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Substantive Trademark Law Harmonization by Means of the WTO Appellate Body and the European Court of Justice: The Case of Trade Name Protection

Gail E. EVANS*

INTRODUCTION

The conclusion of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) in 1994 presaged the advent of a global epoch in trademark rights.¹ Since then, the regulation of international trademark law and its interpretation have undergone unprecedented change. The introduction of the Community Trademark in 1996 may be seen as epitomizing the emergence of an indisputably transnational trademark law throughout the European Union.² While TRIPs is based on principles of territoriality requiring independent trademark applications and actions for the enforcement of rights in each Member State of the World Trade Organization (WTO), the Community Trademark is a unitary mark that eschews national borders. Without replacing the national, territorially based trademarks of Member States, the Community Regulation creates a trademark capable of enforcement throughout the Union. As further evidence of the transnationalization of trademark law,³ we need only consider the continuing centralization of the international system for the registration of marks and the dramatic increase in the number of filings since 2001.⁴ Since the

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¹ Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, Marrakesh Agreement Establishing the World Trade Organization, signed at Marrakesh (Morocco), 15 April 1994 [hereinafter WTO Agreement], Annex IC, Agreement on Trade-Related Aspects of Intellectual Property Rights [hereinafter TRIPs Agreement or TRIPs], reprinted in *The Results of the Uruguay Round of Multilateral Trade Negotiations—The Legal Texts* (Geneva: GATT Secretariat, 1994), pp. 1–19, 365–403.

² Council Regulation No. 40/94 of 20 November 1993 on the Community Trademark (hereinafter CTM Regulation or CTM) set up a unitary system for the registration of trademarks throughout the European Union.

³ Philip Jessup used the term “transnational law” to include all law which regulates actions or events that transcend national frontiers whether public or private international law: Philip C. Jessup, *Diversity and Uniformity in the Law of Nations*, Lecture delivered at the University of Leiden on 20 February 1964, one of a series of lectures arranged by the Dag Hammarskjöld Foundation, 58 *American Journal of International Law* (1964), 341–358.

⁴ In 2006 the World Intellectual Property Organization (WIPO) received a record 36,471 international trademark applications under the Madrid system for the international registration of trademarks. By the end of 2006, there were 471,325 international trademark registrations in force in the international register: WIPO Press Release Geneva, March 15, 2007 WIPO/PR/2007/480, available at: <http://www.wipo.int/pressroom/en/articles/2007/article_0017.html>. For further statistics on international trademark filings see Summary Report for the Year 2006 at: <<http://www.wipo.int/madrid/en/statistics/>>.

accession of the European Communities⁵ to the Madrid Protocol, it is possible to make an international filing by way of the Madrid Agreement or the Madrid Protocol for a combined CTM and simultaneous trademark filings in key markets of North America, the Asia-Pacific and Africa.⁶ It is now therefore possible to describe an “international trademark” as a right that consists of a bundle of national or regional trademark rights.⁷

The problem, however, is that without substantive harmonization, the bundle of rights that comprises the plaintiff’s “international trademark” will only be enforceable in certain territories.⁸ To the extent that TRIPs Article 41 mandates WTO Members to ensure that “effective” procedures are available under their laws, it establishes a global network of “coordinate” national courts to enforce the substantive trademark provisions of the Agreement.⁹ In order to be truly effective the enforcement regime promulgated by TRIPs would need to be based upon substantive harmonization. This is clear because statistical evidence indicates a significant increase in incidents of trademark infringement and “counterfeiting”,¹⁰ despite the fact that domestic trademark laws have been amended in accordance with the mandate of Article 1 of the TRIPs Agreement.¹¹ Without substantive harmonization it is unlikely that courts in the various national jurisdictions will come to analogous conclusions in respect of

⁵ Throughout, primary reference is made to the European Communities (hereinafter European Community or EC) by virtue of their legal personality and competences, it is the EC and its Member States that are party to the WTO. Reference to the European Union (hereinafter EU or Europe) indicates the political entity.

⁶ Two treaties govern the system of international registration of trademarks: the Madrid Agreement concerning the international registration of trademarks (MA) and the Protocol relating to the Madrid Agreement (MP). The total number of contracting parties to the Protocol is 74 and the overall current membership of the Madrid Union is 81 (80 countries plus the European Community). The international registrations system administered by WIPO allows a trademark owner the possibility of having a mark protected in up to 77 countries by filing one application, in one language, with one set of fees, in one currency (Swiss francs). Further see <<http://www.wipo.int/madrid/en>>.

⁷ Filing a CTM via the Madrid Protocol system offers the means of obtaining the registration of trademarks through a single procedure covering over 60 countries on five continents. Since the EC became a party to the Madrid Protocol in October 2004, applicants have been able to use a CTM application or a registered CTM as the basic trademark for an international application in a single procedure.

⁸ The following synopsis provides a snapshot of how the two brewers’ have fared in recent litigation: January 2006, the Austrian Supreme Court ruled that the name “American Bud” did not violate Budvar’s rights. In January 2006, Budvar also failed to retain the name “Budweiser Budvar” for its beer labels in Sweden, after the Court of Appeal found that the names “Budweiser” or “Budweis” could only be used by Anheuser-Busch. Nonetheless, the court ruled that the words “Budvar” and “Budbräu” did not infringe Anheuser-Busch’s rights, and that Budvar could continue to market its beer under the name Budějovický Budvar in Sweden. However, in September 2003, Anheuser-Busch failed to revoke Budvar’s trademarks in Switzerland, where it is prohibited from registering “Bud”. The Federal Commission of Appeal for Intellectual Property Rights upheld a decision of the Federal Institute of Intellectual Property (Case MA-WI 09-10/01) allowing Czech brewer Budějovický Budvar’s oppositions to Anheuser-Busch Inc’s applications to register the terms “Bud” and “American Bud” as trademarks. January 2007: Anheuser-Busch failed to convince the European Court of Human Rights that it had been deprived by Portugal of its right to the peaceful enjoyment of property in its trademark in accordance with Article 1 of Protocol No. 1 (protection of property) of the European Convention on Human Rights: *Anheuser-Busch Inc. v. Portugal* (application No. 73049/01). Outside Europe, Anheuser-Busch holds unchallenged rights to the trademarks “Budweiser” and “Bud” in North and South America and almost all of Asia with the notable exception of South Korea, where Anheuser-Busch lost its trademark battle.

⁹ Part II, Section 2 of the Agreement.

¹⁰ A survey by the International Chamber of Commerce emphasized the need for greater enforcement in order to reduce copyright piracy and trademark counterfeiting: *Global Survey on Counterfeiting & Piracy Survey Findings Report 2007*, available at: <www.iccwbo.org/bascap>. A study carried out by the OECD in 2007 indicated that the volume of counterfeit products in international trade could be up to USD 200 billion: Executive Summary at 13, “The Economic Impact of Counterfeiting and Piracy”, June 2007 at: <<http://www.oecd.org/dataoecd/11/38/38704571.pdf>>.

¹¹ “Members shall give effect to the provisions of this Agreement”.

similar fact patterns. Consequently, despite the obligations of the TRIPs Agreement, trademark enforcement in more than 150 Member States is by no means certain.¹² Thus decentralized, the substantive trademark provisions of TRIPs lack any formal means of reference to a supranational court to coordinate and guide their interpretation. From the rightholder's viewpoint this is not a desirable situation in the global information economy where a trademark is often the sole means for customers to identify a company's products and services. In these circumstances, loss, dilution or infringement of a high-value trademark is highly damaging to business.

Had further consideration been given to the implications of the enforcement regime established by the TRIPs Agreement, the rapprochement of the WTO Appellate Body and the ECJ in promoting the substantive harmonization of trademark law might have been foreseen. Notwithstanding their difference in capacity, the Appellate Body and the ECJ share a common heritage.¹³ Both adjudicatory organs were established at the end of the Second World War to advance the goal of peace through the progressive liberalization of international trade. To this end, the Final Act for the International Trade Organization of 1948 recognized "the determination of the United Nations to create conditions of stability and well-being which are necessary for peaceful relations among nations" and had as its goal "the reduction of tariffs and other barriers to trade and the elimination of discriminatory treatment in international commerce".¹⁴ The preamble to the TRIPs Agreement likewise reflects the historic notion of a *pax mercatoria* "emphasizing the importance of reducing tensions by reaching strengthened commitments to resolve disputes on trade-related intellectual property issues through multilateral procedures". In view of their shared ethos, the Appellate Body and ECJ are finding common cause in their approach to the interpretation of the TRIPs Agreement. The obligation to enforce the provisions of the TRIPs Agreement presents the ECJ with a unique opportunity to drive the substantive harmonization of trademark law throughout Europe and beyond.

It is therefore not unreasonable to consider the ECJ in the role of a coordinating court. Indeed, such an aspiration would be consistent not only with the Court's legal activism,¹⁵ but also with the European Community's regional trade policy and

¹² With regard to enforcement, TRIPs mandates that Members ensure effective action against any act of infringement covered by the Agreement, including provisional and final injunctions. In particular, see Article 50 concerning provisional measures, to the effect that the judicial authorities "shall have the authority to order prompt and effective provisional measures . . . to prevent an infringement of any intellectual property right from occurring", and Article 44 in respect of final injunctions permitting the judicial authorities "to order a party to desist from infringement, *inter alia*, to prevent the entry into channels of commerce in their jurisdiction of imported goods that involve the infringement of an intellectual property right". In respect of WTO membership, the General Council approved Tonga's membership on 27 July 2007. Tonga will become the WTO's 151st member. See at <http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm>.

¹³ Grainne De Burca and Joanne Scott, "The Impact of the WTO on EU Decision-Making", in de Burca and Scott (eds), *The EU and the WTO: Legal and Constitutional Issues* (Oxford and Portland, OR: Hart Publishing, 2003).

¹⁴ Concerning the policy of non-discriminatory trade, see TRIPs Articles 3 and 4 providing respectively national treatment and most-favoured-nation treatment.

¹⁵ Indeed, such an aspiration would be consistent not only with the Court's legal activism, "Karen J. Alter, "The European Union's Legal System and Domestic Policy: Spillover or Backlash? *International Organization*, Volume 54, Issue 3, (2000) 489 at 513 and; case study of *Anheuser-Busch v Budějovický Budvar* *infra* at 1139ff.

associated goal of promoting the global enforcement of intellectual property rights.¹⁶ This article therefore rests on the hypothesis that the trademark jurisprudence of the WTO Appellate Body and ECJ demonstrates a new coherence that may in time constitute a means of realizing the substantive harmonization of trademark law. In the exposition of this argument, the article begins by examining the respective capacities of the Appellate Body and ECJ to pursue substantive trademark law harmonization. Thereafter, the core of the article analyses in depth the roles of the Appellate Body and ECJ in such an enterprise, both as a matter of substantive trademark law and adjudicatory technique. The article concludes by offering an assessment of the character, legitimacy and potential shortcomings of the new transnational trademark law.

I. THE CAPACITY OF THE APPELLATE BODY AND ECJ TO PURSUE SUBSTANTIVE TRADEMARK LAW HARMONIZATION

The creation of the Appellate Body in 1994 set the stage for strengthened harmonization in so far as it provided WTO Members with a permanent tribunal¹⁷ having virtually compulsory jurisdiction to hear disputes arising under the TRIPs Agreement.¹⁸ The Appellate Body functions as court of last resort whose determination of the issues of law covered in a panel report and legal interpretations cannot be challenged.¹⁹ Likewise, the Treaty Establishing the European Community (EC Treaty) accords the ECJ the role of resolving interpretive questions about European treaties and secondary legislation.²⁰

¹⁶ See 'Global Europe: Competing in the World'. Based on this Study, the European Commission compiled a short-list of countries (including, China, ASEAN, South Korea, Mercosur, Chile, Russia and Ukraine) that will be the subject of future enforcement efforts. Further see the European Commission (DG External Trade) survey on intellectual property enforcement in non-EU countries, EC strategy, October 2006, available at: <http://ec.europa.eu/trade/issues/sectoral/intell_property/pr051006_en.htm>. Further regarding EC regional trade policy see preferential trade agreements notified under Article XXIV of the GATT or Article V of the GATS, available at: <http://ec.europa.eu/trade/issues/bilateral/index_en.htm>.

¹⁷ Given the difference in the adjudicatory character of the WTO Appellate Body and the ECJ and for economy of style, the word "tribunal" is used throughout in its ordinary sense, to refer to (1) a body established to settle certain types of dispute (in the case of the WTO Appellate Body) and (2) a court of justice, in the case of the ECJ (*Oxford English Dictionary*).

¹⁸ Article 1 of the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU) mandates that its rules and procedures shall apply to the settlement of disputes brought pursuant to any agreement contained in the WTO Charter. Final Act, Pt. 2, Annex 2, article 17, reprinted in 33 ILM (1994) at 1226-1237. TRIPs contains a complementary provision, Article 64:1 of the TRIPs Agreement mandates the application of "the provisions of articles XXII and XXIII of the GATT 1994 as elaborated and applied by the Dispute Settlement Understanding ... to consultations and the settlement of disputes arising under [the] Agreement".

¹⁹ Thus Article 17.6 of the Dispute Settlement Understanding (DSU) describes the mandate of the Appellate Body.

