

## European Court of Justice, 14 May 2002, Holterhoff v Freiesleben



### TRADEMARK LAW

Purely descriptive reference in order to reveal the characteristics of the product does not infringe the exclusive right of the proprietor of the trade mark

- The proprietor of a trade mark cannot rely on his exclusive right where a third party, in the course of commercial negotiations, reveals the origin of goods which he has produced himself and uses the sign in question solely to denote the particular characteristics of the goods he is offering for sale so that there can be no question of the trade mark used being perceived as a sign indicative of the undertaking of origin.

It is common ground that, in such a situation, the use of the trade mark is a use in the course of trade in relation to products identical with or similar to those for which the trade mark was registered.

Consequently, the question for the Court is whether a use of the trade mark such as that at issue in the main proceedings constitutes one of the uses which, according to Article 5(1) of the directive, infringe the exclusive right of the proprietor of the trade mark.

In that regard, it is sufficient to state that, in a situation such as that described by the national court, the use of the trade mark does not infringe any of the interests which Article 5(1) is intended to protect. Those interests are not affected by a situation in which:

- the third party refers to the trade mark in the course of commercial negotiations with a potential customer, who is a professional jeweller,
- the reference is made for purely descriptive purposes, namely in order to reveal the characteristics of the product offered for sale to the potential customer, who is familiar with the characteristics of the products covered by the trade mark concerned,
- the reference to the trade mark cannot be interpreted by the potential customer as indicating the origin of the product.

In those circumstances, without its being necessary, in the present case, to discuss further what constitutes the use of a trade mark within the meaning of Article 5(1)(a) and (b) of the directive, the answer to the question referred to the Court must be that Article 5(1) of the directive is to be interpreted as meaning that the

proprietor of a trade mark cannot rely on his exclusive right where a third party, in the course of commercial negotiations, reveals the origin of goods which he has produced himself and uses the sign in question solely to denote the particular characteristics of the goods he is offering for sale so that there can be no question of the trade mark used being perceived as a sign indicative of the undertaking of origin.

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### European Court of Justice, 14 May 2002

(P. Jann, F. Macken, N. Colneric and S. von Bahr, C. Gulmann, A. La Pergola, J.-P. Puissechot, M. Wathelet and V. Skouris)

#### JUDGMENT OF THE COURT

14 May 2002(1)

(Approximation of laws - Trade marks - Directive 89/104/EEC - Article 5(1) - Scope of the proprietor's exclusive right to the trade mark - Third party - Use of the trade mark for descriptive purposes)

In Case C-2/00,

REFERENCE to the Court under Article 234 EC by the Oberlandesgericht Düsseldorf (Germany) for a preliminary ruling in the proceedings pending before that court between

Michael Hölterhoff

and

Ulrich Freiesleben,

on the interpretation of Article 5(1)(a) and (b) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ 1989 L 40, p. 1),

THE COURT,

composed of: P. Jann, President of the Fifth Chamber, acting for the President, F. Macken, N. Colneric and S. von Bahr (Presidents of Chambers), C. Gulmann (Rapporteur), A. La Pergola, J.-P. Puissechot, M. Wathelet and V. Skouris, Judges,

Advocate General: F.G. Jacobs,

Registrar: H. von Holstein, Deputy Registrar,

after considering the written observations submitted on behalf of:

- Mr Hölterhoff, by M. Samer, Rechtsanwalt,
- Mr Freiesleben, by E. Keller, Rechtsanwalt,
- the French Government, by R. Abraham and A. Maitrepierre, acting as Agents,
- the United Kingdom Government, by G. Amodeo, acting as Agent, with D. Alexander, Barrister,
- the Commission of the European Communities, by K. Banks, acting as Agent, with I. Brinker and W. Berg, avocats,

having regard to the Report for the Hearing,

after hearing the oral observations of Mr Freiesleben, of the French Government and of the Commission at the hearing on 12 June 2001,

after hearing the [Opinion of the Advocate General](#) at the sitting on 20 September 2001,

gives the following

#### Judgment

1. By order of 23 December 1999, received at the Court on 5 January 2000, the Oberlandesgericht Düsseldorf (Higher Regional Court, Düsseldorf) referred to the Court for a preliminary ruling under Article 234 EC a question on the interpretation of Article 5(1)(a) and (b) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ 1989 L 40, p. 1, hereinafter 'the directive').

2. That question was raised in proceedings between Mr Freiesleben, the proprietor of two registered trade marks, and Mr Hölterhoff concerning the latter's use of those trade marks for descriptive purposes in the course of trade.

### **Legal framework**

#### **Community legislation**

3. Article 5(1) of the directive provides:

'The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

(a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered;

(b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark.'

#### **German legislation**

4. The directive was transposed into domestic law in Germany by the Gesetz über den Schutz von Marken und sonstigen Kennzeichen (Law on the protection of trade marks and other distinctive signs) of 25 October 1994 (BGBl. 1994 I, p. 3082, 'the German trade marks law'). Paragraph 14(2) of that law sets out, in almost identical terms, the provisions of Article 5(1)(a) and (b) of the directive.

#### **Main proceedings and question referred to the Court**

5. Mr Freiesleben is the proprietor of two trade marks, Spirit Sun and Context Cut, registered in Germany and covering, respectively, 'diamonds for further processing as jewellery' and 'precious stones for further processing as jewellery'.

6. Both types of products marketed under those trade marks are distinguished by particular cuts. The Spirit Sun trade mark is used for a round cut with facets radiating from the centre and the Context Cut trade mark is used for a square cut with a tapering diagonal cross.

7. Mr Hölterhoff deals in precious stones of all kinds, which he cuts himself or which he purchases from other dealers. He markets both stones which he has produced himself and products acquired from third parties.

