

‘The principle of keeping free within EU Trade Mark Law.’

Specialeafhandling
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Omdrejningspunktet for denne afhandling er de absolutte registreringsbetingelser inden for varemærkeretten, det vil her sige varemærkedirektivets Art. 3(1)(b)-(e). Bestemmelserne begrænser varemærkeeneretten ved at nægte visse tegn registrering. Ifølge Bently og Sherman kan nægtelsesgrundene inddeles i en ’særprægs’ og ’beskyttelses’ funktion, der henholdsvis fokuserer på tegnets oprindelige særpræg og de interesser, som ansøgerens konkurrenter har i frit at kunne benytte visse tegn. Friholdelsesbehovet er identisk med ’beskyttelses’ funktionen. Friholdelsesbehovet analyseres økonomisk via ’search cost’ teorien hovedsageligt repræsenteret af Landes og Posner. I henhold til teorien antages det, at der skabes en nettofortjeneste vha. varemærker, da disse sænker ’search costs’ og derfor forøger forbrugervelfærd. Det påvises, at friholdelsesbehovet ikke i praksis anvendes i overensstemmelse med ’search costs’ teorien.

ECJ har afstået fra at erklære det præcise overordnede økonomiske formål med de absolutte registreringshindringer såvel som deres nærmere anvendelse. Hovedbestemmelserne vedr. friholdelsesbehovet er Art. 3(1)(c) og (d), dvs. tegn der udelukkende består af deskriptive eller generiske tegn. Det er mindre evident, at tegn, der ikke er udelukkende deskriptive eller generiske, skal friholdes. Imidlertid påvises det, at friholdelsesbehovet anvendes vedr. disse tegn i forbindelse med farver per se, dvs. ikke afgrænset, og i forbindelse med ikke afgrænsede figurmærker, fx tre striber anvendt på tøj. Derfor forfølger Art. 3(1)(b) alene delvist friholdelsesbehovet, dvs. det finder ikke anvendelse i forbindelse med alle tegn, der ikke udelukkende er deskriptive eller generiske. For at sikre lave ’search cost’ skal sondringen mellem ’særprægs’ og ’beskyttelses’ funktionen følgelig ikke opgives. Formålet med Art. 3(1)(e) afviger betydeligt fra de resterende registreringshindringer, idet den forekommer at forhindre tidsbegrænsede rettigheder i at blive omfattet af varemærkeeneretten; dette er ikke-kumulations grundsætningen. Målet er her at forhindre et markedsmonopol vedrørende produktet som sådan, dvs. mere end blot at sænke ’search costs’. Ikke-kumulations grundsætningen skal anvendes mere stringent for at sikre størst mulig forbrugervelfærd.

Grundet ligheden med Art. 3(1)(c) finder friholdelsesbehovet tillige anvendelse inden for Art. 6(1)(b), uden at dette dog har betydning vedr. fortolkningen af førstnævnte. Velhavende erhvervsdrivende vil via trusler om retlige skridt have mulighed for at true mindre velhavende erhvervsdrivende til ikke at påberåbe sig Art. 6(1)(b). Dette betegnes som ’corporate bullying’. ’Corporate bullying’ kan føre til forøgede ’search costs’.

The focal point of this paper is the absolute grounds for refusal of registration of trade marks. The grounds, taken to be Art. 3(1)(b)-(e) of the Trade Mark Directive, limit the trade mark exclusivity by way of barring certain signs from registration. According to Bently and Sherman the grounds either pursue a ’distinguishing’ or ’protective’ function, respectively focusing on the inherent distinctiveness and the interest of competitors of the applicant to be able to freely use certain signs. The principle of keeping free is identical with the ’protective’ function. The principle is analysed economically by way of the search costs theory, represented mainly by Landes and Posner. The theory holds that a social net gain is created through trade marks lowering search costs thus enhancing consumer welfare. It is shown that the principle of keeping free in practice is applied inconsistently with aim of the search costs theory.

The ECJ has refrained from stating the exact economic aim or any economic-based test of the absolute grounds for refusal. The key provisions on the principle of keeping free are Art. 3(1)(c) and (d); i.e. signs being exclusively descriptive or exclusively generic. It is less clear that indistinct signs not being exclusively descriptive or generic but indistinct should be kept free cf. Art. 3(1)(b). However, the principle is shown to apply to colours per se, i.e. not spatially delimited, and figurative signs not spatially delimited, for instance a three stripes sign used on garments. Therefore, Art. 3(1)(b) only partly pursues the principle of keeping free; i.e. it does not apply to all signs not being exclusively descriptive or generic. Hence, in order to ensure low consumer search costs the division between the 'distinguishing' and 'protective' function should not be abandoned. The aim of Art. 3(1)(e) is significantly different from the remaining absolute grounds for refusal in that it appears to prevent time-limited rights from being comprised by the trade mark monopoly, the non-cumulative doctrine. The aim is preventing a monopoly to the market of the product as such; i.e. more than merely lowering search costs. Therefore, the non-cumulative doctrine should be applied more rigorously in order to ensure the highest degree of consumer welfare.

Due to the similarity with Art. 3(1)(c) the principle of keeping free equally applies to the descriptive uses defence, Art. 6(1)(b), without any bearing on the interpretation of the former though. Wealthy traders might threaten legal actions against less financially robust traders deterring them from invoking Art. 6(1)(b); this is denoted corporate bullying. Corporate bullying might cause increased search costs.

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1 Introduction

Trade mark law is significant to the allocation of resources in society today in that the process of placing a purchase is assumed to be facilitated by trade marks.¹ The law creates an exclusive right for the proprietor of the trade mark to affix it to the designated goods and services (hereinafter products) in the application for registration.² The exclusivity is not unlimited; there are three ways in which it may be limited: through limitation of the subject matter, through infringement and also through defences.³ The absolute grounds for refusal of registration, the focal point of this paper, adopt the first path by limiting the signs and indications (hereinafter signs)⁴ eligible for trade mark protection.⁵ Upon determining the eligibility for registration two considerations might be taken into account; the inherent distinctiveness⁶ of the sign, or the interests of other competitors. This has been referred to by Bently and Sherman as respectively the ‘distinguishing’ and ‘protective’ function.⁷

Simon defines the ‘distinguishing’ function as the positive role of trade marks, which she also denotes the essential function.⁸ This function makes sure that the sign functions as a designator origin of the products in connection with which it is registered. In order for this function to be fulfilled consumers must be able, according to the sign, to distinguish the designated products from those of competitors.⁹ According to Bently and Sherman the ‘protective’ function counteracts the possible advantages trade mark proprietors would obtain over other traders if they had an indistinctive, descriptive or generic sign registered as their mark.¹⁰ These marks

¹ Pickering, C., *Trade Mark in Theory and Practice*, (1st edn, Hart Publishing, Oxford 1998), p. 71

² Economides, N., ‘the Economics of Trade Marks’, (1987) *Trade Mark Reporter* 78, 523, p. 524

³ Phillips, J., ‘Trade Mark Law and the Need to Keep Free’, IIC (2005), 4, pp. 389-401, p. 389

⁴ Art.3(1)(c)(d) and Art. 6(1)(b) relate to ‘signs and indications’. However, no separate legal meaning has been given to ‘indications’. Therefore, Bently and Sherman (*Intellectual Property Law*, (3rd edn OUP, Oxford 2009), p. 837) and Kerly’s (Llewellyn, D. *et al*, *Kerly’s Law of Trade Marks and Trade Names*, (14th edn Sweet and Maxwell, London 2005)p. 181) seem to use ‘sign’ as overarching.

⁵ Cornish, W. and Llewellyn, D., *Intellectual Property: Patents, Copyrights, Trade Marks and Allied Rights*, (6th edn, Thomson Sweet and Maxwell, London 2007), pp. 691

⁶ Inherent distinctiveness, however, is far from unanimously defined. Jaffey defines inherent distinctiveness negatively in that ‘a mark lacks inherent distinctiveness if it has an inherent feature that justifies another trader in seeking to use that same mark, or a similar mark, on his own product, either as, or as part of, his own trade mark, or for some other purposes.’ This, essentially, defines the ‘protective’ function since it clearly manifests the justification of other traders’ use of certain signs (Jaffey, P., *The New European Trade Marks Regime*, IIC (1997), 2, 153) p. 157.

⁷ Bently, L. and Sherman, B., *Intellectual Property Law*, (2nd edn OUP, Oxford 2004), pp. 803

⁸ Simon, I., ‘How Does ‘Essential Function’ Doctrine Drive European Trade Mark Law?’, IIC (2005), 4, 401, p. 404

⁹ *Ibid* pp. 401

¹⁰ Bently and Sherman (n.7) p. 804

comprise ‘marks that fall in a limited class’ in that they may be short of supply and other traders might have a legitimate interest in using them.¹¹ Hence, the essential function does not fit well with the definition of the principle of keeping free since it is mostly concerned with its capacity to distinguish. The ‘protective’ function and principle of keeping free are taken to be identical for the purpose this paper.¹²

It is possible to set out a sliding scale regarding word marks, figurative marks and unconventional marks. Unconventional marks for the purpose of this paper include colours *per se* and 3-D shapes (hereinafter shapes). The scale of word and figurative marks comprises coined, fanciful and arbitrary words and figurative signs at the one end. The other end comprises words, phrases and figurative signs in common use including descriptive and generic words and figurative signs.¹³ This end equally comprises figurative signs not spatially delimited. In terms of colours and shapes with colours spatially delimited together with fanciful invented shapes at the one end and colours *per se* and shapes of containers at the other end.¹⁴ For all marks the relevance of the principle of keeping free is assumed to increase moving towards the latter end. Essentially, however, it has to be noted that the boundaries between the categories of potential marks on the scales just outlined by no means is clear and that it is a matter of judgement of each case whether a sign is eligible for registration.¹⁵ These scales are crucial in that, as argued by Lindstrom, today’s consumers are visually over-stimulated increasing the difficulties of capturing their attention.¹⁶ This is one of the key reasons why traders continuously challenge the scope of the absolute grounds for refusal and get their message across rapidly by employing signs which distance their products from those of competitors.¹⁷ One way of doing this is by seeking to challenge the principle of keeping free by registering easily comprehensible signs such as descriptive or generic signs or colours *per se*. Upon successful registration the descriptive uses defence to infringement is equally challenged.

From the passing of the Trade Mark Directive¹⁸ and Regulation¹⁹ in 1989 and 1994 the ECJ has thus been enjoined, as the highest court within the EU, to provide interpretation of these

¹¹ Jaffey (n.6) p. 158

¹² *Adidas AG et Adidas Benelux BV v Marca Mode CV, C&A Nederland, H&M Hennes & Mauritz Netherlands BV et Vendex KBB Nederland BV (Adidas H&M)* (C-102/07) [2008] EMTR 44 at 21, 23, 25-26.

¹³ Schechter, F., ‘the Rational Basis of Trademark Protection’, *Harvard Law Review*, (1927) 40, 813, p. 828. Jaffey argues that, in between arbitrary and descriptive/generic words, are suggestive words (Jaffey n. 6) p. 169.

¹⁴ Tritton, G., *Intellectual Property in Europe*, (3rd edn Sweet and Maxwell, London 2008) p. 274

¹⁵ Kerly’s (n.4) p. 171

¹⁶ Lindstrom, M., *buy-ology*, (1st edn Børsens Forlag, Copenhagen 2008) p. 131.

¹⁷ Kerly’s (n.4) p. 176

¹⁸ First Council Directive to approximate the laws of the Member States relating to trade marks 89/104/ECC (hereinafter the Directive)

legislative acts²⁰ including the absolute grounds for refusal which for this paper are taken to be Art. 3(1)(b)-(e)²¹ since ‘it is clear’ that Articles 3(1)(a), 3(1)(f), 3(1)(g) and 3(1)(h) of the Directive are insignificant to the need to keep free.²² Since the descriptive uses defence to infringement, Art. 6(1)(b)²³, mirrors Art. 3(1)(c) the application of the principle of keeping free within the former will be analysed, in brief.

To date there has been little consistency in case law on the definition of the aim of Art. 3(1)(b)-(e) and subsequently the specific test used for assessing potential trade marks as well as the aim of Art. 6(1)(b). This inconsistency has been given scholarly attention and it is suggested that it is inappropriate to employ a division between the ‘distinguishing’ and ‘protective’ function.²⁴

So far, however, there have been few attempts to provide an economic justification for the aims and practical assessment of Art. 3(1)(b)-(e) and Art. 6(1)(b). Most attention has been paid to the judicial inconsistencies from a legal perspective.

This paper will give an account of the economic justification for not providing trade mark protection to certain signs cf. Art. 3(1)(b)-(e) in the light of the search cost theory presented mainly by Landes and Posner.²⁵ Equally why the trade mark exclusivity subsequently is lessened cf. Art. 6(1)(b). According to the search costs theory trade marks are assumed to facilitate consumers in determining the origin of different products; the marks essentially lower consumer search costs. Therefore, an incentive is created for the mark owners to affix the mark to products of consistent quality only. Lower search costs and consistent product quality increase the efficiency of the market.²⁶ Hence, the principle of keeping free is relevant to consumer search costs and the market efficiency since it apart from the ‘distinguishing function’ defines the signs eligible for registration and subsequently through the descriptive uses defence it limits the exclusivity of some registered trade marks.

¹⁹ Council Regulation No. 40/94 on the Community Trade (hereinafter the Regulation)

²⁰ Tritton (n.14) pp. 25

²¹ Due to the identical wording of the provisions of the Directive Article 3(1)(a)-(h) and the Regulation Article 7(a)-(h) no separate reference will be made to the latter.

²² Phillips (n.3) p. 390.

²³ Directive Article 6(1)(b) and the Regulation Article 12(b) are equally identical (n.14).

²⁴ Handler, M., ‘the Distinctive Problem of European Trade Mark Law’, E.I.P.R. (2005), 27, 306, pp. 309 and Keeling, D., ‘About Kinetic watches, easy banking and nappies that keep a baby dry: a review of recent European case law on absolute grounds for refusal to register trade marks, I.P.Q. (2003), 2, 131, p. 137-138, Bently and Sherman seem to imply that a division is inappropriate (n.7) p. 810.

²⁵ Pickering (n.1) p. 85 footnote 85

²⁶ Economides (n.2) pp. 523. He describes the importance of symbols and the crucial importance of using symbols upon communicating

It is argued that the ECJ's application of the principle of keeping free is applied inconsistently with the economic aim of Art. 3(1)(b)-(e) and Art. 6(1)(b). Furthermore, that despite some ambiguity it is well-founded on the economic theory to maintain a division of the absolute grounds for refusal into a 'distinguishing' and 'protective' function.

This paper has been divided into four parts. The first part analyses the European legislative framework; this includes an analysis of the delimitation of Art. 3(1)(b)-(d), and an analysis of Art. 3(1)(e) and 6(1)(b). The second part analyses how the legislation is applied by the ECJ; this includes a further definition of the principle of keeping free as well an analysis of the specific test applied by the Court. The third part provides a positive economic analysis of the principle of keeping free; initially a brief introduction followed by a determination of the scope of the trade mark exclusivity and its detrimental effects. Subsequently, the search costs theory is presented and the scope of its applicability in practice is analysed. The theory is finally used to analyse the overlap and non-overlap between Art. 3(1)(b)-(c), Art. 3(1)(e) and Art. 6(1)(b). The fourth part will, in brief, establish how the law should be applied in accordance with the search costs theory which mainly highlights the difficulties of normative analysis in this context. This will be followed by a conclusion.