²⁰ EC Treaty, Section 4, Articles 220-245 Consolidated Version of the Treaty Establishing the European Community, Official Journal C-325, 24 December 2002, available at <http://europa.eu.int/eur-lex/en/treaties/dat/EC_consol.html>. The European Court of Justice was created in 1951 as part of the European Coal and Steel Community (ECSC). The model was the French Conseil d'Etat, an institution that in its judicial function is designed to ensure that the government stays faithful to parliamentary law and does not exceed its authority.

While the Appellate Body and the ECJ are each responsible for the definitive interpretation of international trademark law, the following comparison of the rules regarding the assessment of domestic law by international tribunals shows that their respective capacities to do so vary markedly. The following analysis of the rules that enable each forum to assess the legality of domestic law will highlight the different character of that assessment. The Appellate Body, as a single function interstate forum, may assess domestic law in order to determine whether the Respondent State has complied with its international obligations under the TRIPs Agreement. Such assessment, which is at the legislative level, involves management of the fundamental elements of substantive harmonization, for example identifying the categories of intellectual property subject to the protection of the TRIPs Agreement or determining the extent of the Agreement's temporal application to those categories.

A. APPELLATE BODY RULINGS ON DOMESTIC LAW AS FACTUAL EVIDENCE OF COMPLIANCE

Ipsa facto, the capacity of the Appellate Body to interpret the TRIPs Agreement is limited by its power to review the trademark law of WTO Member States. In this matter, the Appellate Body is guided by DSU Article 11. It instructs adjudicators to make “an objective assessment of the matter at hand, including an objective assessment of the facts of the case and the applicability of and conformity with the relevant covered agreements”. Article 11 reflects the customary standard of review in public international law.²¹ In *India—Patent Protection for Pharmaceutical Products*, the Appellate Body explained the rule as follows:²²

In public international law, an international tribunal may treat municipal law in several ways. Municipal law may serve as evidence of facts and may provide evidence of state practice. However, municipal law may also constitute evidence of compliance or non-compliance with international obligations. . . .

The legitimacy of review is based on the rationale that an examination of the relevant aspects of the municipal law in question is essential to determining whether the respondent has complied with its obligations under the TRIPs Agreement. Thus, in the case of the “Havana Club” trademark, the Appellate Body observed that there was simply no way for the Appellate Body to make a determination without engaging in an examination of US domestic law.²³

Prima facie, the rule that domestic law serves as “evidence of facts” is inconsistent with the Appellate Body mandate under Article 17.6 of the DSU, which limits appeals to “issues of law covered in the panel report and legal interpretations developed by the panel”. If this were indeed the case, the Appellate Body would be bound on appeal by

²¹ *Certain German Interests in Polish Upper Silesia*, the Permanent Court of International Justice, PCIJ, Ser. A., No. 7, 1926; *Serbian Loans*, PCIJ 1929; *Brazilian Loans*, PCIJ 1929.

²² *India—Patent Protection for Pharmaceutical and Agricultural Chemical Products* (“*India—Patents (US)*”), para. 65.

²³ Appellate Body Report, *United States—Section 211 Omnibus Appropriations Act of 1998* (“*HAVANA CLUB*”), WT/DS176/AB/R (WTO 2002), IV. Preliminary Matters: The Scope of Appellate Review.

the Panel's conclusions about the meaning of the domestic law at issue. Consequently, the review is defined as a "legal characterization" to the end that the tribunal's assessment of municipal law is subject to appellate review under DSU Article 17.6. Thus, in the "*Havana Club*" case the Appellate Body determined that it had the capacity to review the Panel's assessment of US domestic law but only to the extent relevant for assessing the meaning of that law.

Notwithstanding the caution of the Appellate Body's approach, it is submitted that the rule of customary international law concerning the review of domestic law constituted practice at a time when treaty-making was not characterized by the quantity and detailed quality of the WTO Agreements. As it stands, therefore, DSU Article 11 provides panels and the Appellate Body with an opportunity to penetrate and if necessary to amend national trademark laws that are found inconsistent. As an adjudicatory forum, it does not have judicial knowledge of domestic laws, nor is it bound by the interpretation given to this law by the courts of the country concerned. So much is evident from the case of the "Havana Club" trademark where, as we shall see, WTO adjudication resulted in the review of US trademark law for its compliance with the substantive provisions of the TRIPs Agreement.

B. CAPACITY OF THE ECJ TO PENETRATE THE JUDICIAL PROCESS

In comparison, as a dual function court, entertaining both public and private suits, the European Court of Justice is able to penetrate directly into the judicial process of the Member States by supplying national courts with the analytical framework, the criteria for analysis and if necessary the elements of that analysis in claims for the enforcement of trademark rights. Thus, in an action for trademark infringement the ECJ is not only able to make rulings of a high order, concerning the interrelationship of trademarks and trade names, but it is also about to rule on the character of trademark use or the significance of consumer confusion.²⁴ The key to substantive trademark law harmonization clearly lies in access to the adjudication of suits brought by private litigants. To this end, the ECJ has vigorously pursued harmonization by means of two chief avenues: first, it has utilized the power of the preliminary reference rule in order to facilitate access to private litigation and, second, despite the need for directives to be implemented in the domestic laws of Member States, it has developed a qualified means of direct effect.

²⁴ As testimony to the broader international significance of the interrelationship of trademarks and trade names, see the opinion of the Advocate-General Sharpston in *SARL Céline v. SA Céline*, Case C-17/06, January 2007: Reference for a preliminary ruling from the Cour d'appel de Nancy and the associated *amicus curiae* brief of the International Trademark Association (INTA), available at: <www.inta.org/downloads/brief_celine.pdf>. Concerning the definition of trade name, the term is used to refer to "any name used by a person to identify his or her business": U.S. Lanham Act 15 U.S.C. §1127.

1. *Rulings on a Reference From National Courts*

The preliminary ruling mechanism within Article 177 (234) of the EC Treaty allows the European Court of Justice to give rulings on Community law on a reference from the national courts of EU Member States. The Court of Justice has jurisdiction to give preliminary rulings concerning:

- (a) the interpretation of this Treaty;
- (b) the validity and interpretation of acts of the institutions of the Community;

Where such a question is raised before any Court or tribunal of a Member State, that Court or tribunal may, if it considers that a decision on the question is necessary to enable it to give judgment, request the Court of Justice to give a ruling thereon.

If there is no appeal or other judicial remedy from its judgment, the national court must request a ruling on the interpretation of a provision of Community law should it consider that a decision on the question is necessary to enable it to give judgment.

2. *Deploying the Principle of Direct Effect*

Article 249 of the EC Treaty is analogous to Article 1 of the TRIPs Agreement in so far as a directive “shall be binding as to the result to be achieved, upon each Member State to which it is addressed, but shall leave to the national authorities the choice of form and methods”.²⁵ Although the express wording of both treaties suggests that private parties cannot rely on rights derived from either Community law or the TRIPs Agreement in national courts, the ECJ has used its jurisdiction to allow directives to have a qualified direct effect.²⁶ By such means private parties have a limited entitlement to rely on rights derived from Community trademark law in national courts, even if that measure has not been implemented by national legislation.

Conversely, in respect of the TRIPs Agreement, the ECJ has adhered to a dualist position, choosing to regard Community law as a separate system from the WTO Agreements. While the substantive provisions of the TRIPs Agreement are to be enforced throughout national courts, individuals, whether natural or legal persons, are

²⁵ Article 249 (Article 189) Treaty Establishing the European Community, Consolidated version, available at: <http://europa.eu.int/eur-lex/en/treaties/dat/ec_consol.pdf>. Concerning the duty to give full effect to Community law against the State and doctrine of State liability, see Cases C-6 and 9/90, *Francovich and Bonifazi v. Italy*, [1991] ECR I-5357; Cases C-46 and 48/93, *Brasserie du Pêcheur SA v. Germany*, and *R. v. Secretary of State for Transport ex parte Factortame Ltd. and others (Factortame III)*, [1996] ECR I-1029, para. 51; Cases C-178, 179, 188-190/94, *Dillenkofer and others v. Germany*, [1996] ECR I-4845, para. 23; see also the duty to interpret national legislation so as to fulfil directives: *Marleasing* Case C-106/89, *Marleasing*, 1990 ECR I-4135. See, further, TRIPs Article 1, which provides that in giving “effect to the provisions of this Agreement” Members “shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice”.

²⁶ Concerning the direct effect of directives, see Case 41/74 *Van Duyn v. Home Office* [1974] ECR 1337; *Pubblico Ministero v. Tullio Ratti*, Case 148/78 [1979]; *Faccini Dori v. Recreb Srl* (Case C-91/92) [1995]. The central argument is that if directives are binding then the possibility of relying on them directly before national courts cannot be ruled out. Thus each provision must be examined in its context to see whether the obligation imposed is sufficiently clear and exact to be capable of being applied directly by a national court.

nonetheless unable to rely directly on the rights created by the Agreement. Consequently, to the extent that Article 16 of the TRIPs Agreement confers certain exclusive rights on trademark owners, it does not do so directly, without an act of implementation by the Community. The question of the direct effect of the TRIPs Agreement was raised by the plaintiff US brewer Anheuser-Busch Inc. before the Grand Chamber of the ECJ on 6 November 2004.²⁷ Once again, the ECJ affirmed the supremacy of European trademark law, ruling that the TRIPs Agreement is not such as to create rights upon which individuals may rely directly before the courts by virtue of Community law.²⁸ Notwithstanding its lack of direct effect, the TRIPs Agreement continues to have a significant impact upon the harmonization of European trademark law. The following analysis of *Anheuser-Busch v. Budějovický Budvar* shows how, in areas such as trade name protection where the Community has not legislated, the ECJ invokes the TRIPs Agreement and Appellate Body jurisprudence as authority for its ruling.

The relationship between the ECJ and the courts of Community Members indicates that the existence of a mechanism for preliminary reference has provided the means of increasing the substantive harmonization of domestic law. Without a means of reference from the national courts of WTO Members, the Appellate Body lacks the same opportunity to provide guidance as to the interpretation of the TRIPs Agreement. In the decade since TRIPs came into force, there have been remarkably few trademark cases.²⁹ While respondent States cannot refuse the establishment of a panel, only Members States have standing to bring a complaint.³⁰ Apprehension of the political consequences and the impact on international relations undoubtedly constitutes one of the chief obstacles to further harmonization. In contrast, the ECJ is able to rely on an expansive interpretation of the preliminary ruling mechanism to advance the pace of harmonization throughout the European Union. The capacity of the Appellate Body and the ECJ to examine national laws for their conformity with the Trademark Directive and the TRIPs Agreement enables the substantive harmonization of trademark law that is exemplified by the case of trade name protection that is examined in section III.

²⁷ *Anheuser-Busch Inc. v. Budějovický Budvar, Národní Podnik*, Case C-245/0216 November 2004.

²⁸ See, to that effect, Joined Cases C-300/98 and C-392/98 *Dior and Others* [2000] ECR I-11307, paras 42–45.

²⁹ There have been even fewer cases involving developing countries, *Indonesia—Auto* being the only exception. See Panel Report, *Indonesia—Certain Measures Affecting the Automobile Industry*, WTO, 2 July 1998, Wt/ds54/r, Wt/ds55/r, Wt/ds59/r, Wt/ds64/r.

³⁰ In contrast, the European Commission performs the role of a “prosecuting authority”. It enforces the Treaty through an infringement procedure (Article 169, Article 226 EC Treaty) that allows the Commission to bring a State before the ECJ for non-compliance.

II. DEPLOYING THE RULES OF INTERPRETATION AS AN INSTRUMENT OF SUBSTANTIVE HARMONIZATION

As mediated by the ECJ, the relationship between the TRIPs Agreement and the EC Trademark Directive is ambivalent.³¹ On the one hand, the Agreement does not have direct effect within the Community legal system. On the other hand, the case study of trade name protection will show how the Court invokes the authority of the TRIPs Agreement to pursue trademark law harmonization in areas where the Community has not yet legislated. The latter development prompts us to inquire as to where the ECJ derives its authority to interpret the substantive provisions of the TRIPs Agreement? In the case of the national courts of WTO Members the question would not arise. Once the provisions of the TRIPs Agreement have been implemented, their interpretation and application are chiefly a matter for the corpus of national jurisprudence. Thus, Justice Bryson, for the US Court of Appeals in *Re Rath*,³² explained that the application of the Paris Convention³³ was a question of the consistency or inconsistency with national legislation.³⁴

It is submitted however that the ECJ, as an international court, is able to draw upon the EC membership of the WTO in order to interpret the TRIPs Agreement in a manner that will promote the substantive harmonization of trademark law beyond the current confines of the European Union. The EC is a WTO Member in its own right, and as such it is a party to the TRIPs Agreement. In accordance with Article 1, the EC is under an obligation to implement the provisions of the TRIPs Agreement within the Community “legal system and practice”. Consequently, the Court’s reference to the trademark jurisprudence of the Appellate Body is justified in accordance with the logic of Article 1 to the effect that the three levels of law, international, Community and national law, should be implemented and interpreted with consistency. The Court is therefore able to assert its authority to interpret the TRIPs Agreement on behalf of Member States, who are, in their own right, also WTO Members and parties to the TRIPs Agreement. As the highest court in the Community legal order, the ECJ is in a unique position to interpret the trademark provisions of the Agreement in a manner that will promote their substantive harmonization throughout the courts of Member States.