8. On 3 July 1997, in the course of commercial negotiations, he offered for sale to a goldsmith/jeweller some semi-precious and ornamental stones which he described by the names 'Spirit Sun' and 'Context Cut'. The goldsmith/jeweller ordered two garnet stones 'in

the Spirit Sun cut' from Mr Hölterhoff. There is no reference on the delivery note or the sales invoice to the trademarks Spirit Sun and Context Cut; the goods are described as 'rhodolites'.

9. Following that sale, Mr Freiesleben brought an action against Mr Hölterhoff before the Landgericht Düsseldorf (Regional Court, Düsseldorf) (Germany) on the basis of Paragraph 14 of the German trade mark law, claiming that there had been an infringement of his registered trade marks. By judgment of 19 August 1998, that court granted the application. Mr Hölterhoff appealed against that judgment to the Oberlandesgericht Düsseldorf; Mr Freiesleben contended that the appeal should be dismissed.

10. The national court considers that it is established that, in the course of the commercial negotiations of 3 July 1997, Mr Hölterhoff used the descriptions 'Spirit Sun' and 'Context Cut' solely in order to describe the qualities and, more specifically, the type of cut of the precious stones offered for sale and that, accordingly, such a description was not intended to suggest that the stones originated in Mr Freiesleben's firm.

11. The Oberlandesgericht Düsseldorf considered that the outcome of the case depended on the interpretation of Article 5(1) of the directive and decided to stay the proceedings and to refer the following question to the Court for a preliminary ruling:

'Does an infringement of a trade mark in the sense contemplated in Article 5(1)(a) and (b) of Directive 89/104/EEC occur where the defendant reveals the origin of goods which he has produced himself and uses the sign in respect of which the plaintiff enjoys protection solely to denote the particular characteristics of the goods he is offering for sale so that there can be no question of the trade mark used being perceived in trade as a sign indicative of the firm of origin?'

12. The question for interpretation referred to the Court relates to Article 5(1) of the directive, which allows the proprietor of a trade mark to prevent all third parties from using, in the course of trade, any sign which is identical with the trade mark in relation to goods which are identical to those for which the trade mark is registered (Article 5(1)(a)) and any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods in question, there exists a likelihood of confusion on the part of the public (Article 5(1)(b)).

13. The question seeks in substance to ascertain whether, pursuant to Article 5(1) of the directive, the proprietor of the trade mark may prevent a third party from using the trade mark in a factual situation such as that which the national court describes in detail.

14. It is common ground that, in such a situation, the use of the trade mark is a use in the course of trade in relation to products identical with or similar to those for which the trade mark was registered.

15. Consequently, the question for the Court is whether a use of the trade mark such as that at issue in the main proceedings constitutes one of the uses which, according to Article 5(1) of the directive, infringe the exclusive right of the proprietor of the trade mark.

16. In that regard, it is sufficient to state that, in a situation such as that described by the national court, the use of the trade mark does not infringe any of the interests which Article 5(1) is intended to protect. Those interests are not affected by a situation in which:

- the third party refers to the trade mark in the course of commercial negotiations with a potential customer, who is a professional jeweller,
- the reference is made for purely descriptive purposes, namely in order to reveal the characteristics of the product offered for sale to the potential customer, who is familiar with the characteristics of the products covered by the trade mark concerned,
- the reference to the trade mark cannot be interpreted by the potential customer as indicating the origin of the product.

17. In those circumstances, without its being necessary, in the present case, to discuss further what constitutes the use of a trade mark within the meaning of Article 5(1)(a) and (b) of the directive, the answer to the question referred to the Court must be that Article 5(1) of the directive is to be interpreted as meaning that the proprietor of a trade mark cannot rely on his exclusive right where a third party, in the course of commercial negotiations, reveals the origin of goods which he has produced himself and uses the sign in question solely to denote the particular characteristics of the goods he is offering for sale so that there can be no question of the trade mark used being perceived as a sign indicative of the undertaking of origin.

#### Costs

18. The costs incurred by the French and United Kingdom Governments and by the Commission, which have submitted observations to the Court, are not recoverable. Since these proceedings are, for the parties to the main proceedings, a step in the action pending before the national court, the decision on costs is a matter for that court.

#### On those grounds,

#### THE COURT,

in answer to the question referred to it by the Oberlandesgericht Düsseldorf by order of 23 December 1999, hereby rules:

Article 5(1) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks is to be interpreted as meaning that the proprietor of a trade mark cannot rely on his exclusive right where a third party, in the course of commercial negotiations, reveals the origin of goods which he has produced himself and uses the sign in question solely to denote the particular characteristics of the goods he is offering for sale so that there can be no question of the trade mark used being perceived as a sign indicative of the undertaking of origin.

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#### OPINION OF ADVOCATE GENERAL

JACOBS

delivered on 20 September 2001(1)

Case C-2/00

Michael Hölterhoff

v

Ulrich Freiesleben

1. Where a person owns a national trade mark in the form of a name for goods possessing certain characteristics, does the Trade Marks Directive (2) entitle him to prevent another person from using that name in the course of trade in order to indicate characteristics of other similar goods which that other person is offering for sale but where the goods offered are not produced by the trade mark proprietor and the seller makes no claim to that effect and there can be no confusion as to their origin? That is the tenor of the question raised by the Oberlandesgericht (Higher Regional Court) Düsseldorf in the present case.

#### The Trade Marks Directive

2. The provision on which that court seeks a ruling is Article 5(1) of the Trade Marks Directive. However, several other provisions of that article have also been referred to, together with Article 6(1). Article 5 is entitled 'Rights conferred by a trade mark' and Article 6 concerns 'Limitation of the effects of a trade mark'.

3. Article 5(1) provides:

'The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

(a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered;

(b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark.'

4. Under Article 5(2):

'Any Member State may also provide that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered, where the latter has a reputation in the Member State and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.'