In this paper no attempt will be made to distinguish between the decisions of the ECJ as the appeal court of the CFI and preliminary rulings of the ECJ according to EC Treaty Art. 234.²⁷ Moreover, the CFI decisions will not be dealt with separately apart from *Lego Juris* contributing valuably to the scarce ECJ case law on Art. 3(1)(e).²⁸ Since designated outside the focal point of this paper the specific test of Art. 6(1)(b) will not be dealt with. No formal economic model will be presented and there will be no attempt to make a comparative subjective analy-

²⁷ Treaty Establishing the European Community 1957 (EC Treaty). The ECJ might have a different approach to Art. 234 rulings in comparison with its rulings as an appeal court. The difference would arise from 2001 and onwards where the ECJ began to decide matters concerning the meaning of the Regulation (Burrows, N. and Greaves, R., *The Advocate General and the EC Law*, (1st edn OUP, Oxford 2007) p. 147). However, for two reasons it is doubtful that any differences in fact will be found in relation to the ECJ case law according to the Directive and the Regulation. Firstly, the ECJ, be it as an appeal court of the CFI or according to Art. 234 hearings, is concerned with matters of law (Tritton (n.14) p. 14 and Craig, P. and De Búrca, G., *EU Law: Text, Cases and Materials*, (4th edn, OUP, Oxford 2007) p. 68). That said, it is not straightforward to define the distinction between fact and law (see e.g. *Koninklijke KPN Nederland NV v Benelux-Merkenbureau (Postkantoor)* (C363/99) [2004] ECR I-1619 AG 68 criticising the ECJ in *Baby-Dry* for conducting factual assessment. Secondly, as mentioned, the wording of the Directive and the Regulation relevant to this paper is identical (n.21 and 23).

²⁸ *Lego Juris A/S v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (Lego Juris)* (T-270/06) [2009] E.T.M.R. 15

sis of the Harvard and Chicago approach. Moreover, the search costs theory will not be compared to other ways of justifying trade mark protection.²⁹

2 European³⁰ legislative framework analysis

The trade mark law regime has developed rapidly from the early 1990s onwards as a consequence of the harmonisation process and the Community Trade Mark system.³¹ From the passing of the Directive and the Regulation national laws have had to follow the same substantive principles and coexist with the new competing system of protection³² creating a dual intervention. The former approximated the laws of the Member States and the latter created a directly applicable law facilitating undertakings to overcoming the obstacles of territoriality creating a uniform protection throughout the Community. Notwithstanding the different effects of the legislative instruments they ‘have a single aim and a shared goal: the establishment and functioning of the internal market’.³³

The Directive and Regulation are relevant to the principle of keeping free since they establish a broad definition of registrable marks, and an examination system *ex officio* focusing exclusively on the absolute grounds for refusal of registration.³⁴

The need to keep certain signs free is not mentioned as an express provision, be it in the Directive or the Regulation or their preambles.³⁵ As mentioned, Art. 3(1)(b)-(e) might have a ‘distinguishing’ and ‘protective’ function which may be separate or interrelated; due to its similarity with Art. 3(1)(c) this equally applies to Art. 6(1)(b). Art. 3(1)(b)-(d) have their origin in the Paris Convention Art. 6*quinquies*(B)(2)³⁶ whereas Art. 3(1)(e) has no counterpart in either the Paris Convention or TRIPS.³⁷ Art. 6(1)(b), however, has its counterpart in the optional provision, Art. 17, in TRIPS.³⁸

²⁹ See e.g. Greenhalgh, C. and Rogers, M., ‘the Value of intellectual property rights to firms and society’, Oxford Review of Economic Policy (2007), 23, 541, pp. 556.

³⁰ Europe is understood to be the EEA: The territorial effect of the Regulation is limited to the 27 EC Member States (Cornish and Llewellyn (n.5) p. 615 and 674) whereas the three additional European Economic Area Member States in accordance with the EEA Agreement are obliged to adjust their legislation on intellectual property law in order to reach at least the same level of protection as within the EC (Tritton (n.14) pp. 46).

³¹ Maniatis, S., *Trade Marks in Europe: A Practical Jurisprudence*, (1st edn, Sweet and Maxwell, London 2006), p. 1

³² *Ibid* p. 1 and p. 3 where he describes the former as the path of harmonisation and the latter as the federal path.

³³ *Merz & Krell GmbH & Co. (Merz & Krell) (C-517/99) [2001] ECR I-6959 AG 23-27*

³⁴ *Ibid* p. 5.

³⁵ Phillips (n.3) p. 390

³⁶ Bently, L., ‘Recent developments in Trade Mark Law: the Jurisprudence of the ECJ since 1st January 2003’, Fordham (2004), p. 12

³⁷ Tritton (n.14) pp. 301. According to Tritton Art. 3(1)(e) is divergent to both the Paris Convention Art. 6*quinquies*(B)(2) and TRIPS Art. 15(1); the latter requires distinctiveness. The divergence is caused by the ex-

Since the principle of keeping free, as mentioned, is not used expressly in any provision the following will dissect the principle according to the wording of the relevant provisions.

2.1 Delimitation of Art. 3(1)(b)-(d)

It appears that Art. 3(1)(b) must be categorised as protecting the essential function due to the explicit reference to the ‘distinctive character’. However, Art. 3(1)(c) focuses on designated signs possibly relevant to trade. Art. 3(1)(d) does not mention any specific signs but refers generally to what has become generic either in current language or in established practices in trade.³⁹ Likewise, reference here is made to designated signs, though more generally, which might be relevant to other traders; they obviously use current language and established trade practices. A literal reading of Art. 3(1)(c) causes Tritton to state that the provision renders superfluous consumers’ viewpoint of the designated products.⁴⁰ Equally Bently claims, that ‘one would have expected the ECJ to interpret the words [...] teleologically’ applying the viewpoint of the traders.⁴¹ Although the authors do not present the same argument in terms of Art. 3(1)(d) it equally applies to this article due to its similar reference to trade.

The wording of Art. 3(1)(b)-(d) leaves a gap open for judicial review in terms of defining ‘distinctive character’, ‘descriptive’,⁴² ‘generic’, ‘customary’ and ‘in trade’; terms creating a degree of legal uncertainty surrounding the principle of keeping free.

Despite the differences outlined above it has to borne in mind that the relationship between Art. 3(1)(b)-(d) is close. Handler and Keeling state that albeit ‘distinctive character’ is only mentioned in Art. 3(1)(b) and not in (c) and (d) it is repeated in Art. 3(3) which unifies the three provisions. Firstly, for that reason, distinctiveness is cf. Art. 3(3) an overarching principle with Art. 3(1)(b) as the ‘sweeping up provision’ with (c) and (d) identifying specific

haustiveness of the absolute grounds for refusal of registration mentioned in the Paris Convention and TRIPS cf. TRIPS Art. 15(2). Furthermore, the nature of the goods is not to lead to refusal of registration cf. TRIPS Art. 15(4). The nonconformity with TRIPS leads the author to state that Art. 3(1)(e) is to be narrowly construed.

³⁸ If the exception is incorporated by a Member a balancing of interest is required between the trade mark owner and third parties similar to that of ‘honest practice’ in Art. 6(1)(b).

³⁹ It appears that ‘in trade’ does not qualify ‘which have become customary in current language’ meaning that sufficient generic use by a member of the public fulfils the requirement. (Morcom, C. *et al*, *The Modern Law of Trade Marks*, (2nd edn, Lexis Nexis Butterworths, London 2005) p. 101)

⁴⁰ Tritton (n.14) p. 286.

⁴¹ Bently (n.36) pp. 14. However, Bently’s argument is naturally limited since he comments on *Windsurfing Chiemsee Produktions- und Vertriebs GmbH v Boots- und Segelzubehor Walter Huber (Windsurfing)* (C108/97) [1999] ECR I-2779 not dealing with Art. 3(1)(d).

⁴² On the one hand a list of descriptive terms is mentioned which arguably reins in the scope of the judicial review but again leaves it for the judiciary to further define these terms. On the other hand the judicial discretion is enhanced since the list is none-exhaustive; ‘or other characteristics of the goods’.

marks lacking distinctiveness.⁴³ Secondly, this argument is supported by the mentioned common origin of Art. 3(1)(b)-(d) in the Paris Convention Art. 6*quinquies*(B)(2) in which the benchmark of registrability is distinctiveness. Furthermore, finally, since indistinct signs not being exclusively descriptive or generic are subsumed under Art. 3(1)(b) but not under Art. 3(1)(c) and (d). However, Art. 6(1)(b) frustrates the argument that Art. 3(1)(c) is a mere subset of Art. 3(1)(b) since the latter is not mirrored in Art 6(1)(b).

The clear overlap between Art. 3(1)(b) and Art. 3(1)(c)-(d) illustrates that the act of dividing the provision into either a ‘distinguishing’ and ‘protective’ function, as explained above, is not straightforward. Due to their wording Art. 3(1)(b) appears to pursue the ‘distinguishing’ function and Art. 3(1)(c) and (d) the principle of keeping free. However, it is not clear whether the non-overlapping area between Art. 3(1)(b) and Art. 3(1)(c)-(d) is within the principle of keeping free; i.e. indistinct signs not being exclusively descriptive or generic.

2.2 Art. 3(1)(e)

The last of the absolute grounds for refusal, Art. 3(1)(e), sets out three additional obstacles to signs consisting exclusively of shapes.⁴⁴ It is held that Art. 3(1)(e) is outside the overarching principle in Art. 3(3) since it would not be in the ‘public interest’ to allow the shapes within the provision to be registered whatsoever.⁴⁵ That said, an overlap still exists in particular between Art. 3(1)(b) and Art. 3(1)(e) inasmuch as certain shapes may be subsumed under both provisions. It is even held that Art. 3(1)(e) is a ‘belt-and-braces provision’ since signs infringing this provision inevitably will infringe Art. 3(1)(b).⁴⁶ This interpretation renders superfluous Art. 3(1)(e) and leads some to say ‘we would be better off if the provision were deleted entirely’.⁴⁷ Likewise, a deletion would solve the previous outlined problem of its incoherence with TRIPS.⁴⁸ Art. 3(1)(e) should be dealt with here, though, as it appears to pursue an aim significantly different from the ‘essential function’ of Art. 3(1)(b).

One of the common rationales for refusing registration of shapes is that they ‘should properly seek protection under other intellectual property rights’⁴⁹ be it patent, design or copyright

⁴³ Keeling (n. 24) pp. 137, Handler (n.24) p. 309

⁴⁴ Suthersanen, U., ‘The European Court of Justice in *Philips v Remington* - trade marks and market freedom’, I.P.Q. (2003). 3, 257, p. 257

⁴⁵ MacQueen, H., Waelde, C. and Laurie Graeme, *Contemporary Intellectual Property Law and Policy*, (1st edn OUP, Oxford 2007), p. 594f. At this point reference is made to the Grand Board of Appeal decision in *Lego Juris A/S v Mega Brands Inc* Case R 856/2004-G 10 July 2006.

⁴⁶ Kerly’s (n.4) p. 203.

⁴⁷ Keeling (n.24) p. 137

⁴⁸ Kerly’s (n.4) p. 203

⁴⁹ Suthersanen (n.44) p. 257

law.⁵⁰ Due to the different economic rationales and different subject matter of these laws Art. 3(1)(e) does not *per se* keep the sign free for other competitors. The provision might just shift the legal setting from trade mark law to patent, design or copyright law anyhow rendering the shape exclusively to one trader; the scope of exclusivity being significantly different though.⁵¹ This has been denoted the non-cumulative doctrine of Art. 3(1)(e).⁵² Although the doctrine is creditable within this provision it does not *per se* apply within intellectual property law.⁵³ It is apparent, however, that the underlying rationale of Art. 3(1)(e) is more refined than the non-cumulative doctrine. As held by Suthersanen, if the key aim of Art. 3(1)(e) was the non-cumulative effect ‘the three indents should make clear reference to the types of subject matter’ within other areas of intellectual property law.⁵⁴ The principle of keeping free does not coexist with the non-cumulative doctrine since the latter, essentially, covers the rationales vested in patent, design and copyright law. Hence, the principle of keeping free is taken to be the residue adjacent to the non-cumulative effect of Art. 3(1)(e).

The first indent of Art. 3(1)(e) is taken to be at the core of the principle of keeping free since this provision covers ‘the natural shapes of goods’ that competitors legitimately want use. The implication of this, it is held, is that goods made by significant design input will be outside the provision.⁵⁵ Therefore, the first indent of Art. 3(1)(e) is taken to be mainly outside the non-cumulative effect and within the principle of keeping free.

The second indent, conversely, refers to ‘technical result’ which alludes to patent law. As pointed out above this can be no more than an allusion since ‘technical result’ is not used in patent law and may not without further qualification be equated with the notion of ‘invention’.

⁵⁰ *Ibid* p. 257 and p. 267

⁵¹ It is beyond the scope of this paper to go further into the legal differences between the exclusivity of a trade mark, patent, design and copyright law. One significant difference though is the duration of the right which is perpetual upon renewal cf. the Regulation Art. 46 every 10 years regarding the community trade marks; registered community designs 25 years cf. the Dir. 98/71/EC of 13 October 1998 (on the legal protection of designs) Art. 10 and unregistered Community designs 3 years cf. Reg. 6/2002/EC of 27 September 2001 (on Community designs) Art. 11; and Patents 20 years cf. European Patent Convention (EPC) of 5 October 1973 Art. 63(1), copyright 70 years cf. Dir. 93/98/EEC of 29 October 1993 (harmonisation of the term of protection of copyright and certain related rights) Art. 1.

⁵² Suthersanen (n.44) p. 266

⁵³ E.g. the demarcation of copyright law and design law has been approached differently between the EC Members since the Design Directive and Regulation lay down a principle of commutation the degree is left uncertain (Bently and Sherman (n.7) p. 659). Different examples: Denmark Ophavsretsloven (Copyright Act) LBK 763/30.6.2006 § 10, stk. 1 allowing for cumulation whereas the UK has separated the two areas of law Copyright, Designs and Patents Act 1988 s. 51. Furthermore, the limited possibility of copyright protection of trade marks exists in Denmark (Walberg, K., *Varemærkeret*, (4th edn Jurist- og Økonomforbundets Forlag, Copenhagen 2008) p. 204f) and, most likely, even more limited within the UK (Schovsbo, J. og Rosenmeier, M., *Immaterielret*, (1st edn Jurist- og Økonomforbundets Forlag, Copenhagen 2008) p. 70).

⁵⁴ Suthersanen (n.44) p. 267.

⁵⁵ Kerly's (n.4) p. 206

Furthermore, ‘technical result’ is probably to be defined more broadly than ‘invention’.⁵⁶ Hence, the rationale of the second indent is taken partly to be the non-cumulative effect.⁵⁷ The residue is taken to be within the realm of keeping free.