³¹ First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trademarks.

³² *Re Rath*, 402 F.3d 1207 (Fed. Cir. 2005).

³³ The Paris Convention for the Protection of Industrial Property As Revised at Stockholm in 1967; available at: <www.wipo.int/treaties/en/ip/paris/trtdocs_wo020.html>.

³⁴ “I would decide this case on the ground upheld by the Board and argued by the government: that the Paris Convention and the ‘primarily merely a surname’ rule are not inconsistent” (at 25). The Lanham Act explicitly adopts the requirements of the Paris Convention, and the statutory bars to registration allowed by the Paris Convention were congruent with the bars to registration created by the Lanham Act. See Stephen P. Ladas, *Patents, Trademarks and Related Rights, National and International Protection* (1975), § 572: “The reasons for which registration is denied on the principal register are those for which, under Article 6 *quinquies* of the Paris Convention, a contracting party may refuse a mark even though it is registered in the country of origin.”

A. THE JURISDICTION OF THE ECJ TO INTERPRET THE TRIPS AGREEMENT

According to its ruling in *Dior*,³⁵ the ECJ has jurisdiction to interpret the provisions of the TRIPs Agreement when the courts of Member States are called upon to apply and interpret national law where the Community has legislated and the Agreement applies. In *Anheuser-Busch Inc. v. Budějovický Budvar*, the Court affirmed that:³⁶

... the relevant provisions of the national trade-mark law must be applied and interpreted, as far as possible, in the light of the wording and purpose of the relevant provisions of both Directive 89/104 and the TRIPs Agreement.

This ruling as to the hierarchy of trademark law, begs the question as to how national courts are to approach the ordering of measures, in those cases where the Community has not legislated. This was precisely the novel question that arose in the case of *Anheuser-Busch Inc. v. Budějovický Budvar* in respect of trade name protection. The trademark provisions of the TRIPs Agreement relate to a field in which the Community has adopted legislation and which therefore falls within the scope of Community law.³⁷ By contrast, the Community has not, as yet, adopted legislation relating to trade names. Consequently, in *Anheuser-Busch*, the Supreme Court of Finland asked the ECJ whether third party use of an identical or similar trade name might be regarded as use of an unauthorized sign for the purposes of TRIPs Article 16. The Court drew upon its membership of the WTO to affirm the Community's obligation to interpret its trademark law, in the light of the wording and purpose of the TRIPs Agreement.

B. A TELEOLOGICAL APPROACH TO INTERPRETATION ALLOWS FLEXIBILITY TO "FIND" THE LAW

The international rules concerning the interpretation of treaties and the way in which they are applied by the Appellate Body and the ECJ, allow considerable flexibility in the interpretation of the TRIPs Agreement. Pursuant to TRIPs Article 64 adjudicators must interpret the Agreement in accordance with the Vienna Convention on the Law of Treaties 1969.³⁸ Consistently, Article 3.2 of the WTO Dispute Settlement Understanding directs panels to interpret the TRIPs provisions "in accordance with customary rules of interpretation of public international law", as

³⁵ *Parfums Christian Dior v. Tuk Consultancy*, [2000] ECR I-11307.

³⁶ *Anheuser-Busch Inc. v. Budějovický Budvar, Národní Podnik*, Case C-245/0216 November 2004, ECJ Judgment of the court (grand chamber): in, reference for a preliminary ruling under Article 234 EC from the Korkein Oikeus (Finland), made by decision of 3 July 2002, at para. 57.

³⁷ See First Directive 89/104/EEC of the Council, of 21 December 1988, to Approximate the Laws of the Member States Relating to Trademarks (OJ L 40 of 11.2.1989, p. 1); Article 249 EC para. 3; Case C-218/01 *Henkel*, [2004] ECR I-0000, para. 60.

³⁸ The Convention entered into force on 27 January 1980, in accordance with Article 84(1): *United Nations Treaty Series*, vol. 1155, p. 331, available at: <<http://fletcher.tufts.edu/multi/texts/BH538.txt>>.

embodied in the Vienna Convention. Both tribunals have a common approach to the application of these rules, in so far as it embodies a teleological approach to the interpretation of the TRIPs Agreement. Such an approach involves two key assumptions that adjudicators rely upon to explain and justify their findings. The first is the assumption that meaning inheres in the legislative text and that, a good part of the time, such meaning is plain, clear or unambiguous. This is consistent with Article 31 of the Vienna Convention, that a treaty must be interpreted in “good faith in light of (i) the ordinary meaning of its terms, (ii) the context and (iii) its objects and purpose”.

The second assumption is that the interpretation of the terms of the treaty should seek to follow its object and purpose. This assumes that the negotiators have intentions when they draft treaties or directives and that these intentions are knowable by adjudicators when called on to interpret legislation. Article 32 of the Convention, entitled, “Supplementary means of interpretation”, defines what is meant by the “context of the treaty” and what other elements must be taken into account within the context including: the *travaux préparatoires*, any “subsequent practice in the application of the treaty establishing the understanding of the Parties as to its interpretation, and any relevant rules of international law”.³⁹ The following case-studies reveal the flexibility with which the rules of interpretation allow the Appellate Body and the ECJ to declare the law and in so doing to attain its supremacy.⁴⁰

III. TWO CASE STUDIES: TRANSNATIONAL LITIGANTS AS CATALYSTS FOR SUBSTANTIVE HARMONIZATION

The facts of our case-studies illustrate how, since the end of the cold war, competition for the lucrative markets of Europe and the United States has driven transnational corporations to litigate to shape the law of trademarks in a way which will protect their established markets and facilitate market entry on a global scale.

A. THE “HAVANA CLUB” CASE

In the first dispute, concerning the “Havana Club” trademark, the Arechabala family had owned Havana Club distilleries until the business was nationalized during the Cuban revolution of 1959. In 1997, Bacardi Ltd, a Bermuda company with US subsidiaries, bought the original rights from the Arechabala family and began to sell rum in the United States under the “Havana Club” trademark. The complainant, Pernod

³⁹ In general, the PCIJ and the ICJ refused to resort to preparatory work if the text was sufficiently clear. On occasions the Court used preparatory work to confirm a conclusion reached by other means: *Qatar v. Bahrain*. Brownlie cautions that “preparatory work is an aid to be employed with discretion, since its use may detract from the textual approach, and, particularly in the case of multilateral agreements, the records of conference proceedings, treaty drafts and so on may be confused or inconclusive”. I Brownlie, *Principles of Public International Law* (4th edn, Oxford: Clarendon Press, 1990), p. 630.

⁴⁰ Karen J. Alter, *Establishing the Supremacy of European Law: The Making of an International Rule of Law in Europe* (Oxford: Clarendon Press, 2001), pp. 2–3.

Ricard SA, a French company and one of the world's largest spirit makers, held trademark rights to the mark "Havana Club" in at least 180 countries. When the collapse of the Soviet bloc forced Cuba to look for Western investors, Pernod Ricard entered into a joint venture with the Cuban government to make "Havana Club" rum under the name of Havana Club Holdings.

The fate of the mark at issue is no less colourful. At the time the Arechabala family business was confiscated, "Havana Club" had been registered as a trademark in the United States. In 1973, having escaped to exile in Spain, the Arechabala family allowed the US trademark for "Havana Club" to lapse, thereby allowing Pernod Ricard to claim that they had abandoned their trademark rights. Pernod Ricard sued Bacardi for both trademark and trade name infringement but its suit failed. In February 2000, the US Court of Appeals for the Second Circuit held that the joint venture had no legal right to the use of the "Havana Club" trademark in the United States, and also that it was prohibited from recognizing any assertion of treaty rights with regard to the trade name.⁴¹

The US law at issue, irreverently known as the "Bacardi Bill", is entitled Section 211 of the Omnibus Appropriations Act 1998.⁴² In accordance with the trade embargo it prevented the United States from accepting payment for trademark registrations and renewals from Cuban or foreign nationals that were used in connection with a business or assets in Cuba that were confiscated unless the original owner of the trademark has "expressly consented".

Section 211 applies to a defined category of trademarks, trade names and commercial names, specifically to those trademarks, trade names and commercial names that are the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated by the Cuban government on or after 1 January 1959. Thus Section 211(a)(1) provides:

No transaction or payment is authorized or approved pursuant to paragraph (a)(1) of this section with respect to a mark, trade name, or commercial name that is the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated, as that term is defined in section 515.336, unless the original owner of the mark, trade name, or commercial name, or the bona fide successor in-interest has expressly consented.

As the Appellate Body observes, the effect of Section 211 and the Cuban Assets Control Regulations (CACR) is to render "inapplicable to a defined category of trademark and trade names certain aspects of trademark and trade name protection that are otherwise guaranteed in the trademark and trade name law of the United States", under both the Lanham Act and common law.

⁴¹ The US Court of Appeals for the Second Circuit affirmed the district court: *Havana Club Holdings S.A. v. Galleon, S.A.*, 203 F.3d 116 (2d Cir. 2000) and; *Havana Club Holdings, S.A. v. Galleon, S.A.*, 62 F. Supp. 2d 1085 (S.D.N.Y. 1999).

⁴² Section 211 of Omnibus Appropriations Act (Section 211 of Division A, title II, P.L. 105-277, 21 October 1998) (henceforth Section 211.)

Having exhausted local remedies, Pernod Ricard asked the European Community to plead its case before the WTO on the ground that, contrary to the TRIPs Agreement, Section 211 of the Omnibus Appropriations Act discriminated against certain foreign trademarks. In a ruling issued in January 2002, the WTO Appellate Body upheld the US claim that Section 211 deals with the ownership of a defined category of trademarks and trade names as distinct from substantive trademark rights to registration or enforcement. However, in response to the claim of the EC, Section 211 was found to be discriminatory in application and as such contrary to the principles of national treatment and most-favoured-nation treatment as provided in Articles 3 and 4 of the TRIPs Agreement. For the purposes of this case-study, it is relevant to note that in so finding the Appellate Body reversed the Panel's finding that trade names are not subject to the TRIPs Agreement. As a result of the finding, WTO Members have an obligation under TRIPs to protect trade names and to ensure equal treatment of trade name holders without discrimination as to the nationality of the rightholder.

B. *ANHEUSER-BUSCH INC. V. BUDĚJOVICKÝ BUDVAR*

The trademarks and trade names at the centre of our second case-study, those of rival brewers Budějovický Budvar of Czechoslovakia and Anheuser-Busch of the United States, similarly reflect the tumultuous economic and political changes of the 20th century. The town of České Budějovice was founded by King Premisl Otakar II in 1265. The current brewery was founded in 1895. The disagreements over the right to use the trademark "Budweiser" started in the late 1870s, when the brewers began to export their like-named products to markets beyond their national borders. Although their dispute has been taken to courts in different countries, the results of their respective suits for trademark infringement have not given either party the exclusive right to the name, but resulted instead in a division of world markets.

Anheuser-Busch Inc. sued for trademark infringement in Finland. The plaintiff was the proprietor in Finland of the "Budweiser" family of trademarks, including "Bud" and "Budweiser King of Beers", which designate beer and were registered between 5 June 1985 and 5 August 1992. The first application for registration was for the mark "Budweiser" and was filed on 24 October 1980. While the defendant Budvar had once been the owner in Finland of the trademarks "Budvar" and "Budweiser Budvar", which designate beer and were registered on 21 May 1962 and 13 November 1972 respectively, those rights had been forfeited as a result of the company's failure to use the marks.

By an action brought before the Helsinki District Court on 11 October 1996, Anheuser-Busch sought to prevent Budvar from continuing or recommencing the use in Finland of the trademarks "Budějovický Budvar", "Budweiser Budvar", "Budweiser", "Budweis", "Budvar", "Bud" and "Budweiser Budbrau" as signs for the marketing and sale of beer produced by Budvar. In addition, the plaintiff sought an

order that all labels contrary to that injunction should be removed and that Budvar pay damages for trademark infringement. Anheuser-Busch argued that the signs used by Budvar could be confused, within the meaning of the *Tavaramerkkilaki*,⁴³ with its trademarks since those signs and trademarks designate identical or similar types of goods. By the same suit, Anheuser-Busch sought a further order prohibiting Budvar from using in Finland, the trade names “Budějovický Budvar, národní podnik”, “Budweiser Budvar”, “Budweiser Budvar, national enterprise”, “Budweiser Budvar, Entreprise nationale” and “Budweiser Budvar, National Corporation”, on the ground that those names were liable to be confused with its trademarks.

The defendant, Budějovický Budvar, counterclaimed that it was entitled to use its trade names that had been duly registered in Czechoslovakia on 1 February 1967. Budvar submitted that the signs used in Finland to market its beer could not be confused with Anheuser-Busch’s trademarks. It also submitted that, with respect to the sign “Budweiser Budvar”, the registration of its trade name in Czech, English and French conferred on it, pursuant to Article 8 of the Paris Convention, a right in Finland earlier than that conferred by Anheuser-Busch’s trademarks and; that the earlier right was therefore protected under that article.

In consideration of these case-studies, section IV will examine the process of substantive trademark law harmonization as pursued by the WTO Appellate Body and the ECJ.