5. Article 5(3) of the directive provides a non-exhaustive list of uses which may be prohibited under paragraphs 1 and 2:

'(a) affixing the sign to the goods or to the packaging thereof;

(b) offering the goods, or putting them on the market or stocking them for these purposes under that sign, or offering or supplying services thereunder;

(c) importing or exporting the goods under the sign;

(d) using the sign on business papers and in advertising.'

6. Article 5(5) of the directive provides:

'Paragraphs 1 to 4 shall not affect provisions in any Member State relating to the protection against the use

of a sign other than for the purposes of distinguishing goods or services, where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.'

7. Finally, Article 6(1) of the directive provides:

'The trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade,

- (a) his own name or address;
- (b) indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of goods or services;
- (c) the trade mark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts;

provided he uses them in accordance with honest practices in industrial or commercial matters.'

8. It may be noted that, although this case does not concern a Community trade mark, Articles 5(1), (2) and (3) and 6(1) of the Trade Marks Directive correspond in all essential respects to Articles 9(1) and (2) and 12 of the Community Trade Mark Regulation, (3) so that their interpretation may be of significance for the latter also.

#### **The circumstances of the main proceedings**

9. Dr Ulrich Freiesleben produces and sells diamonds and, via a licensee, coloured gemstones. He is the owner of the two German registered trade marks in issue in the national proceedings. They are 'Spirit Sun', registered in respect of 'diamonds for further processing as jewellery', and 'Context Cut', for 'precious stones for further processing as jewellery'.

10. Dr Freiesleben also holds patents for two specific forms of gemstone cut and confines his use of the trade marks to those respective cuts. 'Spirit Sun' is used for a round cut with facets radiating from the centre and 'Context Cut' for a square cut with a tapering diagonal cross.

11. Mr Michael Hölterhoff produces precious stones of various cuts and sells both those stones and others acquired elsewhere. In July 1997, he sold two garnets to Ms Maria Haverkamp, who runs a jewellery business. Those stones were identified in the delivery note and invoice simply as 'rhodolites', (4) although it appears to be common ground that Mr Hölterhoff used the names 'Spirit Sun' and 'Context Cut' in the course of the oral sales negotiations, and that the order was for two stones in the 'Spirit Sun' cut.

12. What is not common ground is the precise way in which those terms were used in relation to the gems offered for sale and the extent to which such use was permissible. Dr Freiesleben claimed in the main proceedings that the gems were not produced by him or his licensee but that Mr Hölterhoff fraudulently asserted that they were. Mr Hölterhoff contended that the gems were originals produced by Dr Freiesleben or his licensee and purchased in France with the result that Dr Freiesleben's trade mark rights had been exhausted.

13. The Oberlandesgericht, however, essentially accepts neither of those versions but has made its own, apparently very different, findings based on evidence

given by Ms Haverkamp. It has found that Mr Hölterhoff did not present the gems sold as originating from Dr Freiesleben or his licensee but as produced by his own cutter in the 'Spirit Sun' cut, which he claimed was an old cut in use since time immemorial and to which Dr Freiesleben did not have exclusive rights. In addition, he referred to 'Context Cut'; although Ms Haverkamp could not state with certainty how that term was used, the court found that Mr Hölterhoff had offered to sell gems in the 'Context Cut' style. The Oberlandesgericht thus considers that he was using the names 'Spirit Sun' and 'Context Cut' to indicate not the origin of the gemstones but the shapes in which they were cut.

14. It further finds that Mr Hölterhoff used the designations in such a way that there was no indication that the gems offered for sale were from Dr Freiesleben's own or licensee's firm; it was clear, and Ms Haverkamp understood, that they came from Mr Hölterhoff himself. Nor was there any use of the term 'Spirit Sun' on any packaging, invoice or other document relating to the gems sold that could have misled any third party on that score. Indeed, it appears that the only instance of the term's use in writing in connection with the negotiations or the sale was by Ms Haverkamp in her faxed order for two garnets 'in the Spirit Sun cut'.

15. The Oberlandesgericht has decided to stay the proceedings before it - in which Dr Freiesleben is seeking various remedies against Mr Hölterhoff, including a restraining order and an award of damages - and to request a preliminary ruling on the following question:

'Does an infringement of a trade mark in the sense contemplated in Article 5(1)(a) and (b) of Directive 89/104/EEC occur where the defendant reveals the origin of goods which he has produced himself and uses the sign in respect of which the plaintiff enjoys protection solely to denote the particular characteristics of the goods he is offering for sale so that there can be no question of the trade mark used being perceived in trade as a sign indicative of the firm of origin?'

16. The Oberlandesgericht indicates that the point in issue is the subject of some dispute in legal circles in Germany.

17. One view is that a trade mark is infringed only where a sign capable of being confused with the mark is used as a means of distinction. As regards origin, that arises only where use of the mark might lead a not inconsiderable section of the relevant public to assume that it indicates the firm of origin. Where (but only where) the sign clearly cannot be perceived as a commercial mark of origin, it is not used as a means of distinction. On that view there is no infringement in the present case, since Mr Hölterhoff used the trade marks to denote a specific cut and not a specific origin.

18. The other view advocates a notion of use separate from use as a sign, since no need for use as a sign is apparent from the wording, history or structure of Article 5 of the Trade Marks Directive. According to the most far-reaching form of that view any use of a protected sign in trade is sufficient to constitute infringement. Only if the sign is used for scientific or

lexical purposes, in medical prescriptions or on goods which are intended solely for personal use (5) is there no infringement. On that view there is infringement in the present case because none of those exceptions apply.

#### **Observations submitted to the Court**

19. Written observations have been submitted by the parties to the main proceedings, the French and United Kingdom Governments and the Commission. Dr Freiesleben, the French Government and the Commission presented oral argument at the hearing.

