark harm. For example, in Gerolsteiner Brunnen, the CJEU did not rule that the third party’s use was dishonest although a likelihood of (aural) confusion existed. In this case, the owner of the ‘GERRI’ trademark for mineral water claimed that the defendant made an infringement by marketing soft drinks bearing labels with the words ‘Kerry Spring’. The defendant argued that the drinks were made with water from a source in County Kerry in Ireland. This natural source was included in the list of recognised sources of mineral water. Since the sign was an indication of the geographical origin of goods, the defendant’s use of it could be allowed if it was in accordance with honest practices in industrial or commercial matters. The fact that the sign was used as a trademark did not preclude its use being in accordance with honest practices. The CJEU argued that ‘[t]he mere fact that there exists a likelihood of aural confusion

96 Case C-323/09 Interflora/Marks&Spencer ECLI:EU:C:2011:604, para 94. See also Daniel Klerman, ‘Trademark Dilution, Search Costs, and Naked Licensing’ (2006) 74 Fordham Law Review 1739, 1771: ‘If the junior user benefits (as evidenced from its desire to use the mark), but there is really no harm (no confusion, no blurring, no tarnishment), then it is socially desirable for the junior user to use the mark. In fact, allowing the use is Pareto superior – the junior user and its customers benefit, and no one is harmed. Coveting the senior user the right to enjoin the use either blocks beneficial transactions or, if the parties negotiate a license, adds transaction costs.’
97 Senttihelen and others (n 16) 339.
98 Kur and Senttihelen (2011) 433.
99 Case C-100/02 Gerolsteiner Brunnen/Putsch ECLI:EU:C:2004:11.
100 ibid paras 20-21.
101 ibid para 18; art 14(1)(b) TMD and art 12(1)(b) EUTMR. To fall within the scope therefor it is enough for a sign to be used as an indication concerning one of the characteristics set out therein (para 19).
102 Case C-100/02 Gerolsteiner Brunnen/Putsch ECLI:EU:C:2004:11, paras 14-15. See also AG Stix-Hackl (para 25), who argued that since article 5 (art 10 TMD) can 36v Emo et al. In contrast when a mark is used as a trademark, art 6 (art 14 TMD) must also apply when a third party’s sign is used as trademark. Otherwise the provision would become ineffective (Case C-100/02 Gerolsteiner Brunnen/Putsch ECLI:EU:C:2003:408, Opinion of the AG Stix-Hackl). However, the effect of the Gerolsteiner decision could be that trademark owners who opt for a brand that falls under article 14(1)(b) TMD are better able to maintain a uniform brand across the market. See: Smith (n 16) 140-141.
between a word mark registered in one Member State and an indication of geographical origin from another Member State is therefore insufficient to conclude that the use of that indication in the course of trade is not in accordance with honest practices’. 103 According to the CJEU, the question of whether the trademark owner had a right to forbid such signs had to be assessed according to standards of unfair competition. It was for the national courts to carry out an overall assessment of all the relevant circumstances, i.e. the shape and labelling of the bottle, and not whether a likelihood of confusion existed. 104 The reference to shape and labelling may indicate that the CJEU was prepared to assume that the test of honest practices required a more subjective assessment, a duty to not deliberately damage the trademark’s reputation or seek to take advantage of it. The overall presentation of the product could expose the defendant’s real intentions. 105 In any case, the CJEU seems to have accepted that the unauthorised use of a trademark can be honest despite causing some (aural) confusion.

The Anheuser-Busch case 106 might also be interesting in this respect. Admittedly, the own name defence has been changed under the new legislation. Article 14(1)(a) TMD and Art. 14(1)(a) EUTMR explicitly state that the own name defence only covers natural persons using their own name. This current legal situation differs from the approach taken in the past – prior to the 2015 trademark law reform – where despite a Council and Commission declaration supporting a limited interpretation, the CJEU had ruled that the defence was not limited to personal names but also covered trade names. 107 The amendment, with its clear reference to natural persons, puts an end to this extension of the scope of the provision in previous case law. However, it does not impact the guidance which the CJEU provided in Anheuser-Busch with regard to the overarching requirement of honest business practices. In this latter regard, the Anheuser-Busch decision still provides valid guidance.

The factual background was as follows: the owner of the BUDWEISER mark for beer claimed that the defendant’s beer mark BUDVAR infringed its trademark rights by importing BUDVAR beer into Finland. The defendant’s beer was labelled with the BUDVAR mark together with the text that the beer had been ‘brewed and bottled by the brewery Budweiser Budvar national enterprise’, which was printed in much smaller lettering. 108 The own name defence allows a third party to make use of a trademark when it is done in good faith, which is, the CJEU argued, an expression of the duty to act fairly in relation to the legitimate interests of the trademark owner. 109 According to the CJEU, in assessing whether the condition of honest practice is satisfied, account must be taken of ‘the extent to which the use of the third party’s trade name is understood by the relevant public, or at least a significant section of that public, as indicating a link between the third party’s goods and the trade-mark proprietor or a person authorised to use the trade mark, and secondly of the extent to which the third party ought to have been aware of that. Another factor to be taken into account when making the assessment is whether the trade mark concerned enjoys a certain reputation in the Member State in which it is registered and its protection is sought, from which the third party might profit in selling his goods.’ 110 The CJEU added that the national court must provide an overall assessment of all the relevant circumstances, including the labelling of the bottle, to find out whether the defendant’s use of a similar trade name is unfairly competing with the trademark owner. 111 In the CJEU’s opinion, it is thus not only relevant whether a likelihood of confusion exists, but also to what extent a third party can be expected to have been aware of this. If a likelihood of confusion exists but a third party was not and cannot be expected to have been aware of the commercial link, the use of the trademark may still be allowed. 112 The overall assessment of all relevant circumstances, such as the presentation of the product, could give an indication of the honesty of the third party’s conduct. If the trademark is highly reputable, it is probably also more likely that a defendant was aware of the commercial link and their use of the trademark was dishonest. 113 This case also illustrates that the assessment of honest practices must go further than simply reiterating the infringement criteria, and it must allow judges to take a more conduct-based approach. 114