IV. THE PROTECTION OF TRADE NAMES IN ACCORDANCE WITH APPELLATE BODY AND ECJ JURISPRUDENCE

While trade names are a class of *trade indicia* that appear to have been largely overlooked as an element of brand management, transnational business is increasingly finding that the goodwill attaching to the company’s name may constitute a decided competitive advantage. In practice, there is considerable overlap between trademarks and trade names, to the extent that the name under which a company trades will frequently qualify for trademark protection.⁴⁴ Independently of questions of trademark protection, however, the name of a company or trade name may possess a goodwill that the courts will protect by means of unfair competition law or passing off.⁴⁵

If defendant Budějovický Budvar were to rely on trade name protection, the question was whether trade names were protected as a distinct category of intellectual

⁴³ *Tavaramerkkilaki* para. 4.1 provides: “The right to use a sign for a product under Paragraphs 1 to 3 of this law means that no one other than its proprietor may use commercially as a sign for his products a sign liable to be confused therewith, on the product or its packaging, in advertising or business documents or otherwise, including also use by word of mouth”: Law on Trademarks (7/1964) of 10 January 1964.

⁴⁴ See Kerly, in T.A. Blanco White and Robin Jacob (eds), *Law of Trademarks and Trade Names* (11th edn, London: Sweet & Maxwell, 1983), p. 360.

⁴⁵ In the UK, for example, the complainant may bring an action for passing off whenever the defendant company’s name is calculated to deceive, and so to divert business from the claimant, or to cause confusion between the two businesses: *Office Cleaning v. Westminster*, (1946) 63 R.P.C. 39 at 42, HL.

property for the purposes of the TRIPs Agreement. As incorporated within that Agreement, Article 8 of the Paris Convention provides: “A trade name shall be protected in all the countries of the Union without the obligation of filing or registration, whether or not it forms part of a trademark.”⁴⁶

The implementation of Article 8 requires state A not only to protect trade names registered or established by use in that state but also foreign trade names which have been registered in state B of the Paris Union, provided they are sufficiently well known in the relevant trade circles of state A.

Consistently, under the Finnish Law on trademarks, the *bona fide* use of a trade name may provide a defence to an action for trademark infringement:⁴⁷

Any person may use, in the course of his trade, his name, address or trade name as a trade symbol for his products unless use of that symbol might give rise to confusion with the protected trademark of a third party or with a name, address or trade name lawfully used by a third party in his trading activities.

Nonetheless, in courts throughout the European Union, there remained some uncertainty as to whether the defence should apply not only in respect of the name of a natural person but also that of a company or business name. Thus, in *Scandecor Development AB v. Scandecor Marketing*,⁴⁸ the House of Lords observed that the inclusion of company names in the ambit of the defence represented the “better view”, nonetheless holding that the matter was not *acte clair*.⁴⁹

Indeed, Article 6 of the EC Trademark Directive refers only to a trademark owner not having the right to prohibit a third party from using, in the course of trade “his own name or address”.⁵⁰ Moreover, at the time the Trademark Directive was adopted, the Council and the Commission issued a joint declaration, that the term “his own name” applied only in respect of natural persons’ names. Consequently, when the defendant Budvar sought to rely on the defence that it was doing no more than using its own name, the Supreme Court of Finland decided to refer the question to the ECJ.⁵¹

⁴⁶ Article 8 of the Paris Convention for the Protection of Industrial Property of 20 March 1883, as last revised at Stockholm on 14 July 1967, (*United Nations Treaty Series*, Vol. 828, No. 11847, p. 108) (henceforth “the Paris Convention”).

⁴⁷ Tavaramerkkilaki (Law on Trademarks) (7/1964) of 10 January 1964 (“the Tavaramerkkilaki”), para. 3.1.

⁴⁸ [2001] 2 C.M.L.R. 30. Similarly see *Asprey & Garrard v. WRA (Guns)* [2002] F.S.R. 310 at p. 487, CA; *WebSphere Trade Mark*, [2004] EWHC 529 (Ch); [2004] F.S.R. 39 at paras 37–38. In *Scandecor*, the House of Lords referred the question to the ECJ, but as the case subsequently settled, the matter remained unresolved.

⁴⁹ The Council of the European Union and the Commission of the European Communities issued a joint declaration, which was recorded in the minutes of the Council when Directive 89/104 was adopted, that that provision covers only natural persons’ names. Such a declaration is without prejudice to the interpretation of that text by the Court of Justice of the European Communities (also see to that effect, *Heidelberger Bauchemie*, para. 17; *Antonissen* [1991] E.C.R. I-745; *Bautiaa and Société Française Maritime* [1996] E.C.R. I-505). Under the UK Trademarks Act 1938, s. 8, protection extended to the use by a company of its registered name: *Parker-Knoll v. Knoll International* [1961] R.P.C. 346, CA; [1962] R.P.C. 265, HL.

⁵⁰ Article 6, First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trademarks (OJ 1989 L 40, p. 1). “Name” is not restricted in the text.

⁵¹ In the case of a company the use of its own “name” will include its full corporate name and the name by which it is known to its customers that is to say omitting such words at the end of the name as “Limited”, “Corporation”, “Incorporated” or other words or letters indicating corporate status: *Reed Executive Plc Ors v. Reed Business Information Ltd Ors* [2004] EWCA Civ 159 (3 March 2004), [2004] R.P.C. 40 at para. 115; *WebSphere Trade Mark* [2004] EWHC 529 (Ch); [2004] F.S.R. 39 at para. 39.

A. THE TEMPORAL APPLICATION OF TRIPS TO INTELLECTUAL PROPERTY DISPUTES

Harmonization begins with the application of the TRIPs Agreement to the subject matter in dispute and the resulting mandate to bring domestic law into conformity with its provisions. Accordingly, the following analysis shows how the Appellate Body and the ECJ may be seen as jointly managing the higher order elements of harmonization by interpreting the Agreement to endorse its broad temporal application. Recall that while defendant Budvar sought to rely on the *bona fide* use of its trade name,⁵² the trade name in question had been registered in Czechoslovakia in 1967.⁵³ This raised a threshold question as to the application of the TRIPs Agreement in cases where the subject matter in dispute was created prior to the entry into force of the Agreement. The starting point in this matter is TRIPs Article 70.2, which deals with the protection of subject-matter existing on the applicable date of the TRIPs Agreement.⁵⁴ It provides that the Agreement:

... gives rise to obligations in respect of all subject matter existing at the date of application of this Agreement for the Member in question, and which is protected in that Member on the said date, or which meets or comes subsequently to meet the criteria for protection under the terms of this Agreement.

However, this does not answer the question with respect to the reference point for acts that allegedly constitute violations of the TRIPs Agreement. *Prima facie*, Article 28 of the Vienna Convention on the Law of Treaties contains a rule regarding the non-retroactivity of treaties in respect of “any act or fact which took place or any situation which ceased to exist before the date of the entry into force of the treaty with respect to that party”. The retroactivity rule appears to have been included in TRIPs Article 70.1, which stipulates that the “Agreement does not give rise to obligations in respect of ‘acts’ which occurred prior to the date of application of the Agreement”. Clearly, if TRIPs were inapplicable in respect of “any act” that took place prior to the date of its entry in force, this would prove a severe limitation on the transnational enforcement of intellectual property rights. A suitably discriminating interpretation of Article 70 would be called for if the Agreement was to fulfil its aim of “effective and adequate protection of intellectual property rights”.

⁵² Under para. 2(1) of the Toiminimilaki (Law on trade names) (128/1979) of 2 February 1979, the exclusive right to use a trade name is acquired either by registering that name or by establishing it through use. Para. 2(3) of the Toiminimilaki provides: “A trade name is regarded as having been established by use where it is generally well known by the public targeted by the activity of the economic operator.”

⁵³ It was registered in Czech (“Budějovický Budvar, národní podnik”), English (“Budweiser Budvar, National Corporation”) and French (“Budweiser Budvar, Entreprise nationale”). Budvar was, moreover, the proprietor in Finland of the trademarks Budvar and Budweiser Budvar, which designate beer and were registered on 21 May 1962 and 13 November 1972 respectively, but the Finnish courts declared that it had forfeited those rights as a result of a failure to use the trademarks.

⁵⁴ For all developed Members, the TRIPs Agreement was to be in effect from 1 January 1996. For developing countries and economies in transition from central planning did not have to apply most provisions of the TRIPs Agreement until 1 January 2000; the exception involves the provisions that deal with non-discrimination: Article 65.2 and 65.3. The operative date for least-developed countries was extended (30 November 2005, pursuant to Article 66.1) to 1 July 2013, or to the date a country is no longer “least-developed”, if that is earlier.

1. *According to the Appellate Body*

Four years after the Agreement came into force, the Appellate Body was asked to respond to the question of the temporal applicability of TRIPs in the case of *Canada—Term of Patent Protection*.⁵⁵ The United States alleged that the term of patent protection provided in Canada's Patent Act was inconsistent with Canada's obligations under Articles 33 and 70 of the TRIPs Agreement. First, in respect of "subject matter existing . . . which is protected" the Appellate Body construed the clause to refer not only to a continuing situation in respect of protected inventions but also in respect of the rights attached to them. The Appellate Body justified its interpretation by declining a cumulative interpretation of Article 70.1 and 70.2 in favour of the reference in Article 28 of the Vienna Convention to "any situation which ceased to exist" before the date of the entry into force of the treaty. By means of contrary inference, the Appellate Body concluded that if the situation has not ceased to exist, then the treaty must apply. Absent a contrary intention, treaty obligations apply to any "situation" which has not ceased to exist—that is, to any situation that arose in the past, but continues to exist under the new treaty. Therefore, TRIPs applies to existing rights, even when those rights result from "acts which occurred" before the treaty entered into force.⁵⁶ Consequently, TRIPs will be applicable in so far as the infringement of intellectual property rights continues beyond the date on which the Agreement becomes applicable in the State where the infringement occurs.

2. *According to the ECJ*

When the question of the temporal application of TRIPs came before the ECJ in the case of *Schieving-Nijstad*,⁵⁷ the Court came up with an even more discerning interpretation and one that actively addresses the textual limitations of Article 70.1. On 9 January 1996, the Assen District Court in the Netherlands issued an interim injunction ordering defendant Schieving-Nijstad to stop using the "Route 66" trademarks. Subsequently, however, plaintiff Groeneveld failed to initiate proceedings on the merits of the case. On appeal therefore, the defendant sought to invoke Article 50(6) of the TRIPs Agreement to the effect that provisional measures shall cease to have effect, if proceedings leading to a decision on the merits of the case are not initiated within a reasonable period. On reference from the Supreme Court of the Netherlands, the ECJ found that even if the alleged trademark infringement arose before 1 January 1996, this does not necessarily mean that the "act" "occurred" prior to

⁵⁵ See Appellate Body Report, *Canada—Term of Patent Protection*, 18 September 2000, DS170, WT/DS170/AB/R.

⁵⁶ Article 28 of the Vienna Convention covers not only any "act", but also any "fact" or "situation which ceased to exist". This interpretation is confirmed by the Commentary on Article 28, which forms part of the preparatory work of the Vienna Convention.

⁵⁷ See Case C-89/99 *Schieving-Nijstad and Others*, [2001] ECR I-5851 paras 49 and 50. The Supreme Court of Finland followed this authority.

the date of application of the TRIPs Agreement. In circumstances where the alleged “act” continues up to the date on which the Court’s ruling is given, and if that ruling occurs after the date of application of the TRIPs Agreement—then the relevant provision of the Agreement is applicable to the settlement of the dispute.⁵⁸ The Court’s interpretation is based on the reasoning that where the alleged infringement is continuing on the date of the entry into force of TRIPs, the substantive situation can be regarded as pending. As a result, the Supreme Court of the Netherlands was required to take into account the TRIPs Agreement, which had entered into force after the close of the proceedings but prior to the delivery of the ruling. The broad interpretation given to TRIPs Article 70 by the Appellate Body and the ECJ significantly strengthens the protection of trademarks and commercial designations. Because of this ruling, parties claiming trade name infringement can take advantage of the Appellate Body ruling in respect of the application of Article 16. Thus, in favour of defendant Budějovický Budvar,⁵⁹ the ECJ concluded that it had jurisdiction because the case was one to which the TRIPs Agreement could be applied, that Agreement being in force in the EC on 1 January 1996.

In addition to the issue of the Agreement’s applicability, the Supreme Court of Finland wished to know how TRIPs applies where the question is one of priority in respect of trademarks and trade names. In other words, where the conflict between trademark and the allegedly infringing sign arose prior to the entry into force of the Agreement and continues after that date, whether the provisions of the TRIPs Agreement apply to the question of which right has the earlier legal basis. Consistently with its decision in *Schieving-Nijstad*, the ECJ found that the TRIPs Agreement applies in the event of a conflict between a trademark and a sign alleged to infringe that trademark where that conflict arose before the date of application of the TRIPs Agreement but continued beyond that date. The only qualification to the breadth of temporal application of TRIPs is the possibility under 70.4 for Members to tailor remedies for the “act” in question according to the specific objects embodying protected subject-matter to provide for limitations of the remedies available to the holder of the right against continued performance of such acts after the date of application of the TRIPs Agreement to the territory of the WTO Member concerned.