20. Mr Hölterhoff concludes from the text of the Trade Marks Directive that there can be no question of infringement unless the mark is used as such - that is to say in order to distinguish goods or services by their origin, but not where, as here, the mark is merely mentioned as an indication of characteristics of the goods and there is no possibility of its being taken to identify their origin.

21. He relies in particular on the 10th recital in the preamble, which states that the function of the protection afforded by a registered trade mark is 'in particular to guarantee the trade mark as an indication of origin'; on the language used in Article 5(1) and (2), which, he claims, clearly show that the use contemplated is use such as to distinguish the goods or services; and on Article 5(5) which, by providing that the preceding paragraphs are without prejudice to national provisions affording protection against use of a sign 'other than for the purposes of distinguishing goods or services', demonstrates that those paragraphs relate only to use for the purpose of distinguishing (as confirmed by the Court in its BMW judgment (6)).

22. Dr Freiesleben considers that the national court is really asking two questions: in order for there to be an infringement (a) must the sign be used specifically as a trade mark (as was the case in German law before the transposition of the Trade Marks Directive) or is any use now sufficient and (b) must there be a likelihood of its being taken as a guarantee of origin?

23. He agrees that the terms of Article 5(5) of the directive show that Article 5(1) and (2) concern use 'for the purposes of distinguishing goods or services', that is to say use as a trade mark. However, he claims, that was precisely what Mr Hölterhoff did in the course of the sales discussions: he used the designations 'Spirit Sun' and 'Context Cut' in the course of trade in order to distinguish the gems he was offering for sale from others of different cuts and qualities and to indicate their similarity to those produced by Dr Freiesleben. That is a different matter from 'indicating the characteristics' of the gems.

24. Whether Mr Hölterhoff did or did not claim that the gems were produced by Dr Freiesleben or his licensee is of no relevance, since, as the Court has held, (7) the specific subject-matter of a trade mark includes protection against competitors wishing to take advantage of the status and reputation of the mark. If that were not so, blatant and avowed piracy could not be prohibited. There is therefore no need for there to be actual deception as to the origin of the goods for the trade mark to

be infringed. In this case, there is use of an identical sign in relation to goods which are either identical to those covered by the trade mark or sufficiently similar to give rise to a likelihood of confusion on the part of the public. At the very least, Dr Freiesleben should be given the opportunity to demonstrate that, in accordance with the German provision implementing Article 5(2) of the directive, his trade marks have a reputation in Germany and that their use by Mr Hölterhoff took unfair advantage of or was detrimental to their distinctive character or repute.

25. The French Government considers that in view of the facts the national court's question should have been confined to Article 5(1)(a) of the directive (covering the situation where the sign and mark are identical, as are the respective goods to which they relate) to the exclusion of Article 5(1)(b) (for cases where confusion is likely as a result of similarity between them).

26. Article 5(1)(a) confers absolute protection, as is confirmed by the 10th recital in the preamble, against unauthorised use of the trade mark in the course of trade; any such use may therefore constitute an infringement, regardless of the fact that the risk of confusion may be obviated by words such as 'in the style of ...' etc. The uses listed in Article 6, as exceptions to the exclusive right conferred by Article 5(1), must be deemed to be exhaustive. The circumstances described by the referring court appear to involve not a necessary use of words to describe a particular cut but rather the use of an identical mark to designate identical products, clearly prohibited by Article 5(1)(a). Any other interpretation of that provision would deprive it of its effect and might even lead to a situation in which the trade mark could be revoked under Article 12(2)(a) of the directive because 'in consequence of acts or inactivity of the proprietor, it has become the common name in the trade for a product or service in respect of which it is registered'.

27. The United Kingdom Government approaches the case as an example of the very common situation in which a competitor wishes to indicate that his goods have the same characteristics as those of the proprietor of a trade mark but makes it clear that his goods do not originate from that proprietor. Article 6(1)(b), it considers, may allow a person to say that his goods are of the same type or - as in this case - of the same cut as those bearing a particular trade mark but not to use that mark with no further qualification, unless it has become common usage in that regard. In order for there to be infringement, therefore, there must be trade mark use. This view is best reached by interpretation of Article 6 but may also be reached through Article 5, following BMW. In any event, the precise result in each case will depend on the assessment by the national court of whether there is honest descriptive use and/or a real risk of confusion in the mind of the reasonably well-informed, observant and circumspect consumer.

28. In its written observations, the Commission points out that the function of guaranteeing the trade mark as an indication of origin is referred to in the 10th recital in the preamble to the Trade Marks Directive subject to

the words 'in particular'. Thus it may have other functions and Article 5(1)(a) and (b) may be interpreted as prohibiting use other than as a trade mark. Nor is it necessary to interpret those provisions as limited to the purpose of distinguishing goods, by contrast with the terms of Article 5(5). It is thus possible for a trade mark proprietor to prohibit any use, and not just trade mark use, under Article 5. Article 6, however, allows third parties to use a trade mark for descriptive purposes, provided they do so in accordance with honest trade practice. Consequently, a trade mark proprietor may prohibit any use of his trade mark under Article 5(1) except where use is made in the circumstances listed in Article 6.

29. At the hearing, however, the Commission stated that it had changed its position on the scope of Article 5(1). It cited the case of the registration of a sign consisting simply of a question mark as a trade mark in respect of magazines. (8) Clearly, it reasoned, the owner of such a mark cannot be entitled to prevent the use of question marks, even for purely grammatical purposes, on the covers of other magazines. Yet there is no relevant limitation in Article 6(1) or elsewhere which would preclude him from doing so if Article 5(1) is interpreted as granting him the right in principle to prevent any use of his trade mark. Article 5(1) should therefore be construed as conferring only an entitlement to prevent use indicating or intended to indicate trade origin, and Article 6(1) as clarifying certain consequences of that inherent limitation.