Whereas the second indent alludes to patent law it is less clear regarding the last indent. ‘Value’ might be taken to mean economic value attached to the aesthetic value of the shape of the product, the value of the mark due to its attached goodwill or the technical value of the shape. It appears that the goodwill has to be disregarded since the wording of the third indent establishes no requirement that the shape be in use.⁵⁸ ‘Aesthetic’⁵⁹ might allude to both design and copyright law. In comparison with the second indent an even greater penumbra of uncertainty surrounds the third indent. Consequently, the residue to which the principle of keeping free applies left adjacent to the non-cumulative effect is less definable.

2.3 Art. 6(1)(b)

The possibility of acquiring distinctiveness and consequently overriding signs initially within the principle of keeping free renders the role of the principle uncertain. What role, if any, does the interest of other traders play if a sign initially being ‘exclusively’ descriptive, generic or indistinct for other reasons is registered due to Art. 3(3) or if the mark has been registered since it was not exclusively descriptive or generic? At first sight Art. 6(1)(b) answers the questions. Art. 6(1)(b) mirroring Art. 3(1)(c) may be invoked by other traders as a limitation upon infringement. Accordingly, other traders may use the mentioned signs for descriptive purposes, in the course of trade and in accordance with honest practices.⁶⁰ Since generic signs are often equally descriptive Art. 6(1)(b) *de facto* applies to Art. 3(1)(d).

Further questions remain unanswered though. It does follow from neither Art. 3(1)(c) nor Art. 6(1)(b) how they correlate. The key question is whether the principle of keeping free within

⁵⁶ EPC Art. 52(1): European patents shall be granted for any inventions....

Although the provision does not mention ‘technical’ it is assumed that ‘invention’ means ‘technical improvements’ (Cornish and Llewelyn (n.5) p. 7). Moreover, technical might is probably to be defined more broadly (Suthersanen (n.44) p. 267).

⁵⁷ Suthersanen (n.44) p. 268

⁵⁸ Tritton (n.14) p. 305

⁵⁹ It is clear from the EPC Art. 52(2) that ‘invention’ is defined negatively and does not include ‘aesthetic’ creations. For further clarification of the distinction between ‘aesthetic’ and ‘technical’ see the EPO Guidelines December 2007 <[http://documents.epo.org/projects/babylon/eponet.nsf/0/4C0AAA2182E5D2F2C125736700567D71/\\$File/guidelines_2007_complete_en.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/4C0AAA2182E5D2F2C125736700567D71/$File/guidelines_2007_complete_en.pdf)> Chapter IV-3, Part C, 2.3.4. It is clear that the ‘aesthetic expression in isolation may never be patented.

⁶⁰ Cornish and Llewellyn (n.5) p. 763f.

Art. 3(1)(c) might be lessened owing to Art. 6(1)(b). In essence, to what extent does the defence has to be taken into account upon assessing Art. 3(1)(c)? Art. 3(3) further favours the undertakings financially capable of making registrable their signs initially within Art. 3(1)(c) and Art. 3(1)(d). On the face of it this is not an impediment to other traders in that they do not have a legitimate interest in registering the same mark. However, if less financially robust competitors on the legal basis of Art. 6(1)(b) legitimately want to use elements of the registered mark for descriptive purposes the wealthier mark owner now has the possibility of threatening legal actions against the competitors deterring them from invoking the defence. For the purpose of this paper this is termed corporate bullying.⁶¹ Therefore, the principle of keeping free within Art. 6(1)(b) might be limited *de facto* due to corporate bullying. Since successful corporate bullying will take place outside the judiciary it will not be traceable in case law.

3 Case law analysis⁶²

As pointed out the legislation is by no means clear and consistent, mainly due to the overlap between the provisions and the internal unclear definitions of key terms. For this reason, it is not possible to delimit the provisions and hence the principle of keeping free any further without employing case law. In most instances it is straightforward to apply the absolute grounds for refusal to signs and they will face no difficulties in qualifying for trade mark protection. Nonetheless, future case law will inevitably arise in that consumers are assailed by marks⁶³ and at the same time they as mentioned are visually over-stimulated challenging the scope of the absolute grounds for refusal and the descriptive uses defence.

⁶¹ The idea to the term 'corporate bullying' has emerged due to the statement of Mr Justice Jacob: 'that in the practical world powerful traders will naturally assert their rights even in marginal cases. By granting registration of a semi-descriptive or indeed a nearly-but-not-quite-completely descriptive mark one is placing a powerful weapon in powerful hands. Registration will require the public to look to its defences.' (*Nichols plc's Trade Mark* [2003] ETRM 15) Equally it is inspired by the statement of Advocate General Colomer in *DKV Deutsche Krankenversicherung AG v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (Companyline)* (C-104/00 P) [2002] ECR I-7561 (AG 86).

⁶² Besides case law (n19) the Advocate Generals opinions will be used initially since they tend to be a more comprehensive and reasoned explanations of the law and all aspects of a case. Moreover, the advocate generals opinion is followed in a majority of cases (Craig, P. and De Búrca (n.27) p.70).

⁶³ Kerly's (n.4) p. 171

According to the analysed legislation and the just mentioned four crucial areas have to be analysed with reference to case law in order to be able to conduct an economic analysis of the principle of keeping free. Therefore, the following questions:

Firstly, the limits of each of the absolute grounds for refusal, relevant to the principle of keeping free, are to be further defined. It is in particular crucial to delimit Art. 3(1)(b) from especially (c) and (d) given that Art. 3(1)(b) due to its wording is designated outside the scope of the principle of keeping free. Therefore, the purpose and nature of Art. 3(1)(b)-(d) must be defined. In essence, what underpins the described overlapping and non-overlapping area between mainly Art.3(1)(b) and Art. 3(1)(c)-(d)?

Secondly it has to be settled to what extent the principle of keeping free applies to Art. 3(1)(e). I.e. to what extent is a residue left for the principle adjacent to the non-cumulative effect?

Thirdly it will be determined if the principle of keeping free extends beyond the absolute grounds for refusal of registration due to Art. 6(1)(b) and if their applicability is affected by the application of the principle. I.e. does the principle of keeping free extend to Art. 6(1)(b) and in the affirmative is its applicability within the absolute grounds affected? Furthermore, is corporate bullying prevented?

Finally, fourthly; how is this principle manifested in a specific test?

3.1 Delimitation of Art. 3(1)(b)-(d)

Each of the grounds must be construed consistently with the public interest underlining them;⁶⁴ i.e. it is more than merely ‘appropriate’, as held by the Court twice, to do so.⁶⁵ The principle of keeping free is within this broader notion ‘public interest’. Inconsistently the

⁶⁴ *Bio-Id AG v Office For harmonisation in the Internal Market (Bio-Id)* (Case C-37/03 P) [2005] ECR I-7975 at 59, *Campina Melkunie BV v Benelux-Merkenbureau (Campina)* (Case C- 265/00) [2004] ECR I -1699 at 34, *Deutsche SiSi-Werke GmbH & Co Betriebs KG v Office For harmonisation in the Internal Market (Deutsche SiSi-Werke)* (Case C-173/04 P) [2006] ECR I-551 at 59, *Eurohypo AG v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM) (Eurohypo)* (C-304/06 P) ETMR 59 at 55, *Henkel KGaA v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM) (Henkel)* (C-456/01 P) [2004] ECR I-5089 at 45 and 46, *Libertel Groep BV v Benelux-Merkenbureau (Libertel)* (C104/01) [2003] ECR I-3793 at 51, *Linde AG v Deutsches Patent- und Markenamt (Linde)* Joined Cases (C-53/01 to C-55/01) [2003] ECR I-3161 at 76-77, *Philips Electronics NV v Remington Consumer Products Ltd (Philips)*(Case C-299/99) [2002] ECR I-5475 at 77, *Postkantoor* (n.27) at 68, and *SAT.1 Satellitenfernsehen GmbH v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM) (C329/02 P) (SAT.1)* [2004] ECR I-8317 at 25.

⁶⁵ The Court in *Deutsche SiSi-Werke* (n.64) at 59 and *SAT.1* (n.64) at 25 held that it was ‘appropriate to interpret[...]’. This is too vague according to the remaining case law mentioned in note 73.

Court has used ‘general interest’ and not ‘public interest’. The inconsistency appears to have its origin in *SAT.1* referring to ‘general interest’; subsequent decisions using the same notion refer to *SAT.1*.⁶⁶ The inconsistency might merely indicate that the terms are used interchangeably.⁶⁷ However, using ‘public interest’ which the Court has done most recently⁶⁸ is more suitable in that no fixed meaning is attached to ‘general interest’.⁶⁹ It may not be inferred to what extent the public interest differs according to the various grounds. This is illustrated by the Court’s occasionally imprecise explanation of its scope as it ‘*may, or even must, reflect different considerations, depending on which ground is at issue*’ (emphasis added).⁷⁰ The just outlined serves to illustrate that the public interest, despite the described inconsistencies, is relevant upon interpreting the absolute grounds for refusal, however, not their delimitation as such. The following will seek to establish how the public interest manifested in the ‘distinguishing’ and ‘protective’ function might be used to delimit Art. 3(1)(b)-(d).

It has been reiterated that the absolute grounds for refusal are separate.⁷¹ However, ‘there is a clear overlap between the scope of’ Art. 3(1)(b)-(d).⁷² Since most case law relates to Art. 3(1)(b) and (c) particularly the overlap between these provisions has been dealt with.⁷³ The overlap between Art. 3(1)(b) and (c) emerges in that descriptive signs lack distinctiveness;⁷⁴ conversely, indistinctiveness is not necessarily caused by descriptiveness.⁷⁵ Advocate General Jacobs has suggested more vaguely that the two provisions should not be combined, however,

⁶⁶ *Bio-Id* (n.64) at 59 and *Deutsche SiSi-Werke* (n.64) at 59 refer to *SAT.1* (n.64) at 25.

⁶⁷ In *Adidas H&M* (n.7) at 22 the ECJ uses the notion ‘public interest’ with specific reference to the opinion of Colomer in *Adidas H&M* AG 33 who, in fact, uses the notion ‘general interest’ referring to *Windsurfing* ECJ (n.41) at 26-27 where ‘public interest’ is used.

⁶⁸ *Eurohypo* (n.64) at 54

⁶⁹ According to the online Oxford English Dictionary public interest is defined as: ‘the benefit or advantage of the community as a whole: the public good’. Its use might be traced back to 1591. It is not possible to look up ‘general interest’ or trace any definition of the expression elsewhere.

⁷⁰ *Bio-Id* (n.64) at 59, *Deutsche SiSi-Werke* (n.64) at 59 and *Henkel* (n.64) at 46.

⁷¹ See e. g. *Campina* (n.64) at 18, *Deutsche SiSi-Werke* (n.64) at 59, *Eurohypo* (n.64) AG 45-46 and ECJ at 54 *Linde* (n. 64) at 67, *Merz & Krell* (n.33) AG 38 Art. 3(1)(b)-(d) ‘cannot be read in isolation’, *Office for Harmonisation in the Internal Market v Erpo Möbelwerk GmbH (Möbelwerk)* (C-64/02 P) [2004] ECR I-10031 at 39, *Postkantoor* (n.27) at 67, *SAT.1* (n.64) at 25.

⁷² *Campina* (n.64) at 19

⁷³ *Adidas H&M* (n.12) AG at 30, *Deutsche SiSi-Werke* at 59-64, *Eurohypo* (n.64) AG 41-50, *Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM) v Wm Wrigley Jr Co (Doublemint)* (C-191/01 P) [2003] ECR I-12447 at 19, *Procter & Gamble Co v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM) (Baby Dry)* (C383/99 P) [2001] ECR I-6251 at 35-37, *SAT.1* (n. 64) at 36 and 42 and *Windsurfing* (n.41) at 19-37 and 46.

⁷⁴ *Office for Harmonisation in the Internal Market v Celltech R&D Ltd (Celltech)* (C-273/05 P) [2007] ETMR 52 AG 27, *Doublemint* (n.73) AG 53, *Eurohypo* (n. 64) AG 45-46, *Matratzen Concord AG v Hukla Germany SA (Matratzen)* (C-421/04) [2006] ECR-I 2303 AG 42 and *SAT.1* (n.64) AG 41.

⁷⁵ *Campina* (n.64) at 19, *Companyline* (n. 61) AG 43, *Möbelwerk* (n.71) AG 20, *Office for Harmonisation in the Internal Market v Zapf Creation A.G. (Zapf)* (C-498/01 P) [2004] ECR I-11349 AG 48 and *Postkantoor* (n.27) at 86.

not regarded as inherently different.⁷⁶ The key arguments explaining the purpose Art. 3(1)(c) equally apply to Art. 3(1)(d) due to their similarity.

A key decision on the principle of keeping free is *Windsurfing*⁷⁷ where the principle was stated for the first time.⁷⁸ The Court was questioned if the German unwritten doctrine, *Freihaltebedürfnis*, affected the interpretation of Art. 3(1)(c);⁷⁹ it rejected that the principle was directly applicable⁸⁰ though recognised its underpinning theory.⁸¹ Advocate General Colomer in *Adidas H&M* provides a detailed analysis of the origin of *Freihaltebedürfnis* and its relevance to Art. 3(1)(b) and (c). He maintains the result in *Windsurfing* but insinuates further the relevance of the underpinning theory to Art. 3(1)(b).⁸²

The purpose of Art. 3(1)(b) is described as the trade marks ability to designate a particular undertaking's products from those of others.⁸³

The ECJ has stated that the aim of Art. 3(1)(c) is the public interest in keeping the designated signs to be freely used by all and therefore to preclude them from being exclusively appropriated through registration by one trader.⁸⁴

Whereas the subject matter of *Windsurfing* was a figurative mark including a word the decisions emphasised in this part, with the exception of *Libertel* and *Adidas H&M*, relate to neologisms which are the denominator for unusual or imaginative word combinations or a combination of a word and a number.⁸⁵

In *Baby-Dry* the 'distinguishing' function of Art. 3(1)(b) was designated as the function of Art. 3(1)(c). It appears that the Court did not take account of the public interest and merged the purpose of the two provisions since 'it is clear from those two provisions [Art. 3(1)(b) and (c)]taken together' that the purpose is identifying the undertaking.⁸⁶ In essence, the 'distinguishing' function. The schism between *Windsurfing* and *Baby-Dry* caused scholarly furore. Simon points out that the language of *Windsurfing* does not limit the public interest to geo-

⁷⁶ *Doublemint* (n. 73) AG 53

⁷⁷ *Windsurfing* (n.41)

⁷⁸ See Advocate General Colomer in *Adidas H&M* (n. 12) AG 32 and footnote 7 of the opinion where the decision is denoted 'fundamental' and Advocate General Trstenjak in *Eurohypo* (n.64) AG 44.

⁷⁹ *Windsurfing* (n. 41) at 16. The ECJ later paraphrased the question

⁸⁰ *Ibid* at 35 i.e. that art 3(1)(c) is not applied as rigorously as the German principle i.e. 'there being a real, current or serious need to leave a sign or indication free'.