B. THE APPELLATE BODY INCORPORATES TRADE NAMES WITHIN TRIPS

In the “*Havana Club*” case, a curiously prescient claim by the European Communities concerning the protection of trade names, presented the Appellate Body with the opportunity to acquire authority for identifying the categories of intellectual property subject to the TRIPs Agreement. The EC argued that trade names are a

⁵⁸ Case C-53/96, *Hermès v. FHT*, [1998] ECR I-3603; Joined Cases C-300 and 392/98, *Parfums Christian Dior v. Tuk Consultancy*, [2000] ECR I-11307; Case C-89/99, *Schieving-Nijstad vof and Others v. Robert Groeneveld*, [2001] ECR I-5851.

⁵⁹ Case C-245/02, Judgment of the Court (Grand Chamber) 6 November 2004.

category of intellectual property that should be protected under the trademark provisions of the TRIPs Agreement. The Panel however declined to do so. The Panel interpreted the term “intellectual property” to refer to all categories of intellectual property that are the subject of Sections 1 through 7 of Part II as if that phrase read “intellectual property means those categories of intellectual property appearing in the titles of Sections 1 through 7 of Part II”. In the absence of their specific reference, this interpretation would have excluded trade names from the TRIPs Agreement and from the ambit of its enforcement provisions.⁶⁰

However, drawing upon the purposive approach to treaty interpretation, the Appellate Body took the view that intellectual property rights should not be limited in this way. It found that the Panel’s interpretation ignored the plain meaning of Article 1.2, in so far as it failed to take into account that the phrase “the subject of Sections 1 through 7 of Part II” of the Agreement deals not only with the categories of intellectual property indicated in each section title, but with other subjects as well. In order to justify the notion of including “other subjects of intellectual property” the Appellate Body looked first to evidence of the potential breadth of intellectual property rights in the TRIPs Agreement. In justification it drew widely, seeking evidence in a reference to *sui generis* protection for plant inventions in Article 27(3)(b). In a second, more oblique purposive reference, the Appellate Body invoked the redundancy rule to argue consequentially that, to adopt the Panel’s approach would be to deprive Article 8 of the Paris Convention (1967), as incorporated in TRIPs Article 2.1,⁶¹ of meaning and effect.

Having rendered its own view of negotiators’ intention respecting the categories of intellectual property covered by the Agreement, the Appellate Body could do no more than reject reference to the negotiating history of Article 1.2 of the TRIPs Agreement. For the purposes of Article 32 of the Vienna Convention, it found that the negotiating history of the Agreement did not confirm the Panel’s interpretation of Articles 1.2 and 2.1. The rejection was based on a lack of specific reference in the records as to the inclusion of trade names in the TRIPs Agreement. On this basis the Appellate Body reversed the Panel’s finding that trade names were not covered under the TRIPs Agreement⁶² to conclude that WTO Members have an obligation to provide protection to trade names.

While the Appellate Body identified trade names as a category of intellectual property subject to TRIPs, the claims of the State Parties did not permit analysis of the substantive aspects of protection. The following section will show how the ECJ subsequently pursues the substantive elements of harmonization by undertaking the task of calibrating the scope of trademark rights in relation to trade names.

⁶⁰ Article 41.1 of the TRIPs Agreement mandates that WTO Members make available the enforcement procedures listed in the Agreement “so as to permit effective action against any act of infringement of intellectual property rights” covered by the Agreement.

⁶¹ By virtue of Article 2.1.

⁶² Panel Report, para. 8.41.

C. THE ECJ INTERPRETS THE SCOPE OF EXCLUSIVE RIGHTS PURSUANT TO TRIPS

The ECJ proceeds with the interpretation of TRIPs Article 16 by simultaneously invoking the trademark jurisprudence of both the Community and that of the WTO. Concerning the conditions under which the use of a trade name may be regarded as an infringing sign for the purposes of TRIPs Article 16(1), the court affirms the approach taken traditionally by national courts. Its first step is to inquire whether the trade name is being used as a trademark; that is, to distinguish the goods or services of the defendant or simply as the business name of the firm. Article 5(5) of the Directive reflects the absence of harmonization with respect to unfair competition law.⁶³ It 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 trademark.

Consequently, where the sign being a trade name is not used for the purposes of distinguishing goods or services, it is necessary to refer to national law to determine the extent and nature, if any, of the protection afforded to owners of trademarks who claim to be suffering damage as a result of use of that sign as a trade name or company name. An action under unfair competition law or for passing off will be available wherever the defendant company's name is calculated to deceive and so to divert business from plaintiff to defendant or to occasion confusion between the two businesses. Consistently with this position the ECJ in *Robelco NV and Robeco Groep NV*⁶⁴ held that Article 5(5) of the Directive must be interpreted to mean that a Member State may protect a trademark against 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 trademark.

The *Anheuser-Busch* case gave the ECJ the opportunity to advance the Appellate Body's analysis with respect to the scope of trademark rights and their interrelationship with trade names.⁶⁵ The ECJ begins by asserting that the exercise of trademark rights is reserved to cases in which a third party's use of the sign affects or is liable to affect the functions of the trademark. It then invokes Community jurisprudence concerning the mark's "essential function". In *HAG II*, the Court held that to determine the effect of the trademark right account must be taken of its essential function, which is "to give

⁶³ The sixth recital in the preamble states that the Harmonization Directive 89/104 does not exclude the application of provisions of law of the Member States other than trademark law, such as laws relating to unfair competition, civil liability or consumer protection, available at: <<http://oami.europa.eu/en/mark/aspects/direc/direc.htm>>.

⁶⁴ Case C-23/01, 21 November 2002, ECJ (Sixth Chamber) on the interpretation of Article 5(5) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trademarks (OJ 1989 L 40, p. 1).

⁶⁵ Concerning the principles of subsidiarity and proportionality as general principles of Community law, see Article 5, Treaty Establishing the European Community: "In areas which do not fall within its exclusive competence, the Community shall take action, in accordance with the principle of subsidiarity ..." and "Any action by the Community shall not go beyond what is necessary to achieve the objectives of this Treaty".

consumers a guarantee of the identity of origin of the marked products, thereby preventing confusion". In *Arsenal v. Reed*⁶⁶ the court enlarged on the character of the mark's "essential function". The plaintiff's claim for trademark infringement was brought on the basis of the exclusive right under Article 5(1)(a) of the Directive.⁶⁷ In that case the Court found that the essential function of the mark was jeopardized because the defendant's sale of unauthorized club merchandise gave the impression that there was a material link between the goods and plaintiff Arsenal Football Club, despite the presence of a disclaimer at the point of sale. The possibility of some degree of post sale confusion on the part of consumers, even a relatively small number, was sufficient to jeopardize the function of the mark as a guarantee of origin.

For the ECJ in *Arsenal*, the relevant question was not whether the use was "trademark use" but whether this was liable to jeopardize the guarantee of origin that constitutes the essential function of the mark.⁶⁸ The positive finding of the Court rested on the rationale that use of the defendant's sign would deprive the mark of its distinctive character, because it would no longer be capable of guaranteeing origin.⁶⁹

In principle at least, the ECJ's conclusion that the defendant's use jeopardized the primary function of the mark did not conflict with the conclusion of the English High Court that Reed's use was not use in a trademark sense.⁷⁰ On the contrary, the UK Court of Appeal considered that Reed's use of the marks did in fact constitute a "trademark use". Needless to say, the relatively indeterminate boundary between the two tests of infringement has occasioned considerable controversy.⁷¹

In view of the degree of uncertainty surrounding the definition of trademark use in *Arsenal*, it appears all the more remarkable that the ECJ should so clearly seek to incorporate Community jurisprudence regarding Article 5 of the Directive with the exclusive rights conferred on the trademark owner in TRIPs Article 16 as follows:⁷²

A trade name may constitute a sign within the meaning of the first sentence of Article 16(1) of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). That provision is intended to confer on the proprietor of a trademark the exclusive right to prevent a third party from using such a sign if the use in question prejudices or is liable to

⁶⁶ *Arsenal Football Club plc v. Matthew Reed*, Judgment of the Court, 12 November 2002 Case C-206/01: Reference to the Court under Article 234 EC by the High Court of Justice of England and Wales, Chancery Division, for a preliminary ruling in the proceedings pending before that court on the interpretation of Article 5(1)(a) of the First Council Directive 89/104/EEC of 21 December 1988, at para. 54.

⁶⁷ "The registered trademark 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: any sign which is identical with the trademark in relation to goods or services which are identical with those for which the trademark is registered."

⁶⁸ *Arsenal Football Club plc v. Reed* [2003] EWCA Civ 696, Court of Appeal, per Aldous LJ, at para. 27.

⁶⁹ *Arsenal Football Club plc v. Matthew Reed*, Judgment of the Court, 12 November 2002 Case C-206/01, at para. 36.

⁷⁰ Concerning the concept of trademark use, see G.E. Evans, "TRIPS and Trade Mark Use", in J. Phillips and I. Simon (eds), *Trade Mark Use* (Oxford: Oxford University Press, 2005), pp. 279-311.

⁷¹ Christopher Wadlow, *One More Outing For Arsenal: A Case Of Dilution Or One For Restitution?*, *Journal of Intellectual Property Law & Practice* 1 (2006), pp. 143-147; Robert Sumroy and Carina Badger, "Infringing Use in the Course of Trade: Trademark Use and the Essential Function of the Trademark", in Phillips and Simon (eds), *Trade Mark Use*, *ibid.*, p. 164.

⁷² *Anheuser-Busch Inc. v. Budějovický Budvar, Národní Podnik*, Case C-245/0216 November 2004, at para. 85.

prejudice the functions of the trademark, in particular its essential function of guaranteeing to consumers the origin of the goods.

Equally remarkable is the Court's ensuing elaboration of *Arsenal* with reference to Article 15 of the TRIPs Agreement concerning protectable subject-matter. Article 15 provides that any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, is to be capable of constituting a trademark. The Court simply incorporates Article 2 of Directive to complete its interpretation of the trademark's function as follows:

Thus, like Article 2 of Directive 89/104, Article 15 of the TRIPS Agreement lays down a guarantee of origin which is the essential function of a trademark (see, with respect to that directive, *inter alia*, *Arsenal Football Club*, paragraph 49).

D. THE ECJ DETERMINES THE INTERRELATIONSHIP OF TRADEMARKS AND TRADE NAMES

The ECJ's definition of trademark use, as informed by the mark's essential function, considerably broadens the scope of trademark rights. *Prima facie*, plaintiff Anheuser-Busch could successfully sue for trademark infringement since Budvar's trade name was clearly being used as a distinguishing sign.⁷³ The fact that in this case the allegedly infringing sign was a trade name gave the ECJ the opportunity to calibrate the substantive scope of the trade name rights, including their priority in relation to those of the plaintiff trademark owner.

However, as trade name protection constitutes an area in which the Community has not legislated in order to strengthen the legitimacy of the exercise the ECJ invokes the authority of TRIPs and Appellate Body jurisprudence. Hence the Court provides the following advice to Member States concerning the nature of trade names as a distinct category of intellectual property, whose protection is mandated pursuant to the Agreement:

It should be observed that a trade name is a right falling within the scope of the term "intellectual property" within the meaning of Article 1(2) of the TRIPS Agreement. Moreover, it follows from Article 2(1) of the TRIPS Agreement that the protection of trade names, for which specific provision is made in Article 8 of the Paris Convention, is expressly incorporated into that agreement. Therefore, by virtue of the TRIPS Agreement, the members of the WTO are under an obligation to protect trade names (see also the Report of the WTO Appellate Body, United States—Section 211 of the Omnibus Appropriations Act, cited above, paras 326–341).

Since defendant Budvar had forfeited its Finnish trademark rights,⁷⁴ the first question was whether its trade name, used on its labelling for beer, could be considered

⁷³ See, to that effect, Case C-292/00 *Davidoff* [2003] ECR I-389, para. 28, and Case C-291/00 *LTI Diffusion* [2003] ECR I-2799, paras 48 and 49. In the event of the identity of the unauthorized sign and the trademark and of the goods or services, the protection conferred by Article 5(1)(a) of Directive 89/104 is absolute, whereas, in the situation provided for in Article 5(1)(b), the plaintiff must also prove that there is a likelihood of confusion on the part of the public because the unauthorized sign and trademark and the designated goods or services are identical or similar. Similarly, see Article 16 TRIPs.

⁷⁴ Budvar was the proprietor in Finland of the trademarks "Budvar" and "Budweiser Budvar", which designate beer and were registered on 21 May 1962 and 13 November 1972 respectively, but the Finnish courts declared that it had forfeited those rights as a result of a failure to use the trademarks.

an “existing prior right” within the meaning of Article 16(1) of the TRIPs Agreement.⁷⁵ To this end the question was whether the basis for the trade name right concerned had arisen at a time prior to the grant of the trademark with which it is alleged to conflict. In fact, Budvar registered its trade name in the Czechoslovakian commercial register on 1 February 1967. Registration of the trade name predated the registration of Anheuser-Busch’s trademarks in Finland.⁷⁶ As far as the first condition laid down in Article 16(1), the defendant possessed an existing right in the trade name falling within the temporal scope, and following the Appellate Body’s decision, subject to the substantive provisions of the TRIPs Agreement.⁷⁷ Pursuant therefore to Article 8 of the Paris Convention as incorporated the defendant’s trade name was protected in Finland without the obligation of filing or registration, whether or not it formed part of a trademark.