The Gillette case may also have left some leeway for traders to influence the honest practices assessment with precautions that they take to prevent harm to the trademark. In this case, the claimant Gillette registered

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103 Case C-100/02. Gerolsteiner Brunnen/Putach ECLI:EU:C:2004:11, para 25.
104 Ibid para 26.
105 Smith (n 16) 142.
106 Case C-243/02 Anheuser-Busch ECLI:EU:C:2004:717.
107 Ibid paras 78-81. See also Kur and Senftleben (n 1) 410.
108 Case C-243/02 Anheuser-Busch ECLI:EU:C:2004:717, para 31.
109 Ibid para 82. Although the CJEU only referred to the legitimate interests of the trademark owner, it nevertheless also argued that the condition of honest practices was essentially the same as set forth in art 17 of the TRIPS Agreement. It is unclear whether the CJEU thought that interests of third parties should also be included in the test of honest practices.
110 Ibid para 83.
111 Ibid para 84.
112 The question of dishonesty may also depend on when a third party is supposed to have become aware of a likelihood of confusion, it was the infringement made in the period when the product was first put on the market, or when the product was introduced in the market? See: Smith (n 16) 144. See also: Ashley Roughton, ‘Permitted infringing use: the scope of defences to an infringement action’ in Jeremy Phillips and Ilanagan Simon (eds), Trade Mark Use (Oxford University Press 2005) 193.
113 Po Jen Yap, ‘Honestly, neither Céline nor Gillette is defensible!’ (2008) 30 EIPR 286, 289. It is doubtful, however, whether this was the CJEU’s intention. The CJEU argued that national courts should merely look at whether the earlier trademark had a reputation that could be taken advantage of, rather than whether the third party had actually profited or sought to profit from the trademark’s reputation. This does not seem to suggest that the CJEU envisaged considering whether the defendant was deliberately seeking to profit from the reputation of the trademark (Ilanagan Simon, ‘Nommative Use and Honest Practices in Industrial and Commercial Matters – A Very European History’ [2007] Intellectual Property Quarterly 117)). Kamperman Sanders (n 37) 136, 149 argues that knowledge is key to assessing whether a trader can be found liable for ‘malign competition’. The defendant must have been able to assess the risk of a legal action after reaping the benefits. The higher the degree of cognisance, the more likely it is that the defendant can be held liable for malign competition. In the case of a well-known trademark, the defendant can be expected to have been aware of the existence of the trademark or to have made efforts to make inquiries about existing marks in the market.
114 In the Céline case the CJEU repeated the factors put forward in the Anheuser-Busch case, which also involved an appeal to the own name defence. See: Case C-17/06 Céline ECLI:EU:C:2007:497, paras 33-35. See also: Jaap Bremer, ‘Verwijzen of verwarren? Over refererend merkgebruik in de praktijk’ (2013) 1 BMM Bulletin 76, 78.
Gillette and ‘Sensor’ as a trademark for razors. Gillette sued the defendant Parason for selling blades under its mark ‘Parason Flexor’ with a sticker on the packaging indicating that Gillette razor handles were compatible with Parason blades. Such a use of the trademark may be permitted if it is necessary to indicate the intended purpose of a product and this is in accordance with honest practices.

In the CJEU’s view, the trademark use is necessary when it is the only way in practice to inform the public clearly and fully of the intended purpose, such that the undistorted system of competition in the market for that product can be maintained.\(^\text{115}\) The CJEU offered a rather narrow interpretation of ‘necessary’.\(^\text{116}\) This case is therefore not seen as particularly beneficial to competitors relying on the limitation of trademark rights.\(^\text{327}\) Under the amended EU trademark legislation, however, the strict necessity-based interpretation with regard to the specific purpose of indicating the intended purpose of a good or service (that may be derived from Gillette) does not apply to other forms of referential use, such as use for the purpose of comparative advertising,\(^\text{118}\) informing consumers about the resale of genuine goods after the exhaustion of rights, informing consumers about alternative products, parody and artistic expression, or criticism and review.\(^\text{119}\) Furthermore, the ‘necessity test’ does not impact the interpretation of ‘honest practices’.

Regarding the honest practices standard, the CJEU ruled that the third party’s use is not in accordance with honest practices if ‘it is done in such a manner as to give the impression that there is a commercial connection between the third party and the trade mark owner; it affects the value of the trade mark by taking unfair advantage of its distinctive character or repute; it entails the discrediting or denigration of that mark; or where the third party presents its product as an imitation or replica or the product bearing the trade mark of which it is not the owner’.\(^\text{120}\)

Admittedly, the CJEU implemented the infringement factors as criteria for assessing honest practices, i.e. absence of confusion, unfair advantage, blurring and tarnishing.\(^\text{120}\) The CJEU even went a step further in emphasising that these ‘factors’ operated as conditions,\(^\text{121}\) making it more difficult for third parties to invoke defences.

However, in Céline,\(^\text{122}\) where the CJEU was asked to rule on a dispute concerning identical trade names, the CJEU did not refer to Gillette, in which it had recently ruled that the factors must be seen as conditions.\(^\text{123}\) It is therefore unclear whether the honest practices factors are merely factors or conditions in all cases where the limitations of trademark rights are invoked as defences.