⁸¹ *Ibid* at 26-27

⁸² *Adidas H&M* (n. 12) AG 33-45. For a further analysis of the principle see Phillips, J., *Trade Mark Law A Practical Anatomy*, (1st edn OUP, Oxford 2003) pp. 78

⁸³ *Windsurfing* (n.41) at 46

⁸⁴ *Ibid* at 25

⁸⁵ *Campina* (n.64) at 43, *Doublemint* (n. 73) AG 74 and *Postkantoor* (n. 27) AG 70, the marks are furthermore composite marks.

⁸⁶ *Baby-Dry* (n.73) at 37

graphical names⁸⁷ and does not support the finding of either the ECJ or Advocate General Jacobs in *Baby-Dry*.⁸⁸ By reference mainly to these two decisions Handler claims that at best the approach of the ECJ to the explanations of the aim of Art. 3(1)(b)-(d) is hesitant and at worst ambiguous.⁸⁹ Kerly's adds that 'being charitable [...] the language the Court used [in *Baby-Dry*] was unfortunate and likely to be misunderstood' but in fact 'the reasoning went seriously wrong'.⁹⁰

In *Doublemint*, the Court is said to have taken a more fine-distinct approach to Art. 3(1)(c) and to have taken a step back from the liberal approach applied in *Baby-Dry*.⁹¹ The ECJ leapfrogs the findings in *Baby-Dry* by referring directly to the purpose of Art. 3(1)(c) as explained by the Court in *Windsurfing*.⁹² Although Advocate General Jacobs provided the opinion in *Baby-Dry*, he seems to admit the confusion caused by the decision and adds that 'it is now clear [...] that any possible conflict between [*Windsurfing* and *Baby-Dry*] has been settled by' *Doublemint*.⁹³

In *Postkantoor* Advocate General Colomer addresses specifically the problematic discrepancy between *Windsurfing* and *Baby-Dry*.⁹⁴ He points out that the reason for being of trade mark law is, what appears to be, the 'distinguishing' function. Nonetheless, trade marks may impose restrictions by limiting the availability of certain signs.⁹⁵ Even though *Baby-Dry* might not explicitly oppose to *Windsurfing*, it certainly does not reaffirm the principles of that decision either; namely the public interest of keeping free.⁹⁶ Taking the latter decision into account it is 'desirable' to take into consideration the public interest in keeping free upon determining whether a sign is descriptive.⁹⁷ Furthermore, Colomer provides a notable description of the *raison d'être* of the principle of keeping free. He points out that it would be incompatible with:

“[...] economic development and the promotion of commercial initiatives that established operators should be able to register for their own benefit all the descriptive combinations imaginable, or the most effective of such combinations,

⁸⁷ See footnote 51 of *Windsurfing* (n.41)

⁸⁸ Simon, I., 'What's cooking at the CFI? More guidance on descriptive and non distinctive trade marks', E.I.P.R. (2003), 25, 22 P. 1

⁸⁹ Handler (n.24) p. 2

⁹⁰ Kerly's (n.4) p. 183

⁹¹ Maniatis (n.31) p. 190

⁹² *Doublemint* (n.73) at 31

⁹³ *Zapf* (n.75) AG 19.

⁹⁴ It worth noticing that the Advocate General in both *Baby-Dry* (n. 73) and *Doublemint* (n.73) was Jacobs which could explain why the problem is not fully addressed in *Doublemint*.

⁹⁵ *Postkantoor* (n.27) AG 32

⁹⁶ *Ibid* AG 58

⁹⁷ *Ibid* AG 59-60

to the detriment of new operators, who are obliged to use invented names which are more difficult to remember and to establish.’⁹⁸

The Court in *Postkantoor* maintained the public interest with reference to *Windsurfing* but not Colomer’s statement in his opinion of decision.⁹⁹ Equally in *Adidas H&M* Colomer states that ‘the aim of precluding the monopolisation of such signs or indications [comprised by Art. 3(1)(c) is] to ensure that the legitimate expectation of a company to use them freely is not infringed’.¹⁰⁰ Furthermore, in *SAT.1* he describes that monopolisation of descriptive signs would confer on the proprietor of the mark an unfair advantage over competitors.¹⁰¹ In general Colomer seems to be biased in favour of free trade essentially pursued by the principle of keeping free in that he favours ‘the principle of free trade and the rules of competition’ to ‘the rules on the right of ownership’ to trade marks.¹⁰² Although the opinion relates to subject matter outside the scope of this paper the remark appears to have wide-ranging application.

A certain pattern appears in the abovementioned case law, namely, that the principle of keeping free underpins Art. 3(1)(c). This pattern was not acknowledged by the CFI in *SAT.1* since it briefly stated that the principle of keeping free extends to Art. 3(1)(b); even that this was settled case law!¹⁰³ Advocate General Jacobs rejects this remarkable view and explains that the principle of keeping free cannot be passed to Art. 3(1)(b) without further stipulation.¹⁰⁴ The ECJ follows this point of view by asserting that the principle of keeping free ‘is not the yardstick against which [Art. 3(1)(b)] thereof should be judged’.¹⁰⁵ Moreover, the ECJ mentions that the public interest underpinning Art. 3(1)(b) is in fact ‘indissociable’ from the ‘distinguishing’ function;¹⁰⁶ this is subsequently maintained by the Court and Advocate General Trstenjak.¹⁰⁷ In *Adidas H&M* Advocate General Colomer reiterates,¹⁰⁸ that the principle of keeping free has been extended to Art. 3(1)(b), without his approval though.¹⁰⁹ As earlier stated by Colomer, it is by no means certain that the principle of keeping free may be taken

⁹⁸ *Ibid* AG 61

⁹⁹ *Postkantoor* (n.27) at 54-55

¹⁰⁰ Colomer in *Adidas H&M* AG 43 n12 of the opinion with reference to Ströbele p. 431.

¹⁰¹ *SAT. 1* (n.64) AG 22

¹⁰² *Silberquelle GmbH v Maselli Strickmode GmbH* (C-495/07) [2009] ETMR 28 AG 1, 2 and 5. The opinion concerns the definition of trade mark use cf. Art. 10(1) and 12(1). However, the tension is in fact the same; the tension between balancing the rights of trade mark owner with those of competitors.

¹⁰³ *SAT.1 Satellitenfernsehen GmbH v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM) (SAT.1 CFI)* (T323/00) at 36

¹⁰⁴ *SAT. 1* (n.64) AG 24

¹⁰⁵ *SAT. 1* (n. 64) at 36 and maintained in *Bio-Id* (n.64) at 62-63 and *Deutsche SiSi Werke* (n.64) at 61 and by Advocate General Trstenjak in *Eurohyppo* (n.64) AG 48

¹⁰⁶ *SAT. 1* (n.64) at 27

¹⁰⁷ *Deutsche SiSi Werke* (n.64) at 61 see also most recently Advocate General Trstenjak in *Eurohyppo* (n.64) AG 44

¹⁰⁸ *Adidas H&M* (n.12) AG 53

¹⁰⁹ *Ibid* AG 44 c.f. footnote 26 of the opinion

into account upon the assessment of Art. 3(1)(b).¹¹⁰ Advocate General Trestenjak, however, appears to approve of the extension in that Art. 3(1)(b) ‘is directed *precisely at* avoiding’ (emphasis added) the undue restriction of availability of signs relevant to other operators.¹¹¹ It is important to note that this viewpoint was not acknowledged by the subsequent Court. The main reason for the discrepancy between Colomer and Trestenjak, and the CFI’s findings in *SAT.1* has to be sought in *Libertel*.¹¹²

Libertel concerns an unconventional trade mark;¹¹³ specifically a colour *per se* i.e. not spatially delimited.¹¹⁴ The ECJ subsumed the subject matter under Art. 3(1)(b) and employed the principle of keeping free in this context.¹¹⁵ After maintaining the pattern as above-mentioned concerning Art. 3(1)(c)¹¹⁶ the Court brings the principle within Art. 3(1)(b).¹¹⁷ The explanation for, what appears to be an extension of the scope of the principle, is that if colours *per se* were to be allowed registration the colours available to competitors would possibly be exhausted. This would further confer on the trade mark proprietor a ‘monopoly [...] incompatible with a system of undistorted competition’.¹¹⁸ Additionally, the Court states that there is a ‘general interest in not unduly restricting the availability of colours for the other traders’.¹¹⁹ This approach has been maintained by the Court subsequently.¹²⁰ Colomer states that it is illogical that a sign lacking distinctive character, for other reasons than descriptiveness, should be within the domain of the principle of keeping free;¹²¹ hence, he does not seem to agree with *Libertel* if it is seen as a general extension of the principle to Art. 3(1)(b). Due to the statements of the Court and Advocate General in *SAT.1* and later by Colomer in *Adidas H&M* the *Libertel* approach appears not to be generally applicable to all signs subsumed under Art. 3(1)(b) but mainly to the specific subject matter, colours *per se*. That said, in *Adidas H&M* the Court holds that a three stripes figurative sign not spatially delimited¹²² placed on gar-

¹¹⁰ *Henkel* (n.64) AG. 78

¹¹¹ *Eurohyppo* (n.64) AG 50

¹¹² *SAT. 1* (n.64) at 26-27

¹¹³ See e.g. Tritton (n.14) pp. 266 (uses the term unusual trade marks) and MacQueen *et al* (n.45) pp. 571.

¹¹⁴ *Libertel* (n.64) at 54

¹¹⁵ *Ibid* at 44 the third question posed by the Hoge Raad.

¹¹⁶ *Ibid* at 52

¹¹⁷ *Ibid* at 54-55

¹¹⁸ *Ibid* at 54, this reiterates what the Court stated in *S.A. Cnl-Sucal NV v Hag GF AG (Hag II)* (Case C-10/89) [1990] ECR I-3711 at 13.

¹¹⁹ *Libertel* (n.64) at 60 repeated in at 71. The Court at the same times uses the words ‘public interest’ see at 50-53 and 55-56

¹²⁰ See *Heidelberger Bauchemie GmbH* (Case C- 49/02) E.C.R. I-6129 (Colour undelinated by shape) at 41-42 and *SAT.1* (n.64) at 26

¹²¹ *Adidas H&M* (n.12) AG 56. Since Colomer generally states the relevance of the principle of keeping free to Art. 3(1)(c)-(d) in AG 55 in seems that his statement in AG 56 is to be understood more broadly as embracing Art. 3(1)(d).

¹²² The stripes are not spatially delimited since they are described as of ‘equal width, running the length of the sides, shoulders, sleeves, legs and side seams of a garment, in a colour which contrasts with the basic colour of

ments will most likely not be found descriptive.¹²³ Therefore, before acquiring distinctiveness cf. Art. 3(3) a three stripes sign like that of Adidas will be found indistinctive and thus infringe Art. 3(1)(b) but not Art. 3(1)(c). Although not expressly held by the Court three stripes and more broadly figurative signs not spatially delimited might be needed by competitors albeit only infringing Art. 3(1)(b) but not Art. 3(1)(c)-(d). That the applicability of the principle of keeping free within Art. 3(1)(b) is only limited is further stressed by the approach the Court has taken to other unconventional trade marks than colours *per se*, shapes, not taking into account Art. 3(1)(e) at this stage. Here the principle of keeping free has been kept within Art. 3(1)(c).¹²⁴ Moreover, this explains why Trestanjak's statement that Art. 3(1)(b) is '*precisely [aimed] at*' not unduly restricting is too far-reaching since the subject matter of the case was a word mark. Bently has argued that the keeping of colours as a special case apart from other unconventional marks is 'unpersuasive' since the ECJ has maintained that the same test applies to all categories.¹²⁵ Although an analogy is not as such appropriate between the Court's considerations regarding the specific test and the underlying policy considerations Bently's criticism is suitable. A persuasive and pragmatic reasoning for the differences between the Court's approach to colours and shapes, however, might be that Art. 3(1)(e) deals with the principle of keeping free in terms of the shapes.¹²⁶

The abovementioned has been related to Art. 3(1)(b) and (c). Albeit arguments have been presented in favour of bringing Art. 3(1)(d) within the principle of keeping free,¹²⁷ case law has not fully explored the scope of this article.¹²⁸ Nevertheless, Advocate General Jacobs in *SAT.1*¹²⁹ and more recently Advocate General Colomer in *Adidas H&M* has held that Art. 3(1)(d) is within the principle.¹³⁰ In addition, the Court has pointed out the 'clear overlap' between specifically Art. 3(1)(c) and (d) but at the same time noting that signs falling within the latter are not necessarily comprised by the former.¹³¹ It is moreover argued that the public interest has to be stronger according to Art. 3(1)(d) since the generic signs must be in

the garment'. *Ibid* AG 11.

¹²³ *Ibid* at 48

¹²⁴ The following decisions all relate to 3D marks: *Deutsche SiSi Werke* (n.64) at 62 *Henkel* (n.64) AG 78-81, *Linde* (n.64) at 73 and *Mag Instrument Inc v Office for Harmonisation in the Internal Market* (C- 136/02 P) [2004] ECR I-9165 AG 21 AG 40-41

¹²⁵ Bently (n.36) p. 36 see the referred decisions in fn 89.

¹²⁶ Advocate General Colomer AG 43 in *Nichols plc v Registrar of Trade Marks* (Case C-404/02) [2004] ECR I-8499.

¹²⁷ Text above n. 43 and 77

¹²⁸ This argument was presented by Bently and Sherman in 2004 (n.7 p. 833) and repeated recently in 2009, (n. 4 p. 839).

¹²⁹ *SAT.1* (n.64) AG 23

¹³⁰ *Adidas H&M* (n.12) AG 55

¹³¹ *Merz & Krell* (n.33) at 35

‘current use’.¹³² Equally that a sign comprised by Art. 3(1)(d) *per se* will be embraced by Art. 3(1)(b).¹³³

Therefore, it appears that Art. 3(1)(c) is underpinned by the principle of keeping free and despite the deviation in *Baby-Dry* is fulfilling the ‘protective’ function. Likewise, Art. 3(1)(d) seems to be borne by the same principle and function. Art. 3(1)(b) is mainly underpinned by the ‘distinguishing’ function. I.e. although within the overlapping area between Art. 3(1)(b) and Art. 3(1)(c)-(d) the two functions may still be identified. Moreover, due to *Libertel* and *Adidas H&M* the principle of keeping free applies partly to the non-overlapping area between the provisions. However, it applies only to colours *per se* and figurative signs not spatially delimited *inter alia* a three stripes sign used on garments. The findings thus rebut the argument that the ‘distinguishing’ function provides an overarching principle. Moreover, they support that it is unfounded generally to include Art. 3(1)(b) within the scope of the ‘protective’ function indistinct signs not being exclusively descriptive or generic.