Prima facie, the Court’s ruling would result in the plaintiff’s trademarks having to coexist with defendant’s use of an identical or similar trade name in respect of the market for beer in Finland. Nor can such use be prohibited by virtue of the plaintiff’s earlier registered marks having priority over the trade name. In a reversal of the rule of territoriality, if the trade name is registered in its home state A then it has priority in state B if the trade name owner has established a minimum of sufficient goodwill and reputation in that territory. Nonetheless, undoubtedly concerned as to the degree its activism tends to privilege trade names, by way of limitation, the Court’s reading of Article 8 does not preclude Member States laying down conditions relating to minimum use or minimum awareness of the trade name in their territory.

E. THE ECJ FINDS TRADE NAMES AN EXCEPTION UNDER TRIPS ARTICLE 17

Having answered the questions on reference, the Court nevertheless pursues the entire scoping of trade name rights, by examining the potential impact of TRIPs Agreement Article 17, which allows WTO Members to provide for limited exceptions to the rights conferred by a trademark as follows:

Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties.

The ECJ begins by posing a question of its own as to whether the “own name defence” may extend to corporate names? This analysis shows the ECJ drawing upon the authority of Community trademark law and jurisprudence, to conclude that the Directive similarly permits such an exception. In this respect, Article 6(1)(a) provides:

⁷⁵ With respect to the application of Article 8 as incorporated in TRIPs there was no question that Budvar’s trade name possessed a right falling within the substantive and temporal scope of that agreement.

⁷⁶ See above p. 1140.

⁷⁷ Pursuant to TRIPs Article 70(2).

The trademark shall not entitle the proprietor to prohibit a third party from using, in the course of trade,
 (a) his own name or address; . . .
 provided he uses them in accordance with honest practices in industrial or commercial matters.

Invoking the canons of interpretation, the Court applies the *ejusdem generis* rule to the effect that where general words follow an enumeration of specific items, the general words must be read as applying to items of the same kind. Since company names are of the same class, its application permits the limitation of trademark rights to prohibit the use of not only personal names but also trade names. The potential application of the exception is further broadened by reference to Community trademark jurisprudence concerning the interpretation of the proviso.

1. *Honest Practice in Industrial or Commercial Matters*

In the case of *Bayerische Motorenwerke (BMW)*, the ECJ set out the test as to whether the use was in accordance with honest practice.⁷⁸ In that case the Court held that the latter condition constitutes a duty to act fairly in relation to the legitimate interests of the trademark owner.⁷⁹ In assessing “honest practice”, national courts must take into account, first, the extent to which the use of the third party’s trade name is understood by the relevant public, as indicating a link between the third party’s goods and the trademark owner and, second, the extent to which the third party ought to have been aware of that link.⁸⁰ A third factor to be taken into account is whether the trademark concerned enjoys a certain reputation in the Member State in which it is registered and where its protection is sought—a reputation from which the third party might profit in marketing its goods. In the case of BMW where the defendant’s business was the second-hand sale and repair of BMW cars, “honest practice” meant avoiding any suggestion that the business remained affiliated to the BMW dealer network. In retrospect, BMW appears to have been the thin end of the wedge.

In *Gerolsteiner Brunnen GmbH & Co. v. Putsch GmbH*,⁸¹ the ECJ further broadened the scope of “honest practice” for the purposes of the derogation in Article 6 of the Harmonization Directive. The case concerned the use of the words “KERRY Spring” on mineral water bottles, which might be in conflict with the mark “GERRI” for products of the same description. The defendant argued that the prominent display of

⁷⁸ *BMW*, Case C-63/97 of 23 February 1999, ECJ, para. 61. In respect of Article 6(1)(c) of the Directive in which it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts use of a trademark to advertise to the public the repair and maintenance of products covered, such a use does not constitute further commercialization for the purposes of Article 7 of the directive, but use indicating the intended purpose of the service within the meaning of Article 6(1)(c).

⁷⁹ *BMW*, Case C-63/97 of 23 February 1999, ECJ, para. 61; *Gerolsteiner Brunnen*, Case C-100/02, ECJ, 2004, para. 24.

⁸⁰ *Anheuser-Busch Inc. v. Budějovický Budvar, Národní Podnik*, Case C-245/0216 November 2004, at para. 83.

⁸¹ *Gerolsteiner Brunnen GmbH & Co. v. Putsch GmbH*, Case C-100/02, 7 January 2004, paras 25 and 26. Further, see G.E. Evans and M. Blakeney, *The Protection of Geographical Indications after Doha: Quo Vadis?*, 9 *Journal of International Economic Law* 3 (2006), 594.

“KERRY Spring” on the product was justified under Article 6(b) of the Harmonization Directive,⁸² because the water came from a source in County Kerry, Ireland.

The ECJ found that an indication of geographical origin is used in accordance with honest practices in industrial or commercial matters, if the defendant has acted fairly in relation to the legitimate interests of the trademark owner. The fact that there exists a likelihood of confusion between a word mark registered in one Member State and an indication of geographical origin from another Member State, is insufficient to conclude that the use of that indication in the course of trade is not in accordance with honest practices. Likewise, the ability to escape liability for infringement depends on whether the use is in accordance with honest practices and not whether the indication is being used as a trademark.⁸³

2. *Discounting Consumer Confusion in Favour of Free Movement*

Citing *Gerolsteiner*, the Court seamlessly incorporates the reading of “honest practice” for the purposes of Community Law with the injunction in TRIPs Article 17 to consider the legitimate interests of the trademark owner as follows:

The condition of “honest practice” is, in essence, an expression of the duty to act fairly in relation to the legitimate interests of the trademark proprietor . . . It is therefore essentially the same condition as that laid down by Article 17 of the TRIPs Agreement.

Subsequently, the ECJ justifies its interpretation of the limitation on the rights conferred by a trademark with reference to the foundational principles of the EC Treaty as follows:⁸⁴

Article 6 seeks 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 trademark rights are able to fulfil their essential role in the system of undistorted competition which the Treaty seeks to establish and maintain.

The difficulty in so doing is that it risks conflating the general purpose of the regulatory intent and institutional background of TRIPs and the EC Directive. The Court’s test resembles Article 17 in so far as it involves a consideration of the legitimate interests of the trademark owner. Article 17 contemplates a balancing of interests that is broader and in keeping with the decentralized institutional framework of the WTO. To incorporate the jurisprudence of Article 6 within a reading of Article 17 is to potentially remove the greater national discretion of WTO Members in respect of public policy

⁸² Article 6(1)(b) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trademarks.

⁸³ It is for the national court to carry out an overall assessment of all the relevant circumstances to determine whether the producer of the product bearing an indication of geographical origin is unfairly competing with the proprietor of the trademark. Further concerning the scope of Article 6 and the concept of trademark use see Opinion from Advocate General Colomer in Case C-48/05 *Adam Opel AG v. Autec AG*, March 2006.

⁸⁴ See, in particular, *HAG II*, para. 13; *BMW*, Case C-63/97 of 23 February 1999, ECJ, para. 62; *Anheuser-Busch Inc. v. Budějovický Budvar, Národní Podnik*, Case C-245/0216 at para.16.

goals. The Court's reading of Article 6 of the Directive is strongly informed by the imperative of the free movement of goods.⁸⁵ As a matter of trademark theory, *Gerolsteiner* is again instructive, since the breadth of the derogation in that case is justified not with reference to the mark as an indicator of source or quality but to that of the common market and the free movement of goods.⁸⁶ Taken to its limits such logic would no longer allow consumers to seek, or to avoid, particular sources of products or services. The question is how much confusion is needed to remove the defendant's use of its trade name from the sphere of honest practice? Presumably, as the UK Court of Appeal pointed out in *Reed Executive Plc*⁸⁷ significant actual deception would be needed since the proviso is almost identical in wording to Article 10 *bis* (2) of the Paris Convention concerning unfair competition.

V. SUBSTANTIVE TRADEMARK LAW HARMONIZATION AND THE LEGITIMACY OF JUDICIAL ACTIVISM

In the case-study concerning the international protection of trade names we saw the WTO adjudicatory organs and the ECJ exercising some remarkable judicial activism. As the Appellate Body points out, the incorporation of trade names as a category of intellectual property subject to the TRIPs Agreement, means that trade names are not only subject to the obligation in Article 41.1 requiring Members make available the enforcement procedures listed in the Agreement, but also to the principles of non-discrimination contained in the obligations concerning national treatment and most-favoured-nation treatment.⁸⁸

The particularly marked activism of the ECJ is exemplified by the inclusion of trade names as a possible exception to the exclusive rights of the trademark owner. When we compare the approaches of the WTO Appellate Body and the ECJ, we find a noticeable contrast in the character of their justification for their "continuing the

⁸⁵ The ideology of free trade may come into conflict with that of the individual trademark owner's right to the peaceful enjoyment of property: Council Regulation (EC) No. 40/94 of 20 December 1993 on the Community trademark (CTMR) Article 24; UK Trademarks Act, s. 22. In *Anheuser-Busch Inc. v. Portugal*, the applicant company complained of an infringement of its right to the peaceful enjoyment of its possessions in accordance with Article 1 of Protocol No. 1 (protection of property) to the European Convention on Human Rights. The question for the Court was whether the decision of the Supreme Court of Portugal to apply the provisions of the Bilateral Agreement of 1986 to an application for registration filed in 1981 could amount to interference with the applicant company's right to the peaceful enjoyment of its possessions. Having characterized the complaint as one concerned with the manner in which national courts interpreted domestic law in proceedings between two claimants to the same name, the Grand Chamber found no basis on which to conclude that the decision of the Supreme Court was affected by arbitrariness or that it was otherwise manifestly unreasonable. Consequently, it found no violation of Protocol No. 1, Article 1: (application No. 73049/01) January 2007.

⁸⁶ An idea associated with the thinking of classical economists such as Adam Smith who emphasized the advantages of free trade policies for the improvement of living standards and the promotion of economic growth: Adam Smith, *The Wealth of Nations* (1776).

⁸⁷ *Reed Executive Plc Ors v. Reed Business Information Ltd Ors* [2004] EWCA Civ 159 (3 March 2004), [2004] R.P.C. 40 at para. 115.

⁸⁸ TRIPs Articles 3 and 4. Further, see G.E.. Evans, *The Principle of National Treatment and the International Protection of Industrial Property*, 18 *European Intellectual Property Review* 3 (1996), 149–160.

analysis” beyond what is strictly necessary in order to respond to the claims of litigants. In *Havana Club*, the Appellate Body explained the rule and set out the arguments of the State parties at some length, prior to giving reasons for its decision to proceed with the analysis concerning the application of Section 211 to trade names. Recall that the Appellate Body derives its power to review the national trademark law of Members from DSU Article 11 and the rule of international law that municipal laws are merely facts that express the will of the State. The authority of the Appellate Body in continuing its analysis is also derived from this rule. All that was needed therefore to pursue the matter of trade name protection was for the Appellate Body to decide that there were sufficient undisputed facts. While the United States submitted that there were insufficient factual findings by the Panel about trade name protection under US law for the Appellate Body to undertake an analysis, the EC demurred and the Appellate Body agreed. Setting out its reasons the Appellate Body found that the Panel record contained a sufficient factual basis to proceed since: (a) both trademark and trade names were subject to Section 211;⁸⁹ (b) the parties agreed that the TRIPs Agreement incorporates an obligation to protect trade names pursuant to the Paris Convention and; (c) both participants refer to protection of trade names as well as trademarks throughout their original submissions to the Panel.

In contrast, in the absence of any specific question from the Supreme Court of Finland, in *Anheuser-Busch* the ECJ justifies “completing the analysis” of trade name protection by referring to its responsibility to provide the national court with all the elements of interpretation of Community law that may be of assistance in adjudicating the case.⁹⁰ The comparative confidence of the ECJ in the authority of the preliminary ruling mechanism rests on the success with which the Court has deployed it to establish the supremacy of Community trademark law. The more cautious approach of the Appellate Body may be linked to its greater concern for the constitutional foundations upon which it would derive the authority to proceed with an analysis of trade name protection. The less certain foundation of the rule from which the Appellate Body derives its authority for the assessment of domestic law might prompt debate as the legitimacy of substantive harmonization.

In fact, the legitimacy of judicial activism has long tested the minds of jurists. Sir William Blackstone claimed that the judge’s role is to determine the law “according to the known laws and customs of the land”. The judge is “not delegated to pronounce a new law, but to maintain and expound the old one”.⁹¹ If judges merely find and apply authoritative law, and their interpretations are derived from the plain meaning of the legal text, their decisions presumptively carry the authority of the law they are applying. So it is that, in the instant the Appellate Body determines to be declaratory of the law, it calls upon the canon of interpretation that is known as the “plain meaning” rule. The

⁸⁹ Section 211(a)(2) and (b); see Article 2.1; Article 3.1; Article 4 and; Article 42 of the TRIPs Agreement in conjunction with Article 2(1) and; Article 8 of the Paris Convention.