Furthermore, the CJEU also explained that the overall presentation of a third party’s product should be considered, in particular the way in which the trademark was displayed in that presentation. Other factors to be taken into account included the extent to which the third party’s sign differed from the trademark, and the effort made by the third party to ensure that consumers could distinguish the third party’s products from the trademarked products.\(^\text{124}\)

National courts thus need to take into account the overall presentation and the efforts made by a third party to avoid confusion among consumers, which can be seen as empirical factors since they measure how consumers perceive the products in question in reality. Since the infringement assessment is quite abstract,\(^\text{125}\) these additional circumstances can potentially overrule the conclusion based on assessment factors repeating *prima facie* infringement criteria. Quite clearly, *Gillette* thus established not only a necessity test. In addition, the decision opened a back door for including individual measures taken by the defendant to prevent trademark harm in the analysis.

For example, overall presentation can indicate that consumers may not be confused even though the signs and goods are similar and the trademark is well known. If a third party makes a reasonable effort to avoid confusion, the court can still conclude that some consumers may be confused, but not the average consumer. This means any benefits a third party generates are not necessarily unfair.\(^\text{126}\)

Furthermore, in the context of the ‘due cause’ defence regulated under Art. 10(2)(c) TMD and Art. 9(2)(c) EUTMR, the CJEU argued in *Interflora* that if an advertiser offers its products as an alternative to the products

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\(^{115}\) Case C-228/03 Gillette EC LEU:C:2005:177, paras 35-36.

\(^{116}\) Bently and others (n 6) 1141; Kur and Sentfleben (n 1) 419.

\(^{117}\) Kur and Sentfleben (n 1) 419. See also: Ramsey and Schönbohm (n 1) 676-677.

\(^{118}\) This defence is a more theoretical option, however, since appropriate comparative advertising does not even lead to a *prima facie* infringement after the trademark law reform. Comparative advertising is not included in art 141(1)(c) TMD and art 141(1)(c) EUTMR, but implemented in art 10(3)(i) TMD and art 9(3)(i) EUTMR as a specific category of infringing use. See also: Kur and Sentfleben (n 1) 421.

\(^{119}\) Kur and Sentfleben (n 1) 420-421; Kur, Dreier and Luginbuel (n 12) 266.

\(^{120}\) Case C-228/03 Gillette EC LEU:C:2005:177, para 49. See: Bently and others (n 6) 1133; Kur and Sentfleben (n 1) 432; Yap (n 113) 289-290.

\(^{121}\) Case C-228/03 Gillette EC LEU:C:2005:177, para 46.

\(^{122}\) Case C-1706 Céline EC LEU:C:2007:497.

\(^{123}\) Case C-228/03 Gillette EC LEU:C:2005:177, para 46.

\(^{124}\) Ibid.

\(^{125}\) Robert Burrell and Dev Sall Gangjee, ‘Trade Marks and Freedom of Expression: A Call for Caution’ (2010) 41 IIC 544, 556; Angsah Ohly, A Fairness-Based Approach to Economic Rights’ in Bernh Hugenholz (ed), *Copyright reconstructed: rethinking copyright’s economic rights in a time of highly dynamic technological and economic change. Information law series* (Wolters Kluwer 2018) 11; Angsah Ohly, ‘Interfaces between trade mark protection and unfair competition law: Confusion about confusion and misconceptions about misappropriation?’ in Nari Lee and others (eds), *Intellectual Property, Unfair Competition and Publicity Convergences and Development. European Intellectual Property Institutes Network series* (Edward Elgar 2014) 41-42. For example, in *Arsenal*, the infringer had clearly informed consumers that the fan articles were not officially licensed by the football club. The CJEU ruled that this disclaimer did not change the conclusion that a likelihood of confusion existed. See also: Angsah Ohly, ‘Trademark Law and Advertising Law in the European Union: Conflicts and Convergences’ in Calboli and Ginsburg (n 18) 323-336, 324, 327-329, 336. There has, however, been a ‘significant recent trend towards convergence’ between EU trademark law and unfair competition law. Ohly shows that the trademark confusion analysis has ‘arguably become less formal and more context-sensitive and has, hence, adopted some characteristics of unfair competition methodology’.

\(^{126}\) For example, in *Siemens/VIPA*, the CJEU ruled that the advertiser did not take unfair advantage of the reputation of the distinguishing trademark because the advertising was intended for a specialised public and associations with the trademark were avoided by the presentation of the advertising (para 27). The CJEU considered that the benefits of comparative advertising to consumers must necessarily be taken into account in determining whether an advertiser is taking unfair advantage of the reputation of a trademark, trade name or other distinguishing marks of a competitor and that the benefit an advertiser derives from comparative advertising is not leading when assessing whether the advertisers’ behaviour is lawful (paras 24-25). See: Case C-59/05 Siemens/VIPA EC LEU:C:2006:147.
of the trademark owner and refrains from offering a mere imitation of the trademark owner’s products, causing dilution or tarnishment and affecting the trademark’s functions, the advantage resulting from such use is not unfairly taken from the reputation of the proprietor’s trademark. In the CJEU’s opinion, such use falls within the ambit of fair competition in the sector for the goods or services involved. As a result, the CJEU did not immediately reject the due cause defence after concluding that free-riding was involved, under the assumption that some beneficial effect generated by a third party should be tolerated if undertaken for legitimate reasons.\textsuperscript{127}

In other words, the foregoing examples of CJEU jurisprudence show that the Court leaves room for assessing the proviso of honest business practices (and the comparable question of sufficient precautions against harm when invoking the due cause defence) more empirically. Moral standards alone are not decisive. Based on purely ethical standards, it may be postulated that an honest trader should stop causing the trademark owner any harm. There would be no room for allowing any confusion, dilution or free-riding since this would go against the basic emotive feeling\textsuperscript{128} that ‘you shall not reap where you have not sown’.\textsuperscript{129}

Avoiding this purely ethical standard, the CJEU interprets ‘honesty’ from a broader perspective and takes all the interests of the parties involved into account. For example, in Gerolsteiner Brunnen, the CJEU had to consider that the drinks were made with water from a source in County Kerry in Ireland, which was included in the list of recognised sources of mineral water. The trademark owner’s right to prevent confusion among consumers had to be weighed against the competitor’s right to indicate the geographical origin of the drink.