#### **Analysis**

30. It is not for this Court to reach any view regarding the facts of a case in which a question has been referred to it for a preliminary ruling, a fortiori where the facts found by the national court conflict with the versions alleged by both of the parties to the proceedings before it. In such circumstances in particular, it is preferable to confine consideration of the issue to the framework set out in the national court's question itself.

31. The factual situation to which that question refers presents three features:

- A uses a sign, in respect of which B enjoys trade-mark protection, when offering his own goods for sale; however,
- A makes it clear that he produced those goods and there is no question of the sign's being perceived in trade as indicating their origin; and
- A uses the sign solely to denote characteristics of his goods.

32. In such circumstances, the national court wishes to know the extent of B's right to prevent use of his trade mark under Article 5(1) of the Trade Marks Directive.

#### **Article 5(1) of the Trade Marks Directive**

33. The first sentence of that provision states that a registered trade mark confers exclusive rights on the proprietor. The remainder of the paragraph, to which the national court's question explicitly relates, is expressed essentially in negative terms, in that it specifies what the trade mark proprietor may prevent others from doing. However, such negative rights of prevention should in my view be considered in the light of the

positive rights inherent in ownership of a trade mark, from which they are inseparable.

34. A trader registers or acquires a trade mark primarily not in order to prevent others from using it but in order to use it himself (although exclusivity of use is of course a necessary corollary). Use by the proprietor is indeed a central and essential element of ownership, as may be seen from Articles 10 to 12 of the Trade Marks Directive, under which rights may lapse or be unenforceable in the event of non-use.

35. Use of a trade mark involves identifying the proprietor's goods or services as his own. Although perhaps so self-evident that it may not be specifically set out in trade mark legislation, that is the purpose for which trade marks exist - and indeed the 10th recital in the preamble to the Trade Marks Directive (9) speaks of guaranteeing the trade mark as an indication of origin. The same idea is inherent in the definition in Article 2, (10) which states that in order to constitute a trade mark, signs must be 'capable of distinguishing the goods or services of one undertaking from those of other undertakings'. Moreover, the Court has consistently held, both before and since the adoption of the Trade Marks Directive, that the essential function of a trade mark is to guarantee the origin of a product vis-à-vis the consumer or end user by enabling him to distinguish it without risk of confusion from products of different origin. (11)

36. Clearly, the exclusive aspect of the right conferred by a trade mark on its proprietor means being able to prevent others from using the mark to identify their goods or services, since that would negate its essential function.

37. Where a sign identical or similar to a registered trade mark is used by a competitor for a purpose other than that essential function, however, it is much more difficult to see why the proprietor should be entitled to prevent such use. And, as has been pointed out in the observations to the Court, both the wording of Article 5(5) of the Trade Marks Directive and the judgment in BMW (12) support the view that the use which may be prevented under Article 5(1) or (2) is confined to use for the purposes of distinguishing goods or services. Perhaps even more cogently, the Commission drew attention at the hearing to the existence of situations in which it would clearly be inequitable to allow the trade mark proprietor to prevent use by third parties yet where the Trade Marks Directive contains no provision precluding him from doing so if his right is taken to extend to all forms of use, including use which cannot and does not purport to indicate the origin of supplies.

38. It may be stressed again in that regard that the national court in its question presupposes that 'the defendant reveals the origin of goods which he has produced himself' and 'there can be no question of the trade mark used being perceived in trade as a sign indicative of the firm of origin'. Furthermore, although the point cannot be conclusive, since the provision is not exhaustive, there seems to have been no use of any of the kinds listed in Article 5(3) of the Trade Marks Directive. The national court finds as facts in the main

proceedings that the terms ‘Spirit Sun’ and ‘Context Cut’ were used exclusively in oral discussion between two traders, who were both fully aware that those terms were not intended to indicate the origin of the goods offered for sale, and that the terms were never attached in written form to those goods, thus precluding any possibility that a subsequent purchaser might be misled. 39. Use of that kind is in my view simply too far removed from the essential function of a trade mark to entitle a trade mark proprietor to prevent it under Article 5(1) of the Trade Marks Directive.

40. It may, moreover, be pointed out that such use could never be prevented under Article 5(1)(b) - that is to say where there is only similarity and not identity between the sign and the mark and/or between the goods or services concerned - because that subparagraph applies only where there is a likelihood of confusion, a hypothesis explicitly ruled out by the national court's question. Thus, if ‘Spirit Sun’ is registered only in respect of diamonds and Mr Hölterhoff referred to that mark in relation only to other, merely similar, types of gemstone, it follows from the terms of the directive that the use described by the national court cannot be prevented by the trade mark proprietor.

41. Nor is it significant in my view that Article 5(1)(a) (which might be relevant if Mr Hölterhoff referred to either trade mark in relation to the type of gems in respect of which it was registered) contains no reference to the likelihood of confusion. On the contrary, its absence is consistent with the view that the paragraph concerns only use for the purpose of indicating origin. Where a sign used to indicate the origin of goods is identical to a registered trade mark and the goods are identical to those in respect of which the mark is registered, confusion as to origin is by definition not only likely but practically inevitable. Where there is only similarity, however, there may not always be a danger of confusion - all the circumstances must be taken into account - and it was thus necessary to include the proviso in Article 5(1)(b).

42. On the other hand, where use of a sign does not indicate origin, there can by definition be no confusion as to the origin of two sets of goods, regardless of whether they are identical or merely similar, and also of whether the sign is identical or merely similar to the protected mark. It would in my view introduce unnecessary inconsistency into the scheme of the provision if a right to prevent use other than for the purpose of indicating origin were to depend on likelihood of confusion in some cases and not in others.

43. Before completing my consideration of Article 5, however, there are a number of minor points which require brief comment.