⁹⁰ See Case C-456/02 *Trojani* [2004] ECR I-0000, para. 38.

⁹¹ Blackstone, at 69. Cf *Marbury v. Madison*, 5 US (1 Cranch) 137, 177 (1803).

claim that the meaning is clear serves to lend legitimacy to the rationale that the reading is determined by the fixed meaning of the text. Given the divergence of opinion between the Panel and Appellate Body we see that there is no fixed meaning, and even if there were, courts are not bound by it.

Nevertheless, in the respect of the activism of the Appellate Body and the ECJ, the case studies reveal that adjudicators' approach to the interpretation of the law, pursuant to the rules of the Vienna Convention, is critical both to the legitimacy and management of substantive harmonization. The following analysis therefore seeks to identify those interpretive techniques that may be considered common to their joint enterprise and characteristic of their newfound coherence.

A. USE OF THE "PLAIN MEANING" RULE AS DECLARATORY OF LAWMAKING

In the case of the "Havana Club" trademark, it will be recalled that the EC claimed that Section 211⁹² was discriminatory not only in respect of trademarks of Cuban origin but also trade names. As trade names are not expressly protected in the TRIPs Agreement, this raised the question as to whether they were protected by means of the incorporation of Article 8 of the Paris Convention. When it reversed the Panel's decision regarding the incorporation of trade names within the TRIPs Agreement, the Appellate Body did so on the basis that the Panel's interpretation of the Agreement was contrary to the plain meaning of the words and was therefore not in accordance with the customary rules of interpretation prescribed in Article 31 of the Vienna Convention on the Law of Treaties. Employing this interpretive canon, the Appellate Body simply declared that it did "not believe" that the Panel's interpretation of Article 1.2 could be reconciled with the plain words of Article 2.1, since that Article "explicitly incorporates Article 8 of the Paris Convention (1967) into the TRIPs Agreement".

Adjudicators may pair the plain meaning rule with the redundancy rule to create the inference that the meaning was fixed once and for all at the moment law-makers drafted the treaty and that it cannot subsequently change. In the following extract, we can observe the Appellate Body doing so in order to lend greater legitimacy to the incorporation of trade names:

If the intention of the negotiators had been to exclude trade names from protection, there would have been no purpose whatsoever in including Article 8 in the list of Paris Convention (1967) provisions that were specifically incorporated into the TRIPs Agreement. To adopt the Panel's approach would be to deprive Article 8 of the Paris Convention (1967), as incorporated into the TRIPs Agreement by virtue of Article 2.1 of that Agreement, of any and all meaning and effect.

⁹² Appellate Body Report, *Re 211 United States—Section 211 Omnibus Appropriations Act of 1998, 2002, United States—Section 211 Omnibus Appropriations Act of 1998 ("Havana Club")*, WT/DS176/AB/R (WTO 2002).

Similarly, we can observe the ECJ adopting the teleological approach to the interpretation of the TRIPs Agreement in *Anheuser-Busch Inc. v. Budějovický Budvar*. In order to construe Article 16 in light of the purpose of the TRIPs Agreement, the Court refers to the leading paragraph of the Preamble. That paragraph expresses the purpose of the agreement as one that aims to “reduce distortions and impediments to international trade” by “taking into account the need to promote effective and adequate protection of intellectual property rights”, while at the same time ensuring that “measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade”.⁹³ The Court then characterizes the intent of Article 16 in this light, holding that it provides registered trademark owners with a minimum international standard of exclusive rights that all WTO Members “must guarantee in their domestic legislation”.⁹⁴

All the more significantly, proceeding to interpret Article 16 in light of the purpose of the TRIPs Agreement, the Court explains the text utilizing the terminology of Community trademark law as follows:⁹⁵

... the exercise of the exclusive right conferred on the proprietor of the trademark to prevent the use of the sign of which that mark consists or of a sign similar to that mark must be reserved to cases in which a third party's use of the sign prejudices or is liable to prejudice the functions of the trademark, in particular its essential function of guaranteeing to consumers the origin of the goods.

Of course, this process in itself might be simply considered analogous to the reception of international law by a national court, were it not for the fact that the position and function of the ECJ as an international tribunal give its findings far greater authority.

B. USE OF THE “SUPPLEMENTARY MATERIAL” RULE TO ACHIEVE SUPREMACY

Article 32 of the Vienna Convention on the Interpretation of Treaties contains a “supplementary means of interpretation”. These case studies reveal that this rule may provide the Appellate Body or the ECJ with the technical means to set aside extraneous materials, where they are considered to be either ambiguous or lacking the necessary authority or specific reference to the subject-matter at issue. Thus in “Havana Club” trademark, the Appellate Body found that the passages quoted by the Panel from the negotiating history of Article 1.2 were inconclusive for their lack of specific reference to trade names. In order to clear the ground for its interpretation, the Appellate Body dismissed the negotiating history as in no way decisive of the issue as to whether the TRIPs Agreement covers trade names. Similarly, in *Anheuser-Busch*, the ECJ deployed the rule to set aside a joint executive declaration of the European Commission and

⁹³ Referred to in para. 66 of this judgment. See *Schieving-Nijstad* above.

⁹⁴ See also Appellate Body Report, issued on 2 January 2002, *United States—Section 211 of the Omnibus Appropriations Act* (AB-2001-7) WT/DS/176/AB/R, para. 186.

⁹⁵ *Anheuser-Busch Inc. v. Budějovický Budvar, Národní Podnik*, Case C-245/0216 November 2004, para. 71.

Council of the European Union as non-binding on the basis that no reference was made in its content to the specific wording of Article 6(1)(a) of the Directive. The Court concludes in favour of the inclusion of company names based on the “ordinary meaning” of “name”, a term that includes company names as belonging to “the same kind, class, or nature”. The Court’s positive application of the “plain meaning rule” required no consideration of the reasons that might have prompted the joint declaration. Although trademarks and trade names differ with regard to the subjects they are intended to distinguish, there is often a close association of common elements between a company name and a trademark as the “Budweiser” case clearly demonstrates. These common characteristics are likely to be even more pronounced in the case of service marks where the difference between a trademark designating specific services and the trade name designating the company providing them may be hardly distinguishable for the average consumer.⁹⁶

VI. EVALUATING THE CHARACTER AND LEGITIMACY OF SUBSTANTIVE TRADEMARK LAW HARMONIZATION

We have identified the elements of interpretive technique that are common to the Appellate Body and the ECJ as they engage in jointly construing the trademark provisions of the TRIPs Agreement. Nonetheless, the extent to which this new coherence is actually capable of realizing the substantive harmonization of trademark law will depend upon the standing of their jurisprudence before the global network of national courts. We therefore begin by considering the extent to which the courts of WTO Member States believe themselves bound to follow the rulings of the Appellate Body concerning the interpretation of the trademark provisions of TRIPs. Thereafter, we will inquire as to the influence of the European Court’s trademark jurisprudence beyond the immediate confines of the Community.

A. THE AUTHORITY OF APPELLATE BODY AND ECJ JURISPRUDENCE

1. *Appellate Body Case Law*

Article 19.2 of the Dispute Settlement Understanding states that Panels and Appellate Body “cannot add to or diminish the rights and obligations provided in the

⁹⁶ Regarding the average consumer, see Case C-342/97, *Lloyd Schuhfabrik Meyer & Co. GmbH v. Klijsen Handel BV* [1999] ECR I-3830, para. 26: “For the purposes of that global appreciation, the average consumer of the category of products concerned is deemed to be reasonably well informed and reasonably observant and circumspect.” C.f. the position in Germany regarding the breadth of the “own name” defence; § 16 WZG, as in the UK Act of 1938, the limitation clause in the previous German Trademark Act referred to trade names as well as to personal names. Over time, the German courts narrowed the scope of that limitation clause to the effect that only trade names including the personal name of the owner were held to be entitled to the privilege: Annette Kur, *Trade names – a Class of Signs “more equal” than others?*, IPRinfo Magazine (2004), available at: <www.iprinfo.fi/page.php?page_id=53&action=articleDetails&a_id=280&id=22>.

covered agreements”. This direction as to the lack of lawmaking capacity on the part of WTO adjudicators is consistent with the sources of international law as they are enumerated in Article 38 of the Statute of the International Court of Justice. Judicial decisions are described in Article 38 as a subsidiary means for the determination of law. Thus, when a dispute arises between States with regard to a matter regulated by treaty, the parties’ adjudicators should apply, in the first instance, the provisions of the treaty in question. In addition, Article 59 of the Statute states that decisions of the International Court of Justice have no binding force except between the parties to the case in question.⁹⁷

While the international legal system is technically without the formal doctrine of binding precedent, as a matter of practice, the legal reality is otherwise. Treaty-making power may reside with Members’ elected governments, in practice “judicial activism” is as much a part of, and as necessary to the dialectic of legal interpretation at the level of international tribunals as it is at the national level. To conclude otherwise is to ignore the practical effect that a WTO Panel or Appellate Body decision may have on the development of trademark law. This is certainly borne out by the impact of Appellate Body jurisprudence in “*Havana Club*” on the protection of trade names in Europe.

2. *ECJ Case Law*

As the judicial institution of the Community responsible for the definitive interpretation of trademark law, decisions of the Court of Justice must be followed throughout the common market. The enlargement of the Community has seen the authority of the Court’s trademark law extend to an increasing number of European countries. Originally comprising six founding States in 1952, the European Union has grown over the duration of five successive enlargements to its current size of 27 Member States with the inclusion of Romania and Bulgaria in January 2007.

The authority of the Court’s trademark jurisprudence also extends to the process of candidature and accession, which brings with it an intensification of cooperation between the EU Member States and a concomitant increase in authority of European legal institutions over those of the Nation-State. The 2003 European Council summit in Thessaloniki set integration of the Western Balkans as a priority in the future expansion of the European Union. Between 2010 and 2015, the five Balkan States of Serbia, Montenegro, Bosnia-Herzegovina, Former Yugoslav Republic of Macedonia and Albania may likely join the European Union, if they satisfy the criteria for admission. In addition, candidate countries include Croatia, Moldova, Ukraine and Turkey.⁹⁸

The pursuit of a European zone of wider international economic, political and legal influence serves to ensure that the Court’s jurisprudence extends beyond

⁹⁷ H. Lauterpacht, *International Law, Collected Papers*, vol. 1, at 87.

⁹⁸ In order to join the European Union, a State needs to fulfil the economic and political conditions generally known as the Copenhagen criteria (after the Copenhagen summit in June 1993).

candidate and potential candidate countries.⁹⁹ Concurrently, the influence of European trademark jurisprudence extends to the continents Africa, Asia, Europe and the Americas by means of regional and bilateral agreements in the form of Partnership and Cooperation or Association Agreements.¹⁰⁰ The European Union has a Common Commercial Policy whereby the Commission negotiates bilateral and regional trade agreements with countries outside the European Union on behalf of the Member States.¹⁰¹ The legal basis for the negotiation of external trade agreements, Article 133 of the European Community Treaty, indicates the significance with which the enforcement of intellectual property rights is regarded, in so far as paragraph 5 refers specifically to the conclusion of agreements concerning “the commercial aspects of intellectual property”.¹⁰²

Chief among the trade policy initiatives of the European Union is the European Neighbourhood Policy (ENP).¹⁰³ The ENP offers a deeper economic integration by means of bilateral Partnership Agreements and Action Plans. Originally, the ENP was intended to apply to Europe’s neighbours, Algeria, Belarus, Egypt, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the Palestinian Authority, Syria, Tunisia and Ukraine. In 2004, it was extended to also include the countries of the Southern Caucasus with whom the present candidate countries Bulgaria, Romania and

⁹⁹ For example, decisions of the European Court of Justice (ECJ) on the EU Trademarks Directive and the Community Trademarks Regulations play a significant part in shaping the trademark law in Singapore; many of the provisions of the Singapore Trademarks Act 1998 are modelled on the UK Trademarks Act 1994, which in turn represents the UK’s implementation of the EU Trademarks Directive. Recent decisions of the ECJ on important questions such as the registrability of non-visually perceptible signs such as olfactory marks, and the requirements for trademark use in cases of infringement and the scope of anti-dilution protection, are closely examined: respecting the latter aspect see Burton Ong, *Protecting Well-Known Trademarks: Perspectives From Singapore*, 95 T.M.R. (2005), 1221. More generally, cooperation between the EU and ASEAN is based on a Cooperation Agreement (1980) between the EC and member countries of ASEAN: Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam. Protocols for the accession of Laos and Cambodia to the Agreement were signed in July 2000.

¹⁰⁰ The trade strategy paper of October 2006 identifies ASEAN (10 Southeast Asian nations), South Korea, and Mercosur (Argentina, Brazil, Paraguay, Uruguay, Venezuela) as priority targets, together with India, Russia, and the Gulf Cooperation Council. The EU has started FTA talks with the Gulf Cooperation Council, which comprises six Arabian Peninsula countries centred on Saudi Arabia. Its FTA negotiations with Mercosur, suspended since 2005 over disagreements on agriculture, industrial goods, investment, and services, were set to resume in November. Brussels and New Delhi are also exploring possibilities for starting FTA talks. See Communication from the Commission, “Global Europe: Competing In The World—A Contribution to the EU’s Growth and Jobs Strategy”, COM (2006) 567; available at: <http://ec.europa.eu/prelex/detail_dossier_real.cfm?CL=en&DosID=194745>.