In Gillette, for instance, the CJEU had to balance the defendant’s interest in using the trademark to provide the public with comprehensive and complete information about the intended purpose of the product, i.e. the fact that the Gillette handles were compatible with the defendant’s blade, against the trademark owner’s right to prevent confusion among the public and safeguarding its trademark reputation. In both situations, the trademark use might be justified in light of third-party interests.

Following this approach, whether the defendant’s use of the trademark can be prohibited ultimately depends on the defendant’s conduct, which has to be determined by making an overall assessment of all the relevant circumstances, i.e. the shape and labelling of the product. The presentation of the product could indicate not only whether a likelihood of confusion indeed exists (given the factual circumstances), but also to what extent a third party can be expected to have been aware of this. For example, if a trademark is highly well known, it is more likely that a trader would be aware of the commercial link. Furthermore, the presentation of the product could reveal the effort made by the competitor to ensure that consumers could distinguish the competitor’s products from the trademarked products.\textsuperscript{130}

This means that the decisive factor in assessing whether the defendant’s conduct is honest is based on a combination of objective and subjective elements.\textsuperscript{131} If a trader deliberately causes confusion, this conduct cannot be seen as fair. A reasonable honest trader would have made sufficient efforts to avoid confusion instead of deliberately causing confusion. The defendant’s state of mind – becoming manifest in measures taken to prevent harm – thus might be a relevant factor, although it is not decisive. Otherwise, companies would deliberately not make any effort to determine whether the signs they have chosen are already used by other traders. What is important is

\textsuperscript{127} Case C-323/09 Interflora ECLI:EU:C:2011:604, para 91. In Leideplein, the CJEU ruled that pursuant to the concept of ‘due cause’ within the meaning of that provision, proprietors of a reputable mark may be obliged to tolerate the use of a similar sign if it is shown that that sign was being used before that mark was registered and the use is in good faith. If this is the case, national courts must consider whether the sign has been accepted by, and what its reputation is with, the relevant public; the degree of proximity between the goods and services for which that sign was originally used and the product for which the reputable mark was registered; and the economic and commercial significance of the use for that product of the sign that is similar to that mark (Case C-65/12 Leideplein ECLI:EU:C:2014:49, para 60).

\textsuperscript{128} Dirk JG Visser, ‘Misrepresentation and Misappropriation’ in Angsar Ohly (ed), Common Principles of European Intellectual Property Law (Mohr Siebeck 2012) 251.

\textsuperscript{129} See: Case C-48/70 L’Oréal/Bellure ECLI:EU:C:2009:378, para 49: ‘where a third party attempts, through the use of a similar sign to a mark with a reputation, to ride on the coat-tails of that mark in order to benefit from its power of attraction, its reputation and its prestige, and to exploit with having any financial compensation and without any exploitation of the sign having been required to make efforts of his own in that regard, the marketing effort expended by the proprietor of that mark in order to create and maintain the image of that mark, the advantage resulting from such use must be considered to be an advantage that has been unfairly taken of the distinctive character or the repute of that mark’. This is a rather emotive ruling that does not really fit in the trademark law system and has therefore been repeatedly criticised. See: Kur and Sentienbein (n 1) 20. See, however, Callmann, who argued that two types of unfair competition should be distinguished, ‘competition embracing constructive effort and competition embracing non-constructive effort’. In his eyes, the former should already be distinguished, ‘competition embracing constructive effort or competition on one’s own merits’ is ‘the effort of a man who strives to obtain commercial advantages only by the honestly exercised means of his own strength, his own ingenuity, skill, and capital. Constructive effort is a subjective conception, which means that the business man’s effort is called constructive, not because, from an objective point of view, the effect of his endeavor is beneficial to the general economy, especially not because he considers his competitive effort beneficial for the whole, but because the means of his business activity are appropriate. It disregards those other powers which are necessary in order to do the best possible job within his ability.’ Following this approach, trademark owners have stronger trademark protection since traders must take the necessary steps to avoid interference with the owner’s right to prevent confusion. Furthermore, companies would deliberately not make any effort to determine whether the signs they have chosen are already used by other traders. What is important is

\textsuperscript{130} See also in this sense with regard to unlawful imitations: de Vrey (n 23) 311. Under German and Dutch unfair competition law the claimant has to prove that the confusion was ‘needless’. If the defendant proves that despite having taken reasonable measures he was unable to avoid confusion, for example because he obtains the same technical effect, the act is not unlawful. The English tort of passing offers broader protection without the requirement that the misrepresentation of the defendant’s product should be ‘needless’. German law (but also English law) would be preferable in so far as it considers whether the defendant clearly followed another product’s overall appearance, for example by attaching its own marks to the product or using different packaging.