44. First, Dr Freiesleben has argued that he should be entitled to prevent the contested use under the German legislation implementing Article 5(2) of the directive. None of the other parties has submitted any observations on that point, on which the national court does not, in any event, seek guidance. In those circumstances, and since the question is raised in Case C-

292/00 Davidoff - a request for a preliminary ruling from the Bundesgerichtshof in which a hearing has yet to take place - whether Article 5(2) applies only (in accordance with its literal wording) where the goods in question are not similar to those for which the trade mark is registered, I shall refrain from expressing any view in the context of this case.

45. Next, the French Government has voiced the concern that if a trade mark proprietor were unable to prohibit use in the circumstances of the national court's question, he might be unable to prevent revocation of his mark under Article 12(2)(a) of the Trade Marks Directive if, through repeated use of that kind, it were to become the common name in the trade for the relevant goods or services. However, such revocation is possible only where the use as a common name is the result of ‘acts or inactivity’ of the proprietor. I do not consider that ‘inactivity’ in that context can be taken to include a failure to prohibit conduct which could not legally be prohibited.

46. Finally, I would stress that the view reached here should not be taken to prejudge the issue in other factual circumstances. The reasoning might apply differently if, for example, the sign were in a more permanent form or were in some way attached to the goods. In that event, making it clear at one stage in the trading chain that the sign in no way indicated origin might not be sufficient to preclude such use at a later stage. However, circumstances apparently of that kind are to be considered by the Court in a request for a preliminary ruling from the High Court of Justice of England and Wales, in Case C-206/01 Arsenal Football Club, and again I do not think it appropriate to express a view here.

#### **Article 6(1) of the Trade Marks Directive**

47. If the Court agrees with my view that the use of a sign in the way described by the national court is in any event not use of a kind which a trade mark proprietor is entitled to prevent under Article 5(1), it will not need to examine the relevance, in the light of Article 6(1), of the circumstance that the use was confined to denoting characteristics of the goods offered for sale.

48. However, should it decide that the use in issue may in principle be prevented under Article 5(1), that aspect will have to be considered.

#### **- Limits on the right to prevent use**

49. I shall postulate therefore for the moment that Article 5(1) applies. In that event the trade mark proprietor would be entitled to prevent use unless there were exhaustion of his rights under Article 7 of the Trade Marks Directive or a limitation of them under Article 6. In the present case, though, the issue of exhaustion is not relevant to the question posed by the national court, and that of limitation is confined to Article 6(1)(b), for indications concerning characteristics of the goods or services.

50. That provision might be thought to be intended primarily to cover a different situation, namely where a trade mark proprietor seeks to prevent competitors from relying on a descriptive term or terms forming part of his trade mark to indicate characteristics of their

goods. (13) However, its wording is in no way specific to such a situation and on a normal reading also covers use of the kind in issue in the present case, where a trade mark having no directly descriptive element is used by a competitor to indicate characteristics shared by the competitor's goods and those sold under the trade mark by the proprietor, where the characteristics are commonly associated with the trade mark.

51. Such circumstances are, as the United Kingdom points out, common in trade. Trader A markets a product under his trade mark, which becomes associated in the public mind with the features of that product. Other traders will develop similar products and must be able to market them freely provided they do not infringe A's intellectual property rights. That will normally be the case as long as they can produce comparable features without infringing any patent A may have and as long as they do not attempt to market their goods under A's trade mark or in a way in which confusion may arise between their goods and A's. Merely pointing out similarities between their goods and A's does not fall within that category, particularly where it is stressed that their goods do not originate from A.

52. In that connection, I do not see any support in Article 6(1)(b) for the French Government's submission that the use must be necessary in order to describe the characteristics if it is to fall within the provision. On the contrary, it might be deduced from the presence of an express condition of necessity in Article 6(1)(c) that the absence of such a condition in Article 6(1)(b) is significant. In any event, the French Government's suggestion at the hearing that Mr Hölterhoff could have described the cuts without using Dr Freiesleben's trade marks seems rather demanding. Those cuts are complex, and the patent claims produced by Dr Freiesleben demonstrate how cumbersome it is to describe them in ordinary language. It does not seem reasonable to impose the rules of a parlour game on sales talks where a simpler form of communication is available - always provided that use of the trade marks cannot and does not entail any confusion between the origin of the goods offered for sale and that of the goods referred to as exemplifying the relevant characteristics.

53. It is in my view again relevant that the disputed terms were used orally, and solely in sales negotiations between two professionals both of whom were fully aware that no claim was being made that the trade marks referred to in any way attached to the goods offered for sale as an indication of their origin. What impression Mr Hölterhoff's words might have made on the garnet-buying public at large is thus not relevant. However, if he had invoiced his garnets as 'Spirit Sun' or had in some other way affixed the name to them in writing so that a subsequent purchaser might have been led to believe that they were covered by the trade mark, or if Ms Haverkamp had herself been liable to be misled, the situation would have been different. In such circumstances, it would be difficult for Mr Hölterhoff to establish that he was merely indicating the characteristics of his goods by reference to the trade-marked goods.

54. In my opinion, therefore, even if Article 5(1) were held to apply, on the facts found Mr Hölterhoff would have been in principle entitled under Article 6(1)(b) to use the terms 'Spirit Sun' and 'Context Cut' to indicate the cut of his own gemstones, which is one of their characteristics.

**- Proviso governing the limits on the right to prevent use**

55. However, Article 6(1) contains an important proviso. Such use escapes prohibition by the trade mark proprietor only if it is in accordance with honest practices in industrial or commercial matters.