¹⁰¹ Bilateral agreements are agreements between two political entities, thus legally binding these two territories only. Bilateral trade relations are about agreement on custom unions, free trade, association, cooperation and partnership. These preferential trade agreements are notified under either Article XXIV of the GATT or Article V of the GATS, available at: <http://ec.europa.eu/trade/issues/bilateral/index_en.htm>.

¹⁰² The legal basis for the EU trade policy is Article 133 of the European Community Treaty. On this basis, the Commission negotiates on behalf of the Member States, in consultation with a special committee, “the Article 133 Committee”. The EU has a common trade policy (“Common Commercial Policy”). The 133 Committee is composed of representatives from the 25 Member States and the European Commission. Its main function is to coordinate EU trade policy. Consolidated version of the Treaty Establishing the European community, is available at: <http://europa.eu.int/eur-lex/en/treaties/dat/ec_consol.pdf>.

¹⁰³ The European Neighbourhood Policy (ENP) was first outlined in a Commission Communication on Wider Europe in March 2003, followed by a more developed Strategy Paper on the European Neighbourhood Policy published in May 2004. This document sets out how the EU proposes to work more closely with these countries. See Report, “On Strengthening the European Neighbourhood Policy”, October, 2006, available at: <http://trade.ec.europa.eu/doclib/docs/2006/october/tradoc_130370.pdf>.

Turkey share either a maritime or land border, Armenia, Azerbaijan and Georgia. Significantly, in the implementation of the European Neighbourhood Policy, the benefit of European law and legal institutions is promoted as part of outreach and technical support programmes.

The enforcement of intellectual property rights is a key element of European bilateral trade agreements.¹⁰⁴ The European Union is seeking the global projection of its legal institutions by concluding regional trade agreements and negotiating new Economic Partnership Agreements (EPAs). To this end it is implementing, for example, the Cotonou Agreement¹⁰⁵ with the African, Caribbean and Pacific Group of States (ACP) and negotiating Economic Partnership Agreements (EPAs) with ACP countries. States that have concluded bilateral trade agreements will experience the impact of the ECJ's trademark jurisprudence directly both pursuant to the terms of the agreement¹⁰⁶ and as a result of former colonial ties to one of the EU Member States such as the United Kingdom.¹⁰⁷

B. THE CONSTITUTIONALIZATION OF ADJUDICATION: A LASTING LEGACY

Our hypothesis concerning the newfound coherence of Appellate Body and ECJ jurisprudence is also consistent with the constitutionalization of adjudication. To the extent that the TRIPs enforcement regime created a supranational "court" in the Appellate Body, it also set the stage for the allocation of decision-making between international and national trademark tribunals. It is possible to observe the Appellate Body creating a decision-making structure, retaining those issues foundational to the regulation of intellectual property at the international level, and allocating subsidiary

¹⁰⁴ The European Commission on 4 October 2006 unveiled a new trade policy strategy under which Brussels will pursue bilateral free trade agreements with major economies in order to secure new markets for EU companies. It will also advocate stronger intellectual property rights and reduced non-tariff barriers in its trading partners. See the European Commission (DG External Trade) Survey on Intellectual Property Enforcement In Non-EU Countries, EC Strategy (October, 2006), available at: <http://ec.europa.eu/trade/issues/sectoral/intell_property/pr051006_en.htm>.

¹⁰⁵ See Partnership Agreement between the Members of the African, Caribbean and Pacific Group of States, of the One Part, and the European Community and its Member States, of the Other Part, Signed 23 June 2000 in Cotonou, Benin, entered into force, 1 April 2003; the full text is available at: <http://europa.eu.int/comm/development/body/cotonou/agreement_en.htm>.

¹⁰⁶ Article 66 of the Draft EC-Caricom EPA entitled Areas of Cooperation provides evidence of the influence ECJ case law is likely to have as the "Parties . . . strengthen their cooperation . . . including . . . the availability of legal, institutional and policy frameworks necessary for the implementation of the TRIPs Agreement; [as well as] 'the establishment and reinforcement, including training of personnel, of national and regional intellectual property offices dealing in intellectual property matters'". EC-Caricom EPA, November 2006 available at: <www.bilaterals.org/article.php3?id_article=6496>.

¹⁰⁷ Decisions of the European Court of Justice (ECJ) on the EU Trademarks Directive and the Community Trademarks Regulations not only define the scope of trademark law in Europe, they also play an influential role in shaping trademark law in Singapore. The Trademarks Act of 1998 is modelled on the UK Trademarks Act 1994, which in turn implements the EC Trademark Harmonization Directive and the TRIPs Agreement. Note for example reference by the Principal Assistant Registrar to the decisions of the ECJ on registrability in *Windsurfing Chiemsee Produktions-und Vertriebs GmbH (WSC) v. Boots-und Segelzubehor Walter Huber and Franz Attenberger*, [1999] ECR I-2779 and "DOUBLEMINT" Case C-191/01P in the matter of an application by Societe des Produits Nestle S.A. to register a trademark and Opposition thereto by International Nutrition Co. Ltd A/S, 24 August 2005. In addition, note the Co-operation Agreement (1980) between the EC and member countries of ASEAN: Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam. Protocols for the accession of Laos and Cambodia to the Agreement were signed in July 2000.

questions and factual issues to the national level. In the “*Havana Club*” case, for example, the Appellate Body ruled that questions pertaining to a mark’s capacity to distinguish the product or the rights conferred on the trademark owner are matters to be determined at the international level; whereas questions pertaining to the ownership of the trademark are threshold matters to be decided by national courts.¹⁰⁸ In respect of the decision-making process there can be little doubt that the adjudication of the Appellate Body will leave the global network of national courts with a lasting legacy.

In keeping with its dual public and private function, we can also observe the ECJ engaged in a similar but more elaborate process with respect to the allocation of decision-making between the Community and national courts. In the case of *Anheuser-Busch Inc. v Budějovický Budvar*, the Court issued the following directions: first, with respect to trademark use, the ECJ ruled that the national court has to confirm whether the use made is one that is “in the course of trade” and “in relation to goods” within the meaning of Article 5(1) of the Directive.¹⁰⁹ The national court has to establish whether that is the case in the light of the specific circumstances of the use of the sign allegedly made by the defendant in the local jurisdiction. Second, in cases of possible consumer confusion, it is for the national court to carry out an overall assessment of all the relevant circumstances, in order to assess whether the producer of the product bearing the trade name can be regarded as unfairly competing with the owner of the trademark. If we consider the systematic character of substantive harmonization, coupled with the allocation of authority in respect of the elements of adjudication, then by any assessment it has the potential to permanently influence trademark jurisprudence worldwide.

C. POTENTIAL DISADVANTAGES OF SUBSTANTIVE TRADEMARK LAW HARMONIZATION

In view of the increasing influence of the trademark jurisprudence of the Appellate Body and ECJ, we conclude by considering the potential disadvantages to the adjudication of cases throughout the global network of national courts. The Paris Convention allowed national courts considerable autonomy in decision-making. It provided the norms and the framework for adjudication without what the ECJ calls “the elements of interpretation”. The latter were supplied principally by drawing on national trademark jurisprudence. For example, Article 6 *quinquies* A(1) allowed the US Court of Appeals for the Federal Circuit in *Re Rath*,¹¹⁰ the flexibility to affirm the USPTOs’ refusal to register the surname “Dr. Rath” on the principal register, on the ground that the mark was primarily merely a surname, absent proof of acquired distinctiveness.¹¹¹

¹⁰⁸ *United States—Section 211 Omnibus Appropriations Act of 1998 (“Havana Club”) case.*

¹⁰⁹ Directive 89/104: see *Arsenal Football Club*, paras 40 and 41.

¹¹⁰ 759 F.2d 15 (Fed. Cir. 1985)

¹¹¹ Relying on US trademark law, the Court found that section 44 of the Lanham Act, which implements the Paris Convention, does not require registration of a mark that is primarily merely a surname: *In re Etablissements Darty et Fils*. The Lanham Act explicitly adopts the requirements of the Paris Convention, and the statutory bars to registration allowed by the Paris Convention are congruent with the bars to registration created by the Lanham

Conversely, however, when the elements of interpretation are supplied by a supranational tribunal, national courts have far less flexibility in the application of the law to the facts at hand. Thus, we have seen that in the matter of trade names, the Supreme Court of Finland was given little option but to privilege the trade name of the defendant in relation to the plaintiff's trademarks. Once the ECJ concluded that neither trademark use nor consumer confusion constituted elements capable of precluding the operation of the exception, little scope remained for the national court apart from deciding, based on evidence of local use, the extent to which the defendant's trade name enjoyed a reputation in Finland.¹¹²

The application of the ECJ's interpretive guidelines shows that there is, in practice, a fine line between interpreting the law and applying the facts of the case. The ECJ's decision in *Arsenal v. Reed*,¹¹³ for example, contained a number of references to the facts of the case; the Court went as far as to disagree with Mr Justice Laddie's analysis of those facts. On return to the High Court of England, Laddie J again found in favour of the defendant, concluding that the ECJ's interpretation of the law did not change his original decision.¹¹⁴ He maintained that as there was neither trademark use nor evidence of consumer confusion, there was no case for trademark infringement.¹¹⁵ However, the Court of Appeals reversed, taking the view that the High Court should have followed the view of the European Court to the effect that the sale of unofficial merchandise was likely to damage the trademark, or "jeopardize the guarantee of origin which constitutes the essential function of the mark".¹¹⁶ Clearly therefore the substantive harmonization of trademark law involves national courts having less flexibility to decide with reference to local socio-economic conditions.¹¹⁷

For the majority of developing countries and transitional economies, not having access to compensatory levels of financial support and technical assistance available to EC members, the additional loss of sovereignty over their trademark law will constitute a decided disadvantage.¹¹⁸ Equally, at the micro level, the small to medium size enterprises that play such a decisive role in economic development, will bear the cost of

cont

Act. Further see Vol. 2 Stephen P. Ladas, *Patents, Trademarks and Related Rights, National and International Protection* § 572 (1975): "The reasons for which registration is denied on the principal register are those for which, under Article 6 *quinquies* of the Paris Convention, a contracting party may refuse a mark even though it is registered in the country of origin." C.f. the ECJ in *Nichols plc v. Registrar of Trade Marks*, ECJ judgment of 16 September 2004, Case C-404/02.

¹¹² Following a ruling by the Finnish Supreme Court on 29 December 2005, Budějovický Budvar cannot use the names "Bud" or "Budweiser" as trademarks in Finland. However, it will still be able to refer to its company as "Budweiser Budvar, NC" in small print on its beer labels, as well as on invoices and in marketing.

¹¹³ *Arsenal Football Club Plc v. Matthew Reed*, Judgment of the Court, 12 November 2002 Case C-206/01.

¹¹⁴ *Arsenal Football Club Plc v. Reed* [2002] EWHC 2695 (Ch) (12 December 2002), at para. 27.

¹¹⁵ *Ibid.*, at paras 24 and 25.

¹¹⁶ *Arsenal Football Club Plc v. Reed* [2003] EWCA Civ 696, Court of Appeal, per Aldous LJ, at para. 27.

¹¹⁷ "It is in no one's interest, even Mr Reed's, for there to be such a difference between the views expressed by the High Court and the ECJ. The courts of this country cannot challenge rulings of the ECJ within its areas of competence. There is no advantage to be gained by appearing to do so." *Arsenal Football Club v. Reed*, [2002] EWHC 2695 (Ch) (12 December 2002), per Laddie J, at para. 28.

¹¹⁸ John H. Jackson, *Sovereignty, the WTO, and Changing Fundamentals of International Law* (Cambridge: Cambridge University Press, 2006), pp. 76–78.

operating within a public domain that is increasingly eroded by new categories of intellectual property rights. Likewise, as a matter of consumer protection, to entertain a greater likelihood of confusion between similar trademarks and identical or similar products, is to increase the search costs on consumers who must either possess a more specialized knowledge or spend proportionately more time in searching for the desired quality.¹¹⁹

VII. CONCLUSION

We began this inquiry with the hypothesis that the trademark jurisprudence of the Appellate Body and ECJ demonstrates a new coherence capable of realizing the substantive harmonization of trademark law. The foregoing analysis has shown that as international trademark tribunals they possess the distinct capacity to pursue such a project, by examining national laws for their conformity with the provisions of the TRIPs Agreement, by identifying the categories of intellectual property subject to the enforcement obligations of the TRIPs Agreement, by calibrating the scope of protection, and by providing the elements of analysis in cases of infringement. The remarkable incorporation of trade names within the TRIPs Agreement attests to the newfound coherence of the Appellate Body and ECJ as international trademark tribunals, and in view of the capacity of the Appellate Body to allocate decision-making between international and national trademark tribunals, and in view of the authority with which the trademark jurisprudence of the ECJ is regarded both within the Community and beyond its borders, the realization of substantive trademark law harmonization on a case-by-case basis begins to seem far less improbable.

¹¹⁹ William M. Landes and Richard A. Posner, *The Economic Structure of Intellectual Property Law* (Cambridge, MA: Harvard University Press, 2003), pp. 172–175.

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