\textsuperscript{131} These elements can be described as empirical as well as normative. Empirical because they are related to the question of how consumers actually perceive signs and whether consumers believe that the products are connected with each other. Did the honest trader make sufficient efforts to reduce unfair competition? Normative because assessment factors ultimately serve a higher, normative goal: to ensure that the prevention of unfair acts of competition leads to a transparent and properly functioning market.
what a reasonable trader ought to have known or done to avoid confusion.\textsuperscript{132}

Furthermore, it could be argued that a broader interpretation of the general definition of honest practices is in line with Art. 10\textsuperscript{bis} PC. Currently, the reference frame for developing the concept of honest practices need not be restricted to a businessman’s standard of behaviour but can also include other overarching values, such as safeguarding the efficient operation of competition as a main instrument of market economies.\textsuperscript{133} As already explained above, a value-based approach may offer room for accepting some detriment to the trademark as long as this detriment is outweighed by benefits for society, such as a well-functioning market with a high degree of freedom of competition. As also explained, acceptance of this final outcome would still depend on the individual conduct of the competitor using the trademark. Only if the competitor takes steps to avoid harm to the greatest extent possible can the detriment to the trademark be justified.

Nevertheless, the fact remains that the described conduct-based approach seems to be detached from Art. 10\textsuperscript{bis} PC. In particular, the defendant’s state of mind – and resulting efforts to prevent harm – is not included in the definition or the examples mentioned in Art. 10\textsuperscript{bis} PC.

In a trademark context, however, the concept of honest business practices must necessarily be interpreted in light of the full spectrum of current trademark norms, including limitations of trademark rights, such that, despite having its origins in unfair competition law, it might not be so problematic if the honest practices proviso is given a slightly different meaning when applied in trademark law.

Moreover, if the scope of trademark protection expands, it makes sense to devise defences that develop in parallel.\textsuperscript{134} The Paris Convention does not provide for any specific rules concerning the subject matter and scope of trademark protection, such that limitations are also not required as a counterbalance. At the international level, limitations in trademark law were stipulated for the first time in Art. 17 TRIPS. Considering the recognition of a broader set of trademark rights in Art. 16 TRIPS, limitations can be seen as a countermove to the grant of broader protection. Compared to the limitation clauses in copyright (Art. 13 TRIPS), industrial designs (Art. 26(2) TRIPS) and patent law (Art. 30 TRIPS), however, Art. 17 TRIPS provides relatively broad leeway to TRIPS members to provide for trademark limitations.\textsuperscript{135}

In light of this international flexibility, a conduct-based approach that accepts some degree of harm to the trademark can be reconciled with international protection standards as long as the competitor seeks to minimise the harm flowing from use of the trademark on the basis of a limitation of trademark rights, and the harm itself is outweighed by overall benefits, such as enhanced freedom of competition and freedom of (commercial) expression. This conduct-based approach also has important advantages in an EU context. When it is applied in accordance with the guidelines which can be derived from CJEU case law, it becomes possible to extend limitations beyond a simple repetition of the infringement criteria and really take the legitimate interests of the owner of the trademark and of third parties into account. A trader can be justified in causing some harm to the trademark if he can show that he took sufficient measures to minimise harm and if tolerating trademark use is in the interests of overarching goals, such as safeguarding undistorted competition. The duty to act fairly also points to a need for the honest practices assessment to be more conduct-based.

### IV. National case law

The differences between a normative approach (based on ethical findings) and a more empirical approach (based on actual consumer perception, reflecting the efforts made by the alleged infringer to reduce consumer confusion and association with the trademarked products in question) can be aptly illustrated by discussing national case law.

For instance, the Court of Appeals of The Hague was asked to decide a dispute between two manufacturers of crisps, Kettle Foods and Intersnack.\textsuperscript{136} Kettle Foods had registered the word mark ‘KETTLE’ for snacks in the Benelux and in the EU. Kettle Foods had erased their US trademark registrations after the District Court of California had decided that ‘kettle cooked’ was descriptive. The manufacturing process of crisps by Kettle Foods was generally called ‘kettle cooked’.\textsuperscript{137}

Intersnack marketed crisps on the Dutch market under a different mark, ‘CHIO’. The words ‘Kettle Cooked’ appeared in the middle of the packaging under their own trademark ‘CHIO’ and the word ‘Chips’. The words ‘Kettle Cooked’ were shown in a similar colour of writing on the same red ground, and starting with a capital letter, but in a style which was different from the trademark. The defendant’s packaging also contained pictures of a kettle and crisps in the background. Kettle Foods brought

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\textsuperscript{132} Nevertheless, it could be argued that the trademark owner’s conduct could also be a relevant factor in the assessment of honest practices. If the claimant is limited in exercising trademark rights (think of absence of confusion, fair comparison or protection beyond confusion), efforts to avoid harm might offer an unfair advantage if a claimant attempts to enforce its trademark rights irrespective of these efforts. If the claimant does not have a strong case, fewer efforts to reduce possible trademark harm might therefore be sufficient. This argument refers to the issue of ‘clean hands’, which may be without remedy if the judge believes him to have brought forward a case without ‘pure hands and a pure conscience’ (see: Frtridge v Wells 13 How. Pr. 385, 389 (N.Y. Sup. Ct. 1857)). The claimant’s conduct must thus be intentional and directly related to the case, such that the trademark owner is not unjustifiably deprived of relief. Furthermore, the refusal of an infringement claim must be balanced against the public interest in protecting consumers against confusion. If the judge rejects the trademark claim because of the claimant’s illegal conduct, the defendant could continue to sell similar products, which might cause confusion among consumers. For example, if the claimant retains their trademark registration by false or fraudulent representation, a ‘clean hands’ defence might be successfully invoked. See: ‘The Better Business Bureau and the Courts’ (1970) 65 Colum L Rev 108 (Notes section). See further: Altman and Pollack (in 23) paras 23:14-20.