3.2 Art. 3(1)(e)

Above, it is described how the principle of keeping free applies to the first indent of Art. 3(1)(e) and partly to the second and third indent. The only times the ECJ has ruled expressly on Art. 3(1)(e) was in *Phillips and Benetton*¹³⁴ which only related to the second and third indent. That said, the latter decision is based entirely on the former¹³⁵ which is further emphasised by the absence of the Advocate General’s opinion.¹³⁶ Hopefully the Court will clarify the scope of the provision further upon deciding the appellate decision in *Lego Juris*.¹³⁷

In *Phillips* Advocate General Colomer mentions that there is a certain overlap between the reasons for being of Art. 3(1)(b)-(d) and Art. 3(1)(e).¹³⁸ However, no practical implications might be inferred from this overlap. That shapes are often barred from registration due to non-fulfilment of the requirements in neither Art. 3(1)(b) nor Art. 3(3) does not, according to the CFI, have any bearing on the interpretation of Art. 3(1)(e).¹³⁹ Colomer further states that Art.

¹³² Kerly’s (n.4) p. 190. Regarding Art. 3(1)(d) *Merz & Krell* (n. 33) at 41 and *Möbelwerk* (n.71) AG 59. Regarding Art. 3(1)(c) *Doublemint* (n.73) at 32 and *Windsurfing* (n.41) at 30

¹³³ *Möbelwerk* (n.71) at 38

¹³⁴ *Benetton v. G-Star (Benetton)* (C-371/06) [2008] ETMR 5

¹³⁵ *Ibid* at 25-26. Furthermore, it was decided that no Advocate General’s opinion should be given.

¹³⁶ *Burrows and Greaves* (n.27) p. 20f. The ECJ might decide a case without the opinion of any Advocate General if it is decided by the Reporting Judge and the Advocate General that no new points of law will be raised.

¹³⁷ Case C-48/09P. Appeal brought on 2 February 2009 by *Lego Juris* against T-270/06. Due to the scarce ECJ case law on Art. 3(1)(e) the CFI *Lego Juris* decision is employed (n. 28)

¹³⁸ *Phillips* (n.64) AG 12

¹³⁹ *Lego Juris* (n.28) at 28 and 46

3(1)(e) ‘reflects the legitimate concern to prevent individuals from resorting to trade marks in order to extend exclusive rights over technical developments’.¹⁴⁰ Although, Colomer initially deals with Art. 3(1)(e) in general he only elaborates further on the reasons for being of the second and third indent, that is, preventing the extensions of time limited rights; ‘specifically’ patents and industrial design law.¹⁴¹ Underlying the second and third indent is a public interest.¹⁴² This interest is qualified as the interest underpinning patents and industrial design law; i.e. the balancing ‘between rewarding innovation fairly, by granting exclusive protection, and encouraging industrial development, which entails placing time-limits on such protection, with the purpose of making the goods or the design freely available once the time-limits expires.’¹⁴³ The Advocate General thus appears to be aiming at the non-cumulative doctrine. This, he states, does not exclude other ‘effective ways in which manufacturers may indicate the origin of a product (addition of arbitrary features to a three-dimensional shape, innovative arrangement of the whole, word and figurative marks).’¹⁴⁴ It is stressed that for a sign to be refused registration the level of functionality, in terms of the second indent, is less significant in comparison with that of industrial designs.¹⁴⁵ I.e. more shapes might obtain industrial design protection in comparison with trade mark protection. The ECJ, however, states with reference to *Windsurfing* that Art. 3(1)(e) ‘pursues an aim which is in the public interest, namely that a shape whose essential characteristics perform a technical function [...] may be freely used by all’.¹⁴⁶ With its reference to *Windsurfing* the Court clearly links the principle of keeping free as described within Art. 3(1)(c)-(d) to Art. 3(1)(e) rather than employing the non-cumulative doctrine emphasised by Advocate General Colomer.

Consequently, as abovementioned it is not perfectly clear, according to case law, to what extent the principle of keeping free applies to Art. 3(1)(e). It seems that there is a discrepancy between the non-cumulative doctrine, advocated for by Advocate General Colomer in *Phillips* and the Court in terms of the actual definition of the principle of keeping free. It might be inferred that Colomer and the Court do not find the distinction between the non-cumulative

¹⁴⁰ *Phillips* (n.64) AG 16

¹⁴¹ *Ibid* AG 30

¹⁴² It appears that paragraph 31 of the opinion only relates to the second and third indent since they are mentioned expressly in the preceding paragraph.

¹⁴³ *Ibid* AG 31. Equally Colomer in *Linde* describes that ‘the paramount concern not to permit individuals to use trade marks to perpetuate exclusive rights over natural forms, technical developments or aesthetic designs.’ (*Linde* (n.64) AG 29)

¹⁴⁴ *Ibid*

¹⁴⁵ *Phillips* (n.64) AG 34.

¹⁴⁶ *Phillips* (n.64) at 80. Although the ECJ mentions Art. 3(1)(e) without pinpointing any specific indent the reference to ‘technical’ and ‘functional’ indicates that it is referring to the second indent.

effects and the residue left for the principle of keeping free equally significant. Which approach is more appropriate will be analysed below by way of economic analysis below.

3.3 Art. 6(1)(b)

As described above the principle of keeping free possibly extends beyond the absolute grounds for refusal into Art. 6(1)(b). With reference to Jacobs in *Baby Dry*¹⁴⁷ Keeling refers to an ‘old-fashioned’ and ‘modern’ approach. The former takes into account the principle of keeping free upon registration the latter postpones its relevance to Art. 6(1)(b).¹⁴⁸

Initially, the determination of whether a mark falls within Art. 6(1)(b) must be settled akin to the key distinction between Art. 3(1)(b) and (c).¹⁴⁹ If a mark is protected then, according to Advocate General Jacobs, the principle of keeping free should mainly apply within Art. 6(1)(b). This will prevent wealthy traders from enclosing ‘part of the great common of [...] language’.¹⁵⁰ Furthermore, Advocate General Colomer stresses the *de facto* downsides to competitors of the trade mark proprietor despite of Art. 6(1)(b) on the face of it *de jure* lessening these. He states that ‘the proprietor of the trade mark will always enjoy an advantage, as a result of the inertia created by general acceptance of the effect of official records, and because of the inherent difficulty of delimiting the descriptive from that which is not descriptive’.¹⁵¹ Pertaining to the application of the principle of keeping free Colomer argues that it should apply to both Art. 3(1)(c) and Art. 6(1)(b). Upon describing these provisions he states that: ‘consumers, who seek transparent, truthful information which is exactly what those indications generally provide.’ He further describes Art. 6(1)(b) as ‘the sacrifice which holders of an industrial property right are required to make’.¹⁵² It is added by the Court following the opinion¹⁵³ that the principle of keeping free by no means is an independent defence to infringement but only applies within Art. 6(1)(b).¹⁵⁴ In fact, this decision is ‘logical’ due to the described similarities between Art. 3(1)(c) and Art. 6(1)(b).¹⁵⁵ Consequently, neither the ‘old-fashioned’ nor the ‘modern’ approach has been adopted.

¹⁴⁷ *Baby-Dry* (n.73) AG 48

¹⁴⁸ Keeling (n.24) p. 150f.

¹⁴⁹ *Adidas H&M* (n.12) AG 30

¹⁵⁰ *Baby-Dry* (n.73) AG 77. This opinion was followed by the Court in *Baby-Dry* At 36-37.

¹⁵¹ *Companyline* (n. 61) AG 86

¹⁵² *Adidas H&M* (n.12) AG 76

¹⁵³ *Ibid* at 46

¹⁵⁴ *Ibid* at 47

¹⁵⁵ Pinto, T., ‘Too Stripy for Adidas’, *JIPLP* (2008), 3, 624, p. 625

Although the principle of keeping free applies to Art. 6(1)(b) it has ‘no decisive bearing’ on the interpretation of Art. 3(1)(c)¹⁵⁶ since it would be ‘incompatible with the scheme of the Directive, which is founded on review prior to registration, not an *a posteriori* review’.¹⁵⁷ Despite the Court in *Baby Dry*¹⁵⁸ alluded to Art. 6(1)(b) upon determining registrability it did not lead to any practical implications.¹⁵⁹

3.4 Specific test

Above the principle of keeping free has been described mainly on policy grounds in light of the specific provisions to which it relates. The principle is left with no value if it is merely stated as a policy without being incorporated into the application of Art. 3(1)(b)-(e); with (c) - (e) as the focal points of the principle. Consequently, the practical application of the principle must be outlined initially with reference to Art. 3(1)(b)-(d) and due to subject matter of Art. 3(1)(e) it will be dealt with separately.¹⁶⁰

The decisions of the ECJ demonstrate that none of the absolute grounds for refusal can be assessed in the abstract; this reins in the focus of the principle of keeping free. As mentioned above the principle of keeping free refers to the interest of competitors. The logical consequence of this, Bently has noted, is that the grounds expectably were to be assessed with reference to competitors,¹⁶¹ akin to the Court’s assessment in *Doublemint*¹⁶² and *Libertel*.¹⁶³ However, this route has not in general been followed by the Court which repeatedly has stated that Art. 3(1)(b)-(d) have to be assessed with reference to the average consumer and the products for which registration is sought;¹⁶⁴ likewise, this applies to shapes within the provisions.¹⁶⁵ There is no quantitative requirement that the perception refers to a ‘significant proportion’ of the relevant average consumers.¹⁶⁶ Art. 3(1)(b) and (c) have to be assessed as per

¹⁵⁶ *Windsurfing* (n.41) at 28

¹⁵⁷ *Libertel* (n.64) at 58-59, for the reasons earlier given this applies equally to the Regulation. Equally *Möbelwerk* (n.71) at 45.

¹⁵⁸ *Baby-Dry* (n.73) at 36-37

¹⁵⁹ *Companyline* (n. 61) AG 82

¹⁶⁰ This problem has been emphasised by Handler and dealt with normatively (Handler (n. 24) pp. 311).

¹⁶¹ Bently (n.36) p. 14f.

¹⁶² *Doublemint* (n. 73) at 35. Despite the parties referring to average consumers at 20-21 and 25.

¹⁶³ *Libertel* (n.64) at 71

¹⁶⁴ *Doublemint* (n.73) at 32, *Henkel* (n.64) at 48, *Libertel* (n.64) at 75, *Linde* (n.64) at 41, *Merz & Krell* (n.33) at 21-25, *Postkantoor* (n. 27) at 75-81, *SAT.1* (n.64) at 24, 35 and *Windsurfing* (n. 41) at 29 and 40.

¹⁶⁵ *Phillips* (n.64) at 63.

¹⁶⁶ Advocate General Jacobs argued that this was ‘an appropriate yardstick’ in *Matratzen* (n.74) AG 50-51. This was not followed by the Court *Matratzen* at 26.

the perception of the mark as a whole.¹⁶⁷ It is decisive that a mark combined of terms ‘creates an impression that is sufficiently far removed from that produced by the simple combination of those elements’.¹⁶⁸ It is argued that the same should be true for Art. 3(1)(d).¹⁶⁹ The assessment of a combination of words, which is intended to be heard and read, has to be done as a whole, aurally and visually.¹⁷⁰ As a rule, due to the clear overlap between Art. 3(1)(c) and (d), if inadequate evidence is presented according to Art. 3(1)(d) an objection may be introduced under Art. 3(1)(c).¹⁷¹ Art. 3(1)(c) and (d) diverge significantly from Art. 3(1)(b) since it is a prerequisite for the application of the first-mentioned that the mark consists *exclusively* of descriptive¹⁷² or generic signs.¹⁷³

Descriptiveness does not only have to be assessed considering current use¹⁷⁴ but also by means of future use of the signs.¹⁷⁵ Terms designating products or their characteristics must be divided from terms purely suggesting or alluding these; the latter might be registered and are ‘obviously of great value to the trade mark owner’.¹⁷⁶ That said, the scope of Art. 3(1)(c) in relation to an imprecise semantic mark such as Doublemint is difficult to define.¹⁷⁷

Furthermore, it is stressed that the relevant actual or possible users are other economic operators¹⁷⁸ or competitors¹⁷⁹ and that the number of these which possibly want to use the signs is immaterial.¹⁸⁰ Resulting from the test described so far, a mere ‘unusual juxtaposition [and non-]familiar expression in the English language, either for designating [products] for de-

¹⁶⁷ *Baby-Dry* (n.73) at 40, *Bio-Id* (n.64) at 29, *Campina* (n.64) 40-41, *Eurohypo* (n.64) at 41 and *SAT.1* (n. 64) at 35.

¹⁶⁸ *Postkantoor* (n.27) at 99

¹⁶⁹ *Phillips* (n.78) p. 91

¹⁷⁰ and *Campina* (n.64) at 40 and *Postkantoor* (n.27) at 99 which is similar to the global appreciation approach *Lloyd Schufabrik Meyer v Klijsen Handel BV* (C-342/97) [1999] ECR I-3819 at 25 and *Sabel BV v Puma AG, Rudolf Dassler Sport* (C-251/91) [1997] ECR I-6161 at 23.

¹⁷¹ *Kerly’s* (n.4) p. 191. Since it is less frequent that signs being descriptive are equally generic the reverse situation is far from true; that an objection may be brought under Art. 3(1)(d) if insufficient evidence is presented according to Art. 3(1)(c).

¹⁷² *Adidas H&M* (n.12) at 44-45 and *Baby-Dry* (n.73) at 35.; In the reverse situation the principle of keeping free might be invoked according to Art. 6(1)(b).

¹⁷³ The principle mentioned in *Baby-Dry* (n.73) at 35 relates to Art. 3(1)(c) but due to the identical wording the provisions the principle is assumed to apply equally.

¹⁷⁴ *Ibid* at 43: ‘not familiar expression in the English language, either for designating babies’ nappies or for describing their essential functions’.

¹⁷⁵ *Campina* (n.64) at 38, *Doublemint* (n.73) at 32, *Postkantoor* (n.27) at 56, *Telefon & Buch VerlagsgmbH v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (Telefon & Buch)* (C-326/01) [2004] ECR I-1371 at 28 and *Windsurfing* (n.41) at 29 and 33.

¹⁷⁶ *Doublemint* (n.73)AG 57

¹⁷⁷ *Ibid* AG 56

¹⁷⁸ *Doublemint* (n.73) at 35

¹⁷⁹ *Ibid* the term ‘Economic operator’ is used whereas the Court in *Postkantoor* (n.27) at 58 and *Phillips* (n.64) at 78 uses the term ‘competitors’.

