Permitted Use of Identical Trademarks

A registered trademark confers on its owner a number of exclusive rights, the principal ones of which are the right to make exclusive use of the mark in relation to the products or services for which it is registered, and the corresponding right to prevent unauthorized use of the mark in relation to products or services which are identical or similar to the products or services of the trademark owner. Inroads to this general principle do however exist.

The European Court of Justice (ECJ), in its long-awaited Céline case, recently dealt with the issue of which unauthorized uses of identical trademarks are permissible at law.

The dispute in the case under review arose when fashion design company Céline SA, which registered its mark in 1948, discovered a clothes shop in France trading under the name Céline. Céline SA, holder of the word trademark Céline, instituted in the French Court infringement proceedings against Céline Sarl, for having made use of its mark by selling clothing and accessories under the name "Céline.

Before the French national court, Céline SA was successful, receiving damages to the tune of €25,000 and preventing Céline Sarl from use of the mark. Dissatisfied, Céline Sarl appealed on the basis that a company or shop name that carried the same name as the trademark registered by Céline SA, did not constitute unlawful use within the meaning of the Trade Mark Directive, further claiming that it had not affixed the mark to any of the products it sold from its shop.

The French Appeal Court referred the matter to the ECJ for a preliminary ruling. The main question posed to the ECJ by the Appeal Court was whether European Union (EU) trademark law prohibited the adoption by an unauthorized third party of a registered trademark as a company name, trade name or shop sign in the context of a business marketing identical goods.

The Advocate General in its opinion, given before final judgement, essentially concluded that the mere adoption of a company or trade name similar or identical to an existing trademark does not constitute unlawful use within the meaning of the Trademarks Directive. However Advocate General Sharpston argued that any subsequent use of that sign in the course of trade would be likely to constitute trade mark use if the use created the impression of a material link in trade between the owner of the trade mark and the third party goods, in such a way that the use by the third party would likely create confusion between the goods and services in the course of trade of the owner of the trademark and of the third party.

The ECJ's ruling essentially followed the Advocate General's opinion. At the outset the ECJ maintained that the purpose of a company, trade or shop name is not, of itself, to distinguish goods or services, but to designate a business which is being carried on. On the basis of this reasoning, the ECJ concluded that it is only when the company,

trade or shop name is *used* in relation to goods or services that the rights of the trademark owner would be infringed. The uses the Court had in mind were factual and concrete uses, such as affixing the company name to the goods which are marketed or using the company name in such a way as to suggest a link between the sign and the origin of the goods or services. However, the Court held that any mere connection with the goods of the trademark owner is sufficient for a finding of infringement. The Court concluded however that it was for the national court to determine whether the use made by Céline Sarl of the mark was liable to affect the essential function of the registered trademark of Céline SA.

The decision of the ECJ has been greeted with negatively in some quarters, especially by trademark owners' associations that claim that the decision creates inroads to the exclusive rights of trademark owners.

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