56. That proviso, I consider, goes a long way to answer Dr Freiesleben's fears that it might otherwise be impossible to prevent the most blatant piracy. Honest commercial practices do not include pillaging the designs and brand names of another. (14) It may also be relevant to the French Government's concern that use of trade marks for descriptive purposes should be permitted only where such use is necessary to indicate the relevant characteristics. I do not see any justification for such an absolute rule, but cases in which a trader chooses to make use of a competitor's mark rather than a familiar generic alternative may well display features which are not in accordance with honest practices.

57. The precise delimitation of 'honest practices' is of course not given in the Trade Marks Directive. By its very nature, such a concept must allow of a certain flexibility. Its detailed contours may vary from time to time and according to circumstances, and will be determined in part by various rules of law which may themselves change, as well as by changing perceptions of what is acceptable. However, there is a large and clear shared core concept of what constitutes honest conduct in trade, which may be applied by the courts without great difficulty and without any excessive danger of greatly diverging interpretations.

58. In BMW, (15) the Court described the concept as expressing a duty to act fairly in relation to the legitimate interests of the trade mark owner, and the aim as seeking to 'reconcile the fundamental interests of trademark protection with those of free movement of goods and freedom to provide services in the common market in such a way that trade mark rights are able to fulfil their essential role in the system of undistorted competition which the Treaty seeks to establish and maintain'.

59. In addition, some guidance may be offered by Article 10bis of the Paris Convention for the Protection of Industrial Property, (16) referred to in the 12th recital in the preamble to the Trade Marks Directive, since it is the provision from which the phrase 'honest practices in industrial or commercial matters' appears to have been taken. That article defines an act of unfair competition as one which is contrary to such practices. Article 10bis(3) provides:

'The following in particular shall be prohibited:

1. all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;

2. false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;

3. indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.'

60. It would of course be for the national court to determine whether the proviso in Article 6(1) of the Trade Marks Directive was satisfied. In order to do so, it might have to make more extensive findings of fact than those set out in its order for reference. However, two aspects alluded to there might be relevant.

61. First, if Mr Hölterhoff infringed Dr Freiesleben's patents in producing the gems he was offering for sale, (17) then I do not consider that his use of the trade marks in that context can be described as 'in accordance with honest practices'. Second, if Mr Hölterhoff did indeed claim that the 'Spirit Sun' cut had been used from time immemorial and that the rights to it were not held exclusively by Dr Freiesleben, and if those statements were untrue, then again I consider he cannot be said to have acted in accordance with honest practices. In either case, he would not be entitled to rely on Article 6(1)(b) of the Trade Marks Directive.

#### **Conclusion on the Trade Marks Directive**

62. The conclusion I thus reach on the interpretation of the Trade Marks Directive is that Article 5(1) does not entitle a trade mark proprietor to prevent third parties from referring orally to his trade mark when offering their goods for sale if they make it clear that he did not produce those goods and if there can be no question of the mark being perceived in trade, whether at that stage or subsequently, as indicating the origin of the goods offered for sale.

63. However, in other circumstances in which Article 5(1) does give the trade mark proprietor a right to prevent use, that right cannot be exercised if the use is for the purpose of indicating characteristics of the goods in question, unless such use is not in accordance with honest practices in industrial or commercial matters.

#### **Comparative advertising**

64. That conclusion may perhaps be corroborated through a rather different approach.

65. The situation of which Dr Freiesleben complains in the main proceedings has much in common with comparative advertising, albeit not of the kind which usually springs to mind. Comparative advertising is regulated at a Community level by Directive 84/450/EEC (18) as amended by Directive 97/55/EC (19) (I shall refer to the amended directive as 'the Advertising Directive'), which refers to the Trade Marks Directive in its preamble.

66. Before looking at its provisions, however, I would stress first that I am not suggesting that the Trade Marks Directive should be interpreted by reference to the Advertising Directive and second that the relevant provisions of the latter were not in force at the time of the use complained of in the main proceedings.

67. Under Article 2(1) of the Advertising Directive, advertising means 'the making of a representation in any form in connection with a trade, business, craft or profession in order to promote the supply of goods or services ...'. Under Article 2(2a), comparative advertising is 'any advertising which explicitly or by implication identifies a competitor or goods or services offered by a competitor'.

68. Those definitions appear to cover the factual situation found by the national court in the present case. Mr Hölterhoff identified goods offered by Dr Freiesleben, in connection with his trade and in order to promote the supply of his own goods.

69. Under Article 3a(1), such advertising is permitted, as far as the comparison is concerned, where

'(a) it is not misleading ...;

(b) it compares goods or services meeting the same needs or intended for the same purpose;

(c) it objectively compares one or more material, relevant, verifiable and representative features of those goods and services, which may include price;

(d) it does not create confusion in the market place between the advertiser and a competitor or between the advertiser's trade marks, trade names, other distinguishing marks, goods or services and those of a competitor;

(e) it does not discredit or denigrate the trade marks, trade names, other distinguishing marks, goods, services, activities, or circumstances of a competitor;

(f) for products with designation of origin, it relates in each case to products with the same designation;

(g) it does not take unfair advantage of the reputation of a trade mark, trade name or other distinguishing marks of a competitor or of the designation of origin of competing products;

(h) it does not present goods or services as imitations or replicas of goods or services bearing a protected trade mark or trade name'.

70. In accordance with Article 7(2), Member States may not provide more extensive protection against comparative advertising, as far as the comparison is concerned.

71. Those amendments to the Advertising Directive were published on 6 October 1997 and were to be implemented in national law by 23 April 2000. They were thus not in force at the material time in the present case.

72. Had they been in force then, the national court might have had to examine whether Mr Hölterhoff's representations complied with the conditions in Article 3a(1). In this context also, it might perhaps have been required to make more detailed findings of fact for that purpose, but the facts which it has found, as related to the Court, do not appear to fall foul of Article 3a of the Advertising Directive any more or less than they do of the proviso in Article 6(1) of the Trade Marks Directive. The possibility of a concomitant patent infringement or of an untruthful denial of Dr Freiesleben's exclusive right to the trade marks might well be considered to discredit or denigrate those marks, take unfair advantage of their reputation or present goods as imitations or replicas, just as they would fall outside the

concept of ‘honest practices in industrial or commercial matters’.