¹⁸⁰ *Postkantoor* (n.27) at 58

scribing their essential functions'¹⁸¹ does not make a sign eligible for protection. In general, the Court has refused to apply a *de minimis* threshold for the commercial significance of the characteristics described.¹⁸²

As mentioned, the relevance of the principle of keeping free to Art. 3(1)(b) is assumed to apply mainly to the specific subject matter of *Libertel*, colours *per se* and figurative signs not spatially delimited. In order to prevent unduly restriction of colours available for competitors it has to be borne in mind that the higher the number of products for which registration is sought the broader the exclusive right conferred on the proprietor upon registration will be.¹⁸³ Furthermore, the distinct character of the colour *per se* has to be taken into account.¹⁸⁴

Above the uncertainty of the applicability of the principle of keeping free to Art. 3(1)(e) is described. Further uncertainty emerges upon determining how the provision is to be applied in practice since *Phillips*, in essence, relates to the distinctiveness of shapes.¹⁸⁵ However, it is clear that Art. 3(1)(e) is a preliminary obstacle¹⁸⁶ which, in case of barring a sign, may not be overcome by acquired distinctiveness.¹⁸⁷ Moreover, the CFI has held, that 'the essential characteristics of a shape must be determined objectively for the purposes of applying Art. 3(1)(e)(ii)' i.e. not using the average consumer. The average consumer might not have the technical insight needed for assessing the essential characteristics of a shape.¹⁸⁸ Most likely, the ECJ will follow that interpretation deciding the appeal.¹⁸⁹ Equally, the Court will be prone to interpret the remaining two indents alike in that more than the insight of the average consumer is required to determine the natural shape of the goods and what gives them their substantial value. In *Lego Juris* *Lego* argued that trade mark protection of its 'brick does not lead to a permanent technical monopoly but allows competitors of the trade mark proprietor to apply the same 'technical solution'.¹⁹⁰ According to the party a monopoly emerges only when a technical solution is patented.¹⁹¹ Akin to conventional marks the CFI maintained that it is immaterial upon applying the provision if 'there are other shapes which allow the same tech-

¹⁸¹ *Baby-Dry* (n.73) at 43

¹⁸² *Postkantoor* (n.27) at 102

¹⁸³ *Libertel* (n.64) at 56 and 60

¹⁸⁴ *Ibid* at 71

¹⁸⁵ *Phillips* (n.64) first – third questions, at 23, 41 and 51. For the reasons given above *Benetton* (n.134) will not be dealt with separately.

¹⁸⁶ *Phillips* (n.64) at 76

¹⁸⁷ *Ibid* at 75

¹⁸⁸ *Lego Juris* (n.28) at 70

¹⁸⁹ n.133

¹⁹⁰ *Lego Juris* (n.28) at 33

¹⁹¹ *Ibid* at 33

nical result to be obtained'.¹⁹² Therefore, according to the CFI, the different approaches to defining 'technical solution' within patent law and trade mark law is irrelevant.¹⁹³

Regarding the tests in general, it must be recalled that the principle of keeping free mirrors either the preliminary questions from the national courts or the appeal from CFI which combined with lacking *stare decisis* of the ECJ arguably makes the decisions less comparable.¹⁹⁴ Nevertheless, it may still be deduced that the ECJ does not apply any stringent and rigorous test. This has been noticed by Maniatis claiming that the court in *Windsurfing* failed to apply a specified test reflecting the principle.¹⁹⁵ However, Bently suggests that *Doublemint* and *Libertel* incorporates the principle of keeping free further by focusing more specifically on the needs of competitors and the detrimental effect of the trade mark proprietor's exclusive right on competitors.¹⁹⁶

Even though a certain modification of the test has been traced by Bently, Maniatis' argument appears to be valid to case law in general. No detailed test incorporating the principle of keeping free has been applied.

4 Economic analysis

As described above the principle of keeping free takes into account the interests of other competitors and their right to use certain signs. Therefore, the signs within the realm of the principle are prevented from being allocated exclusively to any trade mark proprietor by way of refusing registration or the trade mark exclusivity is subsequently limited through the descriptive uses defence.¹⁹⁷ The scope of the exclusivity of intellectual property rights continuously has to be critically evaluated and analysed in order to ensure the generation of valuable intangible assets not only to the proprietor but to society overall. One way of conducting this evaluation and analysis is by way of positive economic analysis. Due to the similarities and

¹⁹² *Postkantoor* (n.27) at 57, also *Campina* (n. 64) at 42, *Phillips* (n.64) at 84 and followed by CFI in *Lego Juris* (n.28) at 39 - 43.

¹⁹³ *Lego Juris* (n.28) at 47

¹⁹⁴ Holland, J. and Webb, J., *Learning Legal Rules*, (6th edn OUP, Oxford 2006) pp. 154

¹⁹⁵ Maniatis (n.31) p. 206

¹⁹⁶ Bently (n.36) p. 26.

¹⁹⁷ This is with the exception of Art. 3(3) according to which acquired distinctiveness overrides Art. 3(1)(b)-(d) and in the case of signs subsumed under Art. 3(1)(c) postpones the considerations of the principle to the defence stage c.f. Art. 6(1)(b). This problem is not dealt with in this paper.

crucial differences between the nature of tangible and intangible property analogies between trade marks and tangible property will be made, where relevant, throughout the analysis.¹⁹⁸

4.1 Scope of the exclusivity

Does trade mark law create a legal monopoly and in the affirmative may this be defined as an economic monopoly? The questions are crucial to explaining the economic reason for being of the principle of keeping free since it is occupied with not leaving certain signs exclusively to one trade mark proprietor.

A property right can be described as ‘a legally enforceable power to exclude others from using a resource, without need to contract with them.’¹⁹⁹ How is this notion to be understood within trade mark law? Advocate General Colomer points out that ‘it is has become fashionable [...] to assert that [...] trade mark law does not create any monopoly in relation the signs which are its object’²⁰⁰ indicating that some find the analogy to tangible property, just made, invalid. Schechter points out that trade mark law confers on the proprietor a monopoly to sell goods under that mark.²⁰¹ In addition, he states that trade marks not fulfilling the distinguishing function are left for others to use.²⁰² This aims at what has been designated by Griffiths as the first level of trade mark protection where the trade mark proprietor ‘uses a trade mark in order to confer the identity that it signifies upon products and to bring them under its [...] banner’.²⁰³ Colomer mentions in line with Schechter that monopolies are relative, be it in relation to tangible and intangible property.²⁰⁴ This statement is explained by case law settling that a potential mark has to be assessed in relation to specific products for which the sign is sought to be registered. He further points out that the monopoly is ‘limited by the nature of the mark’.²⁰⁵ This appears to be focused on, as mentioned in the introduction, the last two

¹⁹⁸ Landes, W. and Posner, R., *The Economic Structure of Intellectual Property Law*, (1st edn The Belknap Press of Harvard University Press, Massachusetts 2003) p. 8, Granstrand, O., *Economics, Law and Intellectual Property Seeking Strategies for Research and Teaching in a Developing Field*, (1st edn, Kluwer Academic Publishers, Dordrecht, the Netherlands 2003) pp.20 describes the interplay between law and economics, Cornish (n.4), p. 37

¹⁹⁹ Landes, W. and Posner, A., ‘Trademark Law: An Economic Perspective’, *Journal of Law and Economics*, (October 1987), 265p.

²⁰⁰ *Postkantoor* (n.27) AG 61

²⁰¹ Schechter, F., *the historical foundations of the law relating to trade marks*, (1st edn, Columbia University Press, New York 1925) p. 159

²⁰² *Ibid* p. 833

²⁰³ Griffiths, A., ‘Trade Marks Plus? The Role of Trade Marks in the Global Economy and the Danger of Over-protection’ (2007) *Liverpool Law Journal* 28, 107 p. 128

²⁰⁴ *Postkantoor* (n.27) AG 61

²⁰⁵ *Ibid* (n.19) AG 61-62

paths of limiting the trade mark exclusivity, trade mark infringement²⁰⁶ and defences.²⁰⁷ More generally that a right is only exclusive if it is enforceable; the sum of the rights to invoke infringement deducted the defences. Consequently this sum of rights confer upon the trade mark proprietor a limited legal monopoly over the trade mark to prevent competitors from using it; the ‘fashionable’ finding of some that trade mark protection does not create a monopoly is thus refuted.

In economic terms this limited monopoly represents a value in that it makes it possible for the trade mark proprietor to build up goodwill and prevent others from capitalising on it.²⁰⁸

4.2 Detrimental effects of the exclusivity

From granting the trade mark proprietor a limited monopoly monopolistic behaviour is not necessarily promoted. According to the general theory of profit maximization²⁰⁹ the proprietor of a monopoly right will set prices as high as possible. More precisely the monopoly price is predicted to be above the competitive price which is the marginal costs of production. This price incites the monopolist to limit the output and to increase prices creating a deadweight loss mainly understood as the wealth transferred from the consumer to the monopolist.²¹⁰ The ‘Harvard School’ regards monopolistic behaviour caused by trade mark protection as a prominent risk. Chamberlin, presenting the main idea of the School, holds that any degree of product differentiation will generate a monopoly over that specific product. Competition will still emerge but between imperfect substitutes; this is the essence of monopolistic competition.²¹¹ Trade mark protection poses an impediment to society since it creates an artificial difference between identical products²¹² and even if the differentiation is insignificant product prices will still be higher than under perfect competition.^{213 214}

²⁰⁶ See the Directive Art. 5(1)(a)(b)(2). The nature of the mark will determine when infringement occurs; in essence when there is identity or similarity between two marks.

²⁰⁷ The Directive Art. 6.

²⁰⁸ Timberg, S., ‘Trademarks, monopoly, and the restraint on competition’, *Law and Contemporary Problems*, (1949), 14, 323 p. 328

²⁰⁹ Jones, A. and Sufrin, B., *EC Competition Law: Text, Cases, and Materials*, (3rd edn OUP, Oxford 2007) p. 5

²¹⁰ *Ibid* p. 8f

²¹¹ Chamberlin, E., *Theory of Monopolistic Competition*, (6th edn, OUP, Oxford 1949) p. 9

²¹² *Ibid* p. 65

²¹³ *Ibid* pp. 66

²¹⁴ Brown, R., ‘Advertising and the Public Interest: Legal Protection of Trade Symbols’, *the Yale Law Journal* (1948) 57, 1165: has identified the problem as the profitability of persuasive advertising pursuing the creation of differences between products even if they do not exist. (Ralph Brown pp. 1172) The author maintains that the only information conferred by the trade mark should be that of origin making consumers equipped to recur a satisfactory acquisition (pp. 118).

4.3 Search costs theory

Above a hostile view of the limited trade mark monopoly has been portrayed. What then justifies the exclusivity for some marks and not for others? The latter group refers to the signs barred from registration and the marks having their exclusivity limited by way of the descriptive uses defence according to the principle of keeping free.

The main justification for the limited monopoly is provided by the ‘Chicago School’ most significantly represented by Landes and Posner regarding trade marks as lowering search costs.²¹⁵

In general, the search costs theory acknowledges trade marks as a means for enabling consumers to distinguish between different products and determine their origin. Furthermore, that a trade mark makes it possible for consumers consecutively to find a desired product with the desired characteristics. Since previous purchases, according to the theory, are a standard according to which the desired product has to be judged, the product to which the mark is affixed must be consistent in quality. The crux of the matter is that it is easier for a consumer to search for a trade mark²¹⁶ upon placing a purchase rather than actually examining the products.²¹⁷ This is in particular prominent concerning goods with unobservable attributes.²¹⁸ Equally, services inevitably have unobservable features.²¹⁹ The problem just outlined is referred to as an ‘information asymmetry’ which is crucial in determining the total value of the products to consumers.²²⁰

Since trade marks resolve the information asymmetry they are assumed to make consumers willing to pay more for products of consistent quality and to make the sellers reap higher profits; these effects are commensurate with the lowering of search costs.²²¹ However, trade marks ‘also give[...] the consumer a means of retaliation if the quality does not meet the expectations’.²²² In order to ensure that trade marks lower search costs it is necessary for the trade mark proprietor to have limited monopoly at the first level of trade mark use which prevents

²¹⁵ Pickering (n.1) p. 85

²¹⁶ Economides (n.2).

²¹⁷ Landes and Posner (n.198) p. 167

²¹⁸ Economides (n.2) p. 525

²¹⁹ Arguably services e.g. insurance affairs in class 36 of the Nice Classification have observable features; the conditions laid down in the policies. Clearly unobservable features would be how the conditions of the policies are fulfilled in reality.

²²⁰ *Ibid* p. 526

²²¹ Landes and Posner (n.198) p. 168

²²² Akerlof, G., ‘the Market for ‘Lemons’: Quality Uncertainty and the Market Mechanism’, *The Quarterly Journal of Economics*, (1970), 84, 488, p. 500

distortion of the goodwill attached to the mark²²³ and thus protects the search costs function. The search costs theory is a cost-benefit analysis of the role of trade marks; trade marks trigger inefficiencies and distortion of the resource allocation, which are offset by the lowering of search costs. As a result a social net gain is created.²²⁴

Property rights present two economic benefits; static and dynamic. The static benefit derives from an increasing efficiency by preventing overuse and by lowering transaction costs.²²⁵ Transaction costs are inclined to be higher regarding intellectual property due to the hurdle of defining its limits.²²⁶ The dynamic benefit is created in that the proprietor has an incentive to generate improvements of his property under condition of being able to acquire the outcome at a later stage.²²⁷ The dynamic benefit is said to be one of the main justifications of intellectual property rights. This is principally on the assumption that intellectual property has the same attributes as a public good; i.e. non-rivalrous consumption, the ability to be used by numerous without being exhausted, and non-excludable, the difficulties of policing the access to the public good.²²⁸ The former assumption, non-rivalrous consumption, has to be modified in relation to trade marks since trade mark use at the first level is regarded as a private and rivalrous good. Unlike the subject matter of patent and copyright a trade mark designating origin cannot be used by other than its owner.²²⁹ Rivalrous consumption would lead to an impediment of the benefits obtained by the owner of the mark by confusing the communication to consumers increasing search costs.²³⁰

The costs of the detrimental effects of the exclusivity described by the 'Harvard School' are, according to the search costs theory, offset by the described benefits since²³¹ 'trade marks foster quality control rather than create social waste and consumer deception'.²³²

²²³ Griffiths (n.203) pp. 127

²²⁴ Mendonca, S., Pereira, T. and Godinho, M., 'Trade Marks as an indicator of innovation and industrial change', *Research Policy* (2004), 33, 1385, p. 1388

²²⁵ For the definition of transaction costs see amongst others Coase, R., 'the Problem of Social Cost', the *Journal of Law and Economics* (1960) 3, 1, p. 15. According to Coase transaction costs are a means in relation to carrying out a market transaction be it choosing the other party of the contract, drawing up the contract, conduct negotiations, subsequent inspections of the subject matter of the contract etc.

²²⁶ Landes and Posner (n.198) pp. 12

²²⁷ *Ibid* p. 13

²²⁸ Greenhalgh and Rogers (n. 29) p. 544

²²⁹ It is beyond the scope of this paper to go into further discussions of trade mark use by other than the actual owner; in particular the problems of licensing.

²³⁰ Barnes, D., 'A New Economics of Trade Marks', *North Western Journal of Technology and Intellectual Property* (2006) 5, 22, pp. 23, the author appears to agree with Griffiths in terms of mark use at the first level being the only rivalrous trade mark use. Furthermore, that it is generally fallacious to state that this is the case for all uses of trade marks; Barnes particularly identifies the stage of referential use as none-rivalrous.

²³¹ Economides (n.2), p. 532.

²³² Landes and Posner (n.199) p. 275

As mentioned in the introduction the principle of keeping free is relevant defining which signs are eligible for registration. Equally that the principle is relevant upon limiting the exclusivity of some registered trade marks through the descriptive uses defence. Therefore, that the principle of keeping free is relevant to consumer search costs.