\textsuperscript{133} The meaning of honest practices is basically influenced by the norms of the protecting country in question, and by EU legislation. In an international case, international norms can further influence the concept of honest practices.

\textsuperscript{134} See also: Ramsey and Schorsbo (in 1); Dinwoodie (in 1).

\textsuperscript{135} For instance, art 17 TRIPS does not state that exceptions must be limited to ‘certain special cases’. It only states that Member States may provide ‘limited exceptions’ to the trademark owner’s rights. In addition, art 17 TRIPS does not require that the limitations ‘not conflict with the normal exploitation’, but refers to descriptive use as an example of a permitted exception. art 17 TRIPS further states that account must be taken ‘of legitimate interests of the right holder and of third parties’; cf WTO Panel, 15 March 2005, WTO Document WT/DS174/R (n 1); Kur and Sentinelen (n 1) 54; Donatas (n 1) 7.

\textsuperscript{136} Court of Appeal of The Hague, 15 July 2014, Case 200.133.706/01 – Kettle Foods v Intersnack.

\textsuperscript{137} Ibid para 1.
an action for trademark infringement and unfair competition.

The Court ruled in favour of the defendant on the grounds that the words ‘Kettle Cooked’ were used in compliance with honest practices.\(^\text{138}\) Interestingly, the Court did not discuss whether a likelihood of confusion – and thus prima facie infringement – existed among consumers, but directly assessed whether the descriptive use defence was applicable. By discussing the limitation of trademark rights in favour of descriptive use, the judge in fact also agreed that an infringement was made without actually assessing the criteria for establishing a likelihood of confusion.

This latter assessment could easily have been done by comparing the signs in isolation instead of considering the overall appearance of the two packages. The Court must have been aware of the visual, phonetic and conceptual similarity between the signs as well as the fact that the goods were identical and that the trademark was sufficiently distinctive. The public consisted of a general aver-tual similarity between the signs as well as the fact that must have been aware of the visual, phonetic and concep-

Instead of declaring the descriptive use defence inapplicable by simply repeating the infringement criteria,\(^\text{139}\) the Court developed a different line of argument based on the infringer’s conduct. The Court considered the overall impression the two packages left on the general public. The defendant’s own trademark clearly appeared on the packaging and would be interpreted by the consumer as a source identifier. As the term ‘Kettle’ was not highly well known, the consumer who was used to English terms on the packaging of snacks would perceive the words ‘Kettle Cooked’ as a description of the way the crisps were produced. The manufacturing process could also be found on the defendant’s packaging. In addition, the Court included the defendant’s intention in the assessment. The fact that the defendant did not use English terms on the packaging intended for German or French consumers indicated that the defendant did not wish to free-ride on the claimant’s coat-tails.\(^\text{140}\)

The Hague Court thus approached the case more empirically by considering all the relevant circumstances of the case. The fact that the defendant’s own trademark clearly appeared on the packaging showed that the defendant had made sufficient efforts to minimise harm and did not intend to free-ride on the trademark owner’s goodwill. The fact that the trademark was not highly well known also suggested that it was less likely that consumers would be confused or that the defendant intended to profit from the claimant’s investments. Moreover, the fact that the packaging intended for German and French consumers did not contain English terms also indicated that the defendant’s intentions were not dishonest.

Nevertheless, it is questionable whether the Court would have reached the same conclusion if the trademark had been reputable or even highly well known. The Court specifically based its decision on empirical data, including an online survey on ‘awareness of Kettle chips’ conducted among 2000 Dutch respondents,\(^\text{141}\) and turnover figures, sales numbers, market shares, advertising expenditure and so forth, none of which were sufficient to convince them.\(^\text{142}\) If the Kettle trademark had been highly well known, this would probably have impacted the Court’s decision. Consumers would have recognised the Kettle trademark and may have believed that the two products were economically linked.

If this was the case, the Court would probably have found that the defendant had not made sufficient efforts to avoid a likelihood of confusion. The colours of the packaging and the letters were similar and the capitalised first letters could have been perceived as a reference to the trademark. It would have been better if the defendant had written the words ‘Kettle Cooked’ in small letters in a different colour and font, using a smaller font size. The pictures of crisps and the kettle also conceptually referred to the trademark and did not necessarily dispel the similarities between the two packages. The description ‘Kettle Cooked’ was also placed in the middle of the packaging, where consumers probably expected to find a trademark.

The Court would presumably have allocated the trademark owner’s claim despite the fact that the defendant’s own mark appeared prominently on the packaging. In Anheuser-Busch, the CJEU argued that high distinctive character is a factor to be considered in the honest practices test. Consumers are more likely to be confused the more distinctive the trademark is, and the defendant should be aware of that. If the trademark had been well known, the Court would probably have ruled that the defendant should have done more to minimise harm. This would be in accordance with the conduct-based approach as distilled from CJEU case law: if the trademark is well known, a defendant who claims to be an honest trader should be aware of this and take more measures to reduce consumer confusion.

In a similar case, the UK Chancery Division had to resolve an issue concerning the defendant’s use of the word ‘Supreme’ in connection with animal foods.\(^\text{143}\) The claimant had registered the word mark ‘Supreme’, a stylised version and a trademark consisting of a ribbon device with the word element ‘Supreme’ for animal food. The Court ruled that the defendant’s use of the sign ‘Supreme’ for animal food was in accordance with honest practices since the sign was used as an indication of the quality of the feed. Even if the average consumer perceived this element as partly distinctive, it could not be denied that it was still a common descriptor or at least laudatory epithet.\(^\text{144}\)

\(^{138}\) The Court also found that the words ‘Kettle Cooked’ had not been used as a trademark, but only in a descriptive sense (para 7.3).