73. Despite the fact that those rules were not in force at the material time their subsequent enactment is fully consistent with and tends to confirm the interpretation I have proposed of Articles 5(1) and/or 6(1) of the Trade Marks Directive.

74. The Community legislator clearly took the view, when it amended the Advertising Directive to include comparative advertising, that the Trade Marks Directive in no way precluded such advertising.

75. The relevant recitals in the preamble to Directive 97/55 are numbered 13 to 15:

‘... Article 5 of [the Trade Marks Directive] confers exclusive rights on the proprietor of a registered trade mark, including the right to prevent all third parties from using, in the course of trade, any sign which is identical with, or similar to, the trade mark in relation to identical goods or services or even, where appropriate, other goods;

... it may, however, be indispensable, in order to make comparative advertising effective, to identify the goods or services of a competitor, making reference to a trade mark or trade name of which the latter is the proprietor; ... such use of another's trade mark, trade name or other distinguishing marks does not breach this exclusive right in cases where it complies with the conditions laid down by this Directive, the intended target being solely to distinguish between them and thus to highlight differences objectively’.

76. It may further be noted that in their joint statements entered in the minutes of the Council meeting at which the Community Trade Mark Regulation was adopted on 20 December 1993 the Council and the Commission considered that the reference to advertising in Article 9(2)(d) (Article 9(2) of the Trade Mark Regulation is essentially identical to Article 5(3) of the Trade Marks Directive) did not cover the use of a Community trade mark in comparative advertising. Thus, in their view the use of a competitor's trade mark in comparative advertising is not something which can be prohibited by the trade mark owner.

77. Indeed, since Directive 97/55 did not amend the Trade Marks Directive, the latter must have permitted such comparative advertising at the material time in the present case, unless the two directives are incompatible, and I suggest that there is no reason to consider that to be the case.

### Conclusion

78. I am of the opinion that the Court should rule as follows in answer to the question raised by the Oberlandesgericht Düsseldorf:

(1) Article 5(1) of Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks does not entitle a trade mark proprietor to prevent third parties from referring orally to his trade mark when offering their goods for sale if they make it clear that he did not produce those goods and if there can be no question of the mark being perceived in trade, whether at that stage or

subsequently, as indicating the origin of the goods offered for sale.

(2) However, even in other circumstances in which Article 5(1) does give the trade mark proprietor a right to prevent use, Article 6(1) precludes the exercise of that right if the use is for the purpose of indicating characteristics of the goods in question, unless such use is not in accordance with honest practices in industrial or commercial matters.

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1: - Original language: English.

2: - First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks, OJ 1989 L 40, p. 1.

3: - Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark, OJ 1994 L 11, p. 1.

4: - The word ‘rhodolite’ designates a range of red-to-purple-coloured garnets.

5: - It may be noted that, in any event, such uses are not normally ‘in the course of trade’ and thus cannot be prevented under Article 5(1) or (2).

6: - Case C-63/97 BMW [1999] ECR I-905, paragraph 38 of the judgment.

7: - BMW, paragraph 52 of the judgment, and Case C-10/89 CNL-SUCAL v HAG (‘HAG II’) [1990] ECR I-3711, paragraph 14.

8: - This example, and the Commission's change of heart, apparently derive from the submissions made to the Court in Case C-299/99 Philips Electronics, the hearing in which was held on 29 November 2000, after the submissions of written observations in the present case, and which is still pending before the Court.

9: - And the seventh recital in the preamble to the Trade Mark Regulation.

10: - And Article 4 of the Trade Mark Regulation.

11: - See, for example, Case 102/77 Hoffmann-La Roche [1978] ECR 1139, paragraph 7 of the judgment; HAG II, paragraph 14; Joined Cases C-427/93, C-429/93, C-436/93 Bristol-Myers Squibb [1996] ECR I-3457, paragraph 47; Case C-349/95 Loendersloot [1997] ECR I-6227, paragraph 24; and, most recently, Case C-379/97 Upjohn [1999] ECR I-6927, paragraph 16.

12: - At paragraph 38 of the judgment.

13: - See, for example, Joined Cases C-108/97 and C-109/97 Windsurfing Chiemsee [1999] ECR I-2779, in particular at paragraph 28 of the judgment.

14: - See also Article 3a(1)(h) of the Advertising Directive, referred to below in paragraph 69.

15: - At paragraphs 61 and 62 of the judgment.

16: - Of 20 March 1883, as revised at Brussels on 14 December 1900, at Washington on 2 June 1911, at The Hague on 6 November 1925, at London on 2 June 1934, at Lisbon on 31 October 1958, and at Stockholm on 14 July 1967 (United Nations Treaty Series No 11851, vol. 828, pp. 305 to 388).

17: - The question of patent infringement does not appear to be in issue in the national proceedings which gave rise to the order for reference and it might be

thought unlikely that Dr Freiesleben should bring trade mark proceedings if he could establish such an infringement. It is moreover stated that the number of facets on the gems sold to Ms Haverkamp was greater than the number specified in the patent held by Dr Freiesleben. None of those facts, however, entirely precludes a possible patent infringement.

18: - Council Directive 84/450/EEC of 10 September 1984 relating to the approximation of the laws, regulations and administrative provisions of the Member States concerning misleading advertising, OJ 1984 L 250, p. 17.

19: - Directive 97/55/EC of the European Parliament and of the Council of 6 October 1997 amending Directive 84/450/EEC concerning misleading advertising so as to include comparative advertising, OJ 1997 L 290, p. 18.

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