According to Landes and Posner intellectual property in general poses a problem in that it might lead to privatisation of the public domain by restricting future use.²³³ This problem is at the heart of the principle of keeping free. The subject of protection is not aiming at coined, fanciful or arbitrary words and figurative signs nor shapes or colours spatially delimited. However, the subject of protection is the signs placed at the other end of the scale i.e. descriptive and generic words and figurative signs; colours *per se* and shapes of goods and containers; and figurative signs not spatially delimited.²³⁴ It would be illogical to argue that coined or fanciful words, figurative signs, shapes and colours spatially delimited are in the public domain since they are invented. They have not been extracted from the public domain since they initially have been linked with the designated products by the average consumer.²³⁵ Arbitrary words and figurative signs would be in the public domain but they would not be part of the domain of signs needed by other competitors. This argument is not as such valid for neologisms. Even though to a certain extent invented they consist of separate words possibly in combination with numbers which might form a whole that should be left in the public domain.

The essence of communication is to ensure efficiency, apprehension and avoid ambiguities;²³⁶ that the signal picked up by the consumer is not 'noisy'.²³⁷ Consequently, a key aim of trade mark law is encouragement of 'truthful competition in the marketplace by preserving the clarity of the language of trade'.²³⁸ For that reason coined, fanciful and arbitrary signs should be given a broader protection in comparison with signs commonly used.²³⁹ It appears that Advocate General Jacobs applies this principle to words alluding and suggesting to characteristics of the products.²⁴⁰ These words are beneficial to protect in comparison with other words; i.e. comprising the words within the realm of keeping free. Whether or not a sign has to be kept free is commensurate with stock of signs available to competitors. In essence, coined and fan-

²³³ Landes and Posner (n.198) pp. 31

²³⁴ Text above n. 13-15.

²³⁵ Schechter (n.13) p. 829

²³⁶ *Ibid*, p. 170

²³⁷ Economides (n. 2) p. 531

²³⁸ Dogan, S. and Lemley, M., 'Search Costs-Theory of limiting doctrines in trademark law', (2007) 6, 1223, p. 1226

²³⁹ Schechter (n.13) p. 828.

²⁴⁰ Text above n. 176

ciful trade marks do not affect the stock of signs available to competitors in contrast with descriptive or generic signs.²⁴¹ Schechter briefly notices in terms of word marks, that ‘the dictionary is quite large enough to justify such limited monopolies’.²⁴²

Therefore, the protection should only be available for the signs capable of distinguishing products²⁴³ which on the face of it aims at the ‘distinguishing’ function. This function, assumed to be credited Art. 3(1)(b), is the supreme prerequisite for trade marks as lowering search costs. Essentially the search costs theory is conditional on as previously described the social good; i.e. consumer welfare. In contrast with the principle of keeping free within the described case law the economic aim of the search costs theory thus clear.

4.3.1 Application of the search costs theory in practice

The search costs theory has not been applied expressly in practice. However, there is remarkable similarity between the search costs theory and Advocate General Colomer’s opinion on descriptive wordmarks.²⁴⁴ Colomer refers initially to ‘economic development and the promotion of commercial initiatives’. By using the words development and initiatives he seems to be pointing at a more general economic perspective; i.e. not just the static efficiency of preventing overuse of a scarce resource, namely words needed for descriptive purposes. Consequently, the aim is the dynamic efficiency ensuring that ‘commercial activities’ take place. An apparent commercial activity is the gradually increasing interaction between consumers and undertakings that, due to the lowering of search costs, reap higher profits and increase the quality of their products.

By mentioning ‘all the descriptive combinations imaginable’ Colomer appears to be having the implied premise that they all relate to the specific product for which the mark is registered, since the reverse situation would be uncontroversial.²⁴⁵ ‘The most effective combinations’ has a clear economic reference to the efficiency of communication and the prevention of ‘noise’. That registration of these combinations might lead ‘to detriment of new operators’ is significant since Colomer elaborates further on who actually might need the descriptive terms. It is not only, as previously held, merely ‘economic operators’ and ‘competitors’²⁴⁶ who might use

²⁴¹ Landes and Posner (n.199) p. 276

²⁴² Schechter (n.201) p. 159

²⁴³ Landes and Posner (n.199) pp. 287

²⁴⁴ Text above n. 94

²⁴⁵ I.e. if a mark descriptive *only* for one particular group of goods were to be registered for another category of goods it would no longer be descriptive.

²⁴⁶ Text above n. 178-179

or come to use the descriptive term; it is it is new operators. The temporal perspective²⁴⁷ no longer relates to the words²⁴⁸ but to the future competitors and economic operators themselves. It appears that this refers to future market entrants entering the market with a product registered for the same class of products. This means that the new competitor will be foreclosed either fully or partly from using the most efficient word combinations. This is similar to the finding of the Court concerning colours *per se*; were colours *per se* allowed registration the colours available to competitors would possibly be exhausted.²⁴⁹ This equally applies to figurative signs not spatially delimited. Colomer later uses ‘competitor’ which is a more precise term than ‘economic operators’. ‘Economic operators’ is a more general term and does not as such indicate presence in the same market which is prerequisite to applying the search costs theory. In essence, Colomer impliedly suggests that if certain word combinations are not kept free it will cause a barrier to entry for new competitors since the market entrant will be unable to enter the market at least as efficiently as the incumbent trade mark proprietor.²⁵⁰ This will generally increase the risk of the detrimental effect of the exclusivity conferred on the trade mark proprietor; i.e. the transfer of wealth from the consumers to the trade mark proprietor.

While the entry barrier consists of the descriptive combinations appropriated by the trade mark proprietor Colomer further determines the residue left for the entrants. They are left ‘with invented names [...] more difficult to remember and to establish’. This may be aiming at three things: either at coined, fanciful or arbitrary words, at neologisms or simply at phrases circumventing the most efficient ways of describing a product.²⁵¹ It seems unsound that the reference is to coined, fanciful or arbitrary words since they are not the most difficult to remember. A neologism, even though in the case of an unusual juxtaposition,²⁵² might still be used by competitors for descriptive purposes if it consists of descriptive words not adding anything to the mark as a whole. Thus, a neologism might be difficult to remember if the whole is no different from its separate parts. Accordingly, it is most likely that Colomer is referring to phrases circumventing the most efficient way of describing a product. He, hence, reiterates and stresses the efficiency point just mentioned.

²⁴⁷ Text above n. 174

²⁴⁸ Text above n. 175

²⁴⁹ Text above n. 118

²⁵⁰ Bishop, S. and Walker, M., *The Economics of EC Competition Law: Concepts, Application and Measurement*, (2nd edn Thomson Sweet and Maxwell, London 2002), p. 62

²⁵¹ Landes and Posner (n.198) p. 175 if e.g. a ‘PC’ or ‘personal computer’ was registered as trade mark for computers competitors would have to describe their product as ‘a machine capable of doing word processing and high speed calculations and other manipulations, using a central processing unit’.

²⁵² Text above n. 181

Consequently, the link between Colomer's statement and the search costs theory is clear. Colomer does not mention expressly the theory; he does not just allude to it either. To my knowledge it is the only time any Advocate General has provided an explanation for the principle of keeping free with such clear and unmistakable general economic reference. Furthermore, the implied reference specifically to the search costs theory is unparalleled. Since the scope of the opinion is limited to Art. 3(1)(c) according to question posed by the national court it is questionable if it applies outside the scope of the provision. An argument favouring the applicability of the statement to Art. 3(1)(d) is its presence within the principle of keeping free and its similarity with Art. 3(1)(c).²⁵³

Although the reference to the search costs theory is clear it is worth noticing that Colomer does not focus on the recipients of the communication, the consumers. However, the focus is on the competitors. This dilutes somewhat the reference to search costs theory where the objective of protection is not competition as such but competition ensured by sufficiently effective communication between trade mark owners and consumers.

Colomer's statement, invited the subsequent Court to take a step further away from its previous decisions and provide an economic yardstick against which the principle of keeping free should be judged. The Court appeared to be reluctant to deviate from previous decisions in that it referred to *Windsurfing*.²⁵⁴ Accordingly, the approach of the subsequent Court is more policy-based since it, without further definition, refers to 'public interest' and leaves out any indication of the efficiency-based approach.²⁵⁵

Without being implemented in a specific test the economic reasoning of Advocate General Colomer is of little value. Despite Colomer's implied reference to the search costs theory, he does not implement this into practice but adds only incremental changes to the previous decisions.²⁵⁶ Even more so, the Court in general does not employ a practical test based on a common set of premises implementing the search costs theory.

4.4 Overlap and non-overlap between Art. 3(1)(b) - (d)

Throughout this paper the overlap between the 'distinguishing' and 'protective function' has been addressed. The problem equally addressed by Landes and Posner primarily relates to the

²⁵³ Text above n. 126 and 165

²⁵⁴ *Postkantoor* (n.27) at 54

²⁵⁵ Text above n. 99

²⁵⁶ Text above n. 180 and 182

overlap between Art. 3(1)(b) and (c).²⁵⁷ The overlap is derived from, as stated by the Court and Advocate Generals, that descriptive signs always will be indistinct whereas the reverse situation not will be true *per se*. The argument is equally applicable to generic signs. In the following, the search costs theory is employed to determine if Art. 3(1)(b) and Art. 3(1)(c)-(d) should tail a common economic aim or different economic aims.

The focal point of search costs is the indistinct signs being exclusively descriptive or generic; these signs must be barred from registration. The aim of preventing appropriation of exclusively descriptive or generic signs is not the preservation of the competitive structure as such; it is the prevention of ‘noise’ between the competitor and the consumers and search costs incurred by consumers.²⁵⁸ In this context it is well-founded to suggest that Art. 3(1)(b) and Art. 3(1)(c)-(d) pursue a common aim.

On the face of it there is no economic reason for not protecting indistinct signs not being exclusively descriptive or generic since they are cost neutral and nobody wants to free-ride on them. Nevertheless, these signs, if used by competitors, would impose costs on competitors in addition to enforcement costs preventing them from competing most effectively. Is the sign not used by competitors the search costs effect of its registration and enforcement costs would be close to neutral.²⁵⁹ It may be far from ruled out that competitors may need indistinct signs not being exclusively descriptive or generic; e.g. colours *per se* and figurative signs not spatially delimited *inter alia* three stripes used on garments. On the one hand this supports a definition of the ‘protective’ function embracing these indistinct signs²⁶⁰ used by other competitors since they create ‘noise’ and increase search costs. On the other hand, the reverse scenario where the sign is not used by other competitors, advocates for leaving out of the definition indistinct signs not being exclusively descriptive or generic. Since the former scenario cannot be ruled out an argument is provided for leaving unchanged the definition of the ‘protective’ function. Furthermore, an argument is provided for including within the realm of the ‘protective function’ signs used by competitors not being exclusively descriptive or generic. This invalidates the suggestion made by Handler and Keeling, that Art. 3(1)(c) and (d) are mere subsets of the alleged main provision Art. 3(1)(b).²⁶¹

²⁵⁷ Landes and Posner (n.199) p. 288, Remember that case law has shown to qualify the problem further since it mainly deals with the overlap between Art. 3(1)(b) and (c).

²⁵⁸ Economists generally define three types of welfare: consumer surplus, producer surplus and the sum of the two, social welfare. The search costs theory appears to be aiming at the social welfare which might create the same net gain for consumers (Bishop and Walker (n.250) pp. 24 and 27).

²⁵⁹ *Ibid* p. 288

²⁶⁰ Text above n. 134. See the concluding remarks of 3.1.

²⁶¹ Handler (n.24) pp. 309 and Keeling (n.24) pp. 137-138

Case law equally seemed to rebut the ‘distinguishing’ function as overarching. Due to *Libertel* and *Adidas H&M* the principle of keeping free is brought within the scope Art. 3(1)(b).²⁶² Colours *per se* and figurative signs not spatially delimited are examples of signs not being exclusively descriptive or generic but indistinct.

Consequently, the argument presented by Keeling and Handler is not in line with the search costs theory; i.e. it is not justifiable to erode the division between the ‘distinguishing’ and ‘protective’ function. Even though not supported in case law and Colomer stating that it would be illogical that indistinct signs not being exclusively descriptive or generic should be kept free,²⁶³ it is, moreover, well-founded upon the search costs theory to include within the ‘protective’ function, those indistinct signs infringing Art. 3(1)(b). I.e. that Art. 3(1)(b) does not merely pursue the ‘distinguishing’ function but also partly the principle of keeping free.

4.5 Art. 3(1)(e)

From the analysis of Art. 3(1)(e) it has emerged that the aim of the provision is far from clear. Furthermore, it has emerged that the core of the principle of keeping free is within the first indent whereas the second and third indents only pursue the principle of keeping free according to the residue of the cumulative effect. This is the reason why not allowing the shapes within the second and third indent of Art. 3(1)(e) to be protected as trade marks is said to have ‘ambiguous search costs effects’ in that some consumers consequently may incur higher search costs and some competitors may collect a ‘windfall’.²⁶⁴ However, barring these shapes from registration serves a more vital objective in making the market function than lowering search costs. By giving a trade mark monopoly to one of these shapes an intervention would occur in markets for the good as such. The aim is, thus, not merely preventing confusion about source but ensuring access to the good. Therefore, the benefit of those wanting the good for its inherent value and compete in its production is assumed to be higher than the loss of consumers assuming that all goods, including the shape in question, descend from a single source.²⁶⁵

Accordingly, the cumulative doctrine ensures economics efficiency. This is coherent with the economic aim of not allowing exclusivity to the shapes in question preventing interference with the product market itself. Thus, Colomer stating that the second and third indent of Art.

²⁶² Text above 134. See the concluding remarks of 3.1.

²⁶³ *Adidas H&M* (n.12) AG 56

²⁶⁴ Lemley and Dogan (n.238) p. 1241

²⁶⁵ *Ibid* p. 1247f.

3(1)(e) prevent an extension of time-limited rights, ‘specifically’ patents and industrial design law, on the one hand, is coherent with the economic rationale just described. This is stressed by Colomer rightfully pointing out that Art. 3(1)(e) does not exclude other ways of communicating effectively through shapes. The approach of the ECJ, on the other hand, is less coherent with this rationale since the Court refers to the ‘protective’ function employed by *Windsurfing*.

That the aim of Art. 3(1)(e) is more than merely lowering search costs is seen from the described specific test. Firstly, this is emphasised in that the essential characteristics of the shape and most likely the substantial value is to be determined objectively. Due to the lacking insight of the average consumer the essential characteristics and the substantial value of the goods would most likely be overlooked. This would cause the trade mark monopoly to extend the time-limited rights mainly within patent and industrial design contrary to Colomer’s statement and the economic aim of the second and third indent of Art. 3(1)(e). Secondly, by holding that the presence of other technical solutions is irrelevant upon determining infringement of the second indent the CFI refuses to consider that a residue of the provision may be left outside the non-cumulative effect. Therefore, the CFI sensibly does not attempt to settle the inconsistencies between patent law and trade mark law. Since the residue adjacent to the non-cumulative effect of the second indent is assumed to be insignificant so is the economic effect of the CFI’s approach.²⁶⁶

4.6 Art. 6(1)(b)

The economic aim of Art. 6(1)(b), however, is less ambiguous. Were a producer allowed to use exclusively descriptive or generic signs²⁶⁷ competitors’ price of conveying the same information about the product attributes would increase significantly. In essence, the trade mark owner would be able to seek rents creating substantial social costs.²⁶⁸ It is argued that once

²⁶⁶ The following scenario could occur: The characteristics of the shape are found to be objectively essential. However, the characteristics have never been patentable. If, at the same time, the average consumer would recognise the essential characteristics as a source designator the non-cumulative effect would not be relevant. At the same time, nonetheless, a shape lowering search cost would be refused registration.