\(^{139}\) Kettle Foods v Intersnack (n 136) para 7.13.

\(^{140}\) When the court compares the signs in isolation and assesses the like-

\(^{141}\) Kettle Foods v Intersnack (n 136) para 7.2.

\(^{142}\) ibid para 7.6.

\(^{143}\) ibid para 7.8.

\(^{144}\) Supreme Petfoods Ltd v Henry Bell & Co (Grantham) Ltd [2015] ETRMR 20.
In this case too, the Court could have ruled that there was infringement if it had only assessed the word ‘Supreme’ in isolation. The sign was visually, aurally and conceptually identical to the UK word mark and the word elements were similar in terms of figurative marks. Both signs were also used for identical products. Instead of using a schematic assessment, the Court considered the concrete circumstances and emphasised that the similarities were based on non-distinctive elements. Furthermore, even if any likelihood of confusion existed, this would have been negated by the context since the defendant’s use of the word ‘Supreme’ was always subsidiary to the prominent and well-known ‘MR JOHNSON’s’ brand.\(^{146}\)

The Court ruled that the defendant’s use of the word ‘Supreme’ was a case of honest concurrent use since the sign had been used for over twenty years with no evidence of any actual confusion.\(^{147}\) Furthermore, the judge said that the claimant’s correspondence with the defendant’s predecessors would have implied that the claimant did not object to the defendant’s use of the sign ‘Supreme’ per se, but only to particular presentations of the sign.\(^{148}\) In the judge’s opinion, there was also no indication that the defendant knew that a likelihood of confusion existed or that the trademark’s reputation had been affected.\(^{149}\) Furthermore, the defendant had a good justification for using the sign as a common descriptor or laudatory epithet.\(^{150}\)

In other words, the defendant made sufficient efforts to avoid confusion among consumers by clearly attaching his own trademark to the packaging. Furthermore, the circumstances showed that the defendant did not intend to cause the trademark owner any harm. Since the trademark was not highly distinctive, it was also not very likely that a likelihood of confusion existed.

In contrast to the previous cases, in Heksenkaas/ Kühlmann, the defendant did not make particular efforts to avoid harm to the trademark.\(^{151}\) In this case,\(^{152}\) the trademark owner claimed that the defendant, a former producer of an important ingredient for the claimant’s HEKS’NKAAS, produced, after the collaboration ended, a similar dip of which the product packaging infringed on their trademark.\(^{153}\)

The packages of the dips both consisted of transparent plastic containers with a lid with an overlapping edge, and cardboard wrappings which were attached to both containers. The size of both containers and wrappings were approximately the same. Besides, both cardboard wrappings were characterised by cartoonishly styled pictures in similar colours of the dip’s ingredients (vegetables) which could be found on the product packaging. However, the word marks on both packages were completely different.

The Dutch District Court of Gelderland argued that the word element ‘Dip & Smeer’ in on the defendant’s packaging did not impact the overall impression since it was purely descriptive for a dip product and therefore could not be seen as a dominating or eye-catching element.\(^{154}\) In the judge’s view, the defendant had exceeded the limits of what was acceptable and had done so deliberately. It was relatively simple to depict the different elements of the product packaging in a different colour and/or in a graphically different way. The defendant could have done this without impairing the functionality and attractiveness of the product packaging of its own dip.\(^{155}\) In the Court’s eyes, the defendant deliberately tried to profit from the success of the claimant’s dip on the market.\(^{156}\)

If the judge had discussed any limitations, the new defence on descriptive and indistinctive use might have applied. Article 14(1)(b) TMD and Art. 14(1)(b) EUTMR also apply to the use of ‘signs or indications which are not distinctive’.\(^{157}\) Nevertheless, it is doubtful whether it would have mattered if the judge had assessed these limitations of trademark rights. Both approaches would probably have led to the same outcome. Admittedly, it could be argued that the product was sold under a clearly different name, with a different logo and background. The pictures of the ingredients were different. Moreover, where the HEKS’NKAAS logo evoked strong associations with witches and magic, the ‘Dip & Smeer’ in carried a simple message: take it and dip away.

However, as noticed by the Court, the defendant revealed a lack of effort to minimise possible harm. The trademarked product was well known\(^{158}\) and the defendant ought to have been aware of this. Moreover, the defendant knew the claimant’s reputation since he was the former producer of the claimant’s dip. The packaging of the defendant’s dip also showed that the defendant had intended to ride on the coat-tails of the claimant’s mark. It is true that a trademark owner is not allowed to monopolise a transparent container or particular colours, but there were enough options for a different product which did not look so much like the claimant’s dip. The five-pointed stars and the strangers’ fingers on the packaging were small details that could easily be overlooked by consumers; however, they seemed to indicate the defendant’s real intentions: to evoke associations with the ‘HEKS’NKAAS’ trademark. The defendant should have done more to remove the impression that he wished to

\(^{146}\) ibid para 154.
\(^{147}\) ibid para 183.
\(^{148}\) ibid para 199.
\(^{149}\) ibid paras 201-202.
\(^{150}\) ibid para 204.
\(^{151}\) District Court of Gelderland, 12 March 2020, ECLNL:RGBEL:2020:1714 – Heksenkaas v Kühlmann.
\(^{152}\) ibid.
\(^{153}\) ibid paras 2.3-2.5.
free-ride on the trademark owner’s reputation; the addition of a different trademark was not enough.

In *Hemal/Lacoste*, the defendant’s conduct was also found slightly dishonest. The Dutch Court of Appeal of The Hague was asked to resolve a dispute between the trademark owner Lacoste and the company Hema, which deals in retail and non-retail sales of consumer goods.\(^{159}\) Hema marketed two sets of children’s underwear. The grey coloured shirt and underpants contained pictures of several different crocodiles in the colours blue and green. On the blue-coloured shirt, one single small green-coloured crocodile appeared at breast height; the blue underpants were offered without a print.\(^{160}\)

The Court concluded that a likelihood of confusion existed. Regarding the blue shirt, the Court ruled that the signs were highly similar from a visual and conceptual perspective. Regarding the grey underwear, the Court indicated that the two crocodiles with an open mouth were visually and conceptually highly similar to the trademark since they were the same crocodile as the one on the blue shirt. The other crocodiles were visually slightly similar but conceptually highly similar. Given the identity between the goods, the notoriety of the brands and their large scope of protection, and the results of a market study conducted by Lacoste, the Court ruled that a likelihood of confusion existed.\(^{161}\)

Once again, the judge did not discuss any trademark limitations, but if they had done so, it is questionable whether the conduct-based approach would have helped the defendant much.\(^{162}\) Nevertheless, this does not make the analysis less interesting, since a discussion of the limitations sheds light on which considerations may have played a role in following a conduct-based approach.

For example, it is questionable whether Hema made sufficient efforts to distance itself from Lacoste’s trademark. Consumers might not have been confused when purchasing the underwear, but a closer look reveals that Hema must in any case have been highly inspired by the Lacoste logo. The similarities between the crocodiles might indicate that Hema wished to free-ride on Lacoste. It is quite a coincidence that the crocodile was not very big, that its mouth was on the right side, open and at approximately the same angle as Lacoste’s crocodile and that it appeared on the blue shirt at breast height where trademarks are usually placed. On the grey underwear, the crocodiles, which were highly similar, were typically placed in the middle of the underwear. Because of the notoriety of the Lacoste brand, Hema must have been aware of the similarities with the Lacoste logo. If the court had taken a conduct-based approach, the defendant would probably also have failed to invoke trademark limitations. The defendant should therefore have done more to minimise any trademark harm; the circumstances indicate that the defendant deliberately crossed the boundaries of what was acceptable.

Finally, with regard to keyword advertising cases, this conduct-based approach also seems to be consistent. As recognised by the CJEU in *Interflora*,\(^{163}\) courts need to take a broader approach by not immediately rejecting defences after concluding a *prima facie* infringement. Offering a commercial alternative to the trademarked goods and services could be justified in view of promoting undistorted competition and consumer choice. Following a more normative approach based on ethical standards, third parties are probably not allowed to use similar signs as keywords for their advertisements. Furthermore, courts should take all the relevant factors into account when finding out which measures a third party should have taken to minimise trademark harm, including the content and presentation of advertisements.

### V. Conclusion

This article suggests that a more empirical approach should be adopted when assessing compliance with the requirement of honest practices in cases where limitations of trademark rights are invoked. On the one hand, the honest practices test should be based on a conduct-based inquiry that focuses on the efforts made by the defendant to avoid detriment to the trademark. On the other hand, the assessment should raise the question whether these efforts enable consumers to make a distinction between the products bearing the competitor’s potentially infringing sign and the original products of the trademark proprietor.

If the defendant takes measures to minimise possible harm to the trademark owner but some confusion still exists or unfair advantage is still taken, the use of the conflicting sign can nonetheless be allowed as long as the detriment caused to the trademark is outweighed by overarching benefits for society, such as enhanced freedom of competition and freedom of (commercial) expression, and enhanced consumer information and consumer choice.

This conduct-based approach ensures that not only the legitimate interests of the trademark owner but also those of third parties are taken into account. Trademark owners cannot prevent unauthorised use of the trademark if the defendant has made sufficient efforts to minimise harm and the defendant’s use contributes to the achievement of the aforementioned overarching societal values. At the same time, competitors must respect the interests of the trademark owner to the largest extent possible and take appropriate and available measures to avoid harm if they want trademark limitations to apply.

In addition to benefits accruing from enhanced freedom of competition and freedom of (commercial) expression,

\(^{159}\) Court of Appeal of The Hague, 11 August 2020, Case 200.254.842/01, IEF 19365 – Lacoste v Hema.

\(^{160}\) ibid para 1.4.

\(^{161}\) paras 39-41, 53-58.

\(^{162}\) Admittedly, the CJEU ruled that the purely decorative use of a two-stripe motif on sports garments was not intended ‘to give an indication concerning one of the characteristics of those goods’ (Case C-102/07 Adidas/Marca ECLI:EU:C:2008:217, para 48). If a claimant convince the judge, for example with empirical evidence, that a likelihood of confusion exists, no further balancing of interests will in principle take place. Nonetheless, in recital 27 TMD (recital 21 EUTMR) it is explained that ‘the exclusive rights conferred by a trade mark shall not entitle the proprietor to prohibit the use of signs or indications by third parties which are used fairly and thus in accordance with honest practices in industrial and commercial matters’. Furthermore, it says that ‘this Directive should be applied in a way that ensures full respect for fundamental rights and freedoms, and in particular the freedom of expression’.

\(^{163}\) Case C-323/09 Interflora ECLI:EU:C:2011:604.
the described conduct-based approach offers an alternative assessment scheme for the inquiry into honest practices that can help to overcome the unsatisfactory approach taken by the CJEU, which simply repeats assessment criteria that have already been used to establish *prima facie* infringement. Thus, the conduct-based approach also has the advantage of giving the limitations of trademark rights a more independent role in the analysis. As a result, the limitations become true counterbalances and efficient safeguards against overbroad protection.

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