²⁶⁷ In relation to Art. 3(1)(e) it follows from the preceding paragraph that it would be inefficient to apply the proviso to this provision since it serves another and more paramount end than merely lowering search cost.

²⁶⁸ For an explanation of rent seeking see e.g. Landes and Posner (n.198) p. 29 and Tullock, G., ‘The Welfare Costs and Tariffs, Monopolies and Theft’, *Western Economic Journal* (1967 June) 224, p. 231f. The registration of descriptive or generic terms would be analogue to theft analysed by Tullock. This theft would inspire other bank robbers equal to others choosing their trade mark ‘steal’ the valuable descriptive and generic terms. This, on the other hand, would force e.g. banks to install additional safety equipment to prevent the theft creating substantial social cost. Art. 3(1)(c) and (d) effectively prevents the theft of descriptive and generic terms and the substantial social cost of competitors incurring significantly higher search costs.

descriptive signs are registered due to acquired distinctiveness cf. Art. 3(3) the consumers' search costs are lowered exceeding the social costs.²⁶⁹ This is, according to Kratzke, not the case for generic signs. The author points out that allowing registration of generic signs, even after acquiring distinctiveness, would possibly shift 'the focus of trade mark law from competition that benefits consumers to investments of those who choose to use generic terms as trade marks'.²⁷⁰ Therefore, the same threshold for allowing registration of descriptive terms having acquired distinctiveness cannot without further qualification be transferred to generic terms. The legislature does not seem to acknowledge this distinction. Firstly, the introduction of the 'current use' requirement counteracts to the argument of Kratzke that the public interest within Art. 3(1)(d) has to be stronger than within Art. 3(1)(c). Secondly, since the proviso, Art. 3(3), applies to Art.3(1)(c) and (d) potentially causes higher consumer search costs and protects traders' investments instead of consumer interests. Art. 6(1)(b) lessens the detrimental effects on consumers in terms of Art. 3(1)(c). However, since generic marks, as mentioned, are often equally descriptive the detrimental effects of Art. 3(1)(d) are, likewise, *de facto* lessened through Art. 6(1)(b).

As stated by Advocate General Colomer Art. 3(1)(c) and Art. 6(1)(b) ensure transparent and truthful information and according to Advocate General Jacobs the provisions prevent wealthy traders from enclosing the great common of language.²⁷¹ This, on the face of it, is coherent with the search costs theory in that competitors are allowed access to describing their products in the most efficient way. According to Colomer the trade mark registry as an official record is often relied upon and, in addition, it is difficult to define descriptive signs.²⁷² However, not using the term corporate bullying though, Advocate General Colomer explains its source. The manifestation of the trade mark registry and legal uncertainty of descriptiveness may cause corporate bullying not necessarily prevented by the principle of keeping free within Art. 6(1)(b). Upon the occurrence of successful corporate bullying the competitor of the trade mark proprietor is unable to communicate in the most efficient way causing higher search costs.

²⁶⁹ Landes and Posner (n.198) p.189 and Kratzke, W., 'Normative Economic Analysis of Trademark Law', *Memphis State University Law Review*, (1990-1991), 21, 199, p. 252ff. and 257ff.

²⁷⁰ Kratzke (n.269) p. 252. Landes and Posner appear to be of the same view (n.199) p. 291.

²⁷¹ Text above n.150

²⁷² Text above n.151

5 Normative analysis

The ECJ might possibly agree with the account given by Advocate General Colomer;²⁷³ it might not have applied the reasoning for pragmatic reasons. As a result of the analysis explaining the inconsistencies between the search costs theory and case law the ECJ should incorporate Colomer's reasoning upon explaining the underlying purpose of Art. 3(1)(b)-(e) and Art. 6(1)(b); it is assumed to create net gain to society.²⁷⁴ Moreover, that the key aim or the provisions is lowering search costs and, in essence, that there is no economic reason for not including in the 'protective' function indistinct signs not being exclusively descriptive or generic but used by competitors. The ECJ should not only attempt to clarify the key aim in economic terms but also the specific tests applied subsequently. It may be that the current approach of the ECJ nevertheless creates a social net gain; however, the Court does it at a high degree of legal uncertainty. The uncertainty creates a possible advantage for the significant market players in comparison with the less significant. Presumably the former will be willing to and most importantly economically able to appeal and litigate a rejected application for registration. This problem is thought to be more significant in boarder line decisions involving judicial legality review by the ECJ.²⁷⁵ It has to be born in mind that not all applications are in the boarder line area leaving it unclear if a sign should be registered. The coined, fanciful and arbitrary signs are as a general rule outside this area. The ECJ would create legal certainty applying economic reasoning to explain the purpose and practical assessment of the Art. 3(1)(b)-(e) and Art. 6(1)(b). The certainty would be relevant on the national as well as the European level; i.e. for the registration authorities, CFI and national courts.²⁷⁶

Furthermore, it should be stated by the ECJ what interests are to be protected upon refusing registration of a potential mark or upon limiting the trade mark exclusivity through the descriptive uses defence. It has been suggested that trade marks are 'at the bottom, merely rights to act as surrogate for consumers interest, and not rights to be protected from competition'.²⁷⁷ This quotation is crucial to the principle of keeping free. Why exactly should signs be refused registration? Is it to protect other competitors or economic operators²⁷⁸ as such or to protect consumer welfare? Unambiguously at the heart of search costs theory is consumer welfare. The ECJ, however, is vaguer. It clearly places the average consumer at the heart of its applied

²⁷³ n.98

²⁷⁴ Text above n. 224

²⁷⁵ Phillips (n.79) pp. 41

²⁷⁶ *Ibid* p. 41

²⁷⁷ Litman, J., 'Breakfast with Batman: the Public Interest in the Advertising Age', the Yale Law Journal (1999) 108, 1p. 4.

²⁷⁸ Text above n. 250.

test in relation to Art. 3(1)(b)-(d),²⁷⁹ even so, it is not clearly stated by the Court that the public interest is to be understood as consumer welfare.

A method for creating a higher degree of legal certainty through economic reasoning would be assessment of market power by way of market analysis, a well-known method used within competition law.²⁸⁰ A reference to competition law is appropriate since both trade mark law and competition law have consumer welfare as their objective.²⁸¹ On the face of it, market analysis should be conducted in order to determine the market strength of the undertaking registering a trade mark. Logically, however, it would be fallacious to state that a higher degree of market power should lead to further limitations of the eligibility for registration of the market player's signs. Even small insignificant market players will through registration be able to appropriate signs within the principle of keeping free. By registering *inter alia* descriptive signs as Community Trade Marks a bottleneck monopoly²⁸² would be created. The size of the monopoly will vary according to the number of signs registered and their significance to competitors. The owner, be it an insignificant or dominant market player, would then according to the size of the monopoly control the efficiency of communication due to the appropriated descriptive signs. In effect, a barrier to entry would be created as explained by Advocate General Colomer.²⁸³ This dismisses the use of market power as a significant method for assessing eligibility for registration.

Why then has the Court in general been reluctant to provide an economic explanation for the principle of keeping free?

The Court might more generally be hesitant to acknowledge the interface between law and economics. Earlier the Court has proved to be reluctant to apply economic analysis within EC Competition Law, and still is, in particular upon the application of the EC Treaty²⁸⁴ Art. 82.²⁸⁵ Another more pragmatic approach may be adopted. The Court might seek to find a 'workable'

²⁷⁹ Text above n. 164-165

²⁸⁰ Motta, M, *Competition Policy: Theory and Practice*, (1st edn, Cambridge University Press, Cambridge 2004) pp. 117.

²⁸¹ Korah, V. 'The Interface between Intellectual Property Rights and Competition in Developed Countries', *Script-Ed* (2005), 24, 430. p. 442. See, however, differently Gilbert placing the preservation of competition at the heart of American Antitrust Law (Gilbert, R., *Competition Policy for Intellectual Property*, in , *Handbook of Antitrust Economics*, Buccirosi, P. (edt) (1st edn, The MIT Press, London 2008) p. 519.

²⁸² Bishop and Walker (n.250) pp. 238

²⁸³ Text above n. 250-252

²⁸⁴ The EC Treaty (n.19)

²⁸⁵ Jones and Sufrin (n.209) pp. 310 It is argued that the Court has been reluctant to apply an effect-based analysis of the concept of dominance. This test is more economically rigid in comparison with the market dominance test.

solution²⁸⁶ avoiding legal administration costs to rocket.²⁸⁷ Increasing administration costs would be an inevitable effect of using e.g. intensive market analysis of market effects upon determining the registrability of a sign.

It is debatable whether corporate bullying from an economic perspective should be cured. On the one hand the market players capable of ‘bullying’ less robust market players are presumably responsible for creating the most consumer welfare. The most robust market players have established their market status since a significant proportion of consumers via their trade marks have searched for their products. The reason why corporate bullying should be cured, however, is that the market is nourished by the dynamics of new market entrants creating future consumer welfare. The new market entrant cost-benefit analyses the economic effects of an attack on the validity of the wealthy incumbent’s trade mark or an attack on its exclusivity through the exclusive uses defence. Mostly the entrant will refrain from these attacks due to the incumbent’s possibilities of financing legal retaliation. It is questionable if corporate bullying may be cured especially within intellectual property law since it has no clearly-defined physical boundaries.²⁸⁸ Specifically the definition of what constitutes a descriptive sign will always be surrounded by uncertainty fertilising the soil for corporate bullying.

Additional normative economic analysis is needed in order to implement further into practice the search costs theory; in particular how a practical test would ensure the lowest search costs and at the same time avoiding rocketing legal administration costs. Moreover, the search costs theory is not irrefutable. In particular the positive relationship between the trade mark proprietor’s ability to reap higher profits and enhancement of consumer welfare may be analysed further by way of behavioural economics. Behavioural economics takes account of *inter alia* consumers’ misprediction of future satisfaction and self-control problems.²⁸⁹

6 Conclusion

This paper was set out to determine if the principle of keeping free is applied consistently with the economic aim of absolute grounds for refusal of registration of trade marks, Art. 3(1)(b)-(e) and the descriptive uses defence, Art. 6(1)(b). The economic aim has been deter-

²⁸⁶ *BVBA Management, Training en Consultancy v Benelux-Merkenbureau* C-239/05 [2007] ETMR 35 AG 42.

²⁸⁷ Landes and Posner (n.198) p. 188

²⁸⁸ *Ibid* p. 16.

²⁸⁹ Aldred, J., *The economic rationale of trade marks: an economist’s critique*, in, *Trade Marks and Brands An Interdisciplinary Critique*, Bently, L., Davies, J. and Ginsburg C., J. (eds) (1st edn Cambridge University Press, Cambridge 2008) pp. 275

mined through the search costs theory. Furthermore, the paper was set out to determine if the division of Art. 3(1)(b)-(e) and Art. 6(1)(b) into a 'distinguishing' and 'protective' function is economically sound; the 'protective' function representing the principle of keeping free.

The case law analysis showed the ECJ in *Windsurfing* generally stated that descriptive signs cf. Art. 3(1)(c) should be kept free; the principle likewise embracing Art. 3(1)(d). Despite the divergence in *Baby-Dry* Art. 3(1)(b) was designated within the 'distinguishing' function. However, in *Libertel* concerning colours *per se* the Court brings the principle of keeping free within the scope of Art. 3(1)(b) and the non-overlapping area; i.e. signs not only infringing Art. 3(1)(b) not Art. 3(1)(c) and (d). This equally applies to figurative signs not spatially delimited. The principle does not apply to indistinct signs in general within Art. 3(1)(b) though. Concerning Art. 3(1)(e) in *Phillips* a divergence emerged between the non-cumulative approach taken by Advocate General Colomer and the Court referring to the principle of keeping free as stated in *Windsurfing*.

Form case law on Art. 6(1)(b) it emerged that the principle of keeping free applies within the provision. However, the application of the principle within Art. 6(1)(b) had no influential impact on the interpretation of Art. 3(1)(c).

In terms of the specific test applied by the Court relating to Art. 3(1)(b)-(e) no accurate test encompassing the principle of keeping free was applied.

The justification for the limited legal monopoly arising from trade mark protection was provided by the search costs theory, mainly represented by Landes and Posner. The theory holds that a net social gain is created since trade mark facilitates the process of placing a purchase without having to examine the attributes of the products; in essence, it lowers the search costs. This makes it possible for sellers to gain higher profits provided that their products are of consistent quality, since consumers are willing to pay more commensurate with decreasing search costs. Trade marks solve this information asymmetry and increases the effectiveness of communication outweighing the detrimental effects of the trade exclusivity stated by the Harvard School. The principle of keeping is essential in determining which signs should be eligible for trade mark protection.

The results from this research show that even though an attempt was made by an Advocate General Colomer to adopt economic reasoning; the Court subsequently failed to do the same and even more so did not implement any specific test based on economic analysis.

The focus of the search costs theory is barring signs from registration within the overlapping area between Art. 3(1)(b) and Art. 3(1)(c)-(d) in order to prevent ‘noisy’ communication. Signs within the non-overlapping area used by competitors impose costs on competitors should, therefore, equally be barred from registration according to the theory. Not all indistinct signs, i.e. signs not being colours *per se* or figurative signs, within the non-overlapping area should be kept free. Therefore, the division between the ‘distinguishing’ and ‘protective’ function should not be abandoned.

It emerged that Art. 3(1)(e) ensures competition in the production of the good itself, a more crucial economic aim than merely lowering search costs. Therefore, in contrast with the approach of the ECJ the non-cumulative doctrine employed by Advocate General Colomer is coherent with the economic aim of Art. 3(1)(e).

According to the search costs theory the threshold for registering signs according to Art. 3(3) should be higher for generic than for descriptive signs. This downside is lessened by the principle of keeping free within Art. 6(1)(b) mirroring Art. 3(1)(c) and due to their similarity *de facto* Art. 3(1)(d). The provision, however, does not prevent the increased search costs caused by the trade mark proprietor successfully threatening legal against competitors not to invoke Art.6(1)(b), corporate bullying.

The normative analysis highlights on the one hand, that it would be commendable were the Court to move away from its policy-based analysis to an economic-based approach since this is a prerequisite for the subsequent implementation of a practical economic test. However, the Court has proven to be unwilling to implement economic analysis into practice. The Court’s reluctance might be its hesitation towards law and economics and the prominent risk of rocketing administrations costs. Finally it was shown that corporate bullying should be cured due to the risk of decreasing consumer welfare chilling the dynamic efficiency.

Although the search costs theory is not flawless, throughout this paper it has proved to be a valuable method for assessing the principle of keeping free. In general not only the judiciary but equally the legislature must always seek to analyse thoroughly the scope of intellectual property law in general in order to prevent the chilling of the dynamic efficiency.

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