

**LATHAM & WATKINS**

# **Trademark and Competition - Have We Found the Right Balance?**

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# When and How Do Trademark and Competition Come Across?

- On the one hand, IP protection is necessary to urge investment in innovation and creation. On the other hand, trademark, as other IP rights, may create a barrier to entry.
- Trademarks create an exclusivity that may limit competition. Assessed against the need for operators to access the market and to have an incentive to compete.
- Assessment takes account of value of the trademark and its use:
  - Trademark may confer some market power;
  - Use of the trademark may raise competition restriction that may (or not) breach competition rules.

# When and How do Trademark and Competition Come Across?

Most typical situations :

- Market Power
- Merger Control
- Remedy
- Parallel imports

# Trademark as a Sign and Market Power

- Definition of trademark
  - "It should be borne in mind that, according to consistent case-law, the specific object of trade mark law is, in particular, to guarantee to the owner that he has the exclusive right to use that mark for the purpose of putting a product on the market for the first time and thus to protect him against competitors wishing to take unfair advantage of the status and reputation of the trade mark by selling products illegally bearing it."
  - "It is for that reason that Article 5(1) of Directive 89/104 provides that the registered mark is to confer exclusive rights on the proprietor and that the proprietor is thus to 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 trade mark in relation to goods or services which are identical with those for which the mark is registered." (AG Bot, 31 March 2009, Case C-385-07, Der Grüne Punkt).

# Trademark as a Sign and Market Power

- Assessment of notorious trademark : How attractive is it?  
Example: IV/M1802, Unilever /Amora-Maille – 8 March 2000, para. 52) - Irreplaceable trademark test (France)
- Leverage : Possibility to leverage consumers demand for other products.
- Portfolio : Market power higher than just the sum of each trademark.
  - T-114-02 BaByliss, para 354.
  - French Competition Council Criteria
- Barrier to entry : access to market made difficult by the high investment to launch competition product

# Impact of Merger Control on Trademark Rights

- Power of the trademark may affect structure of the market
  - Example : Price increase by the merged entity made possible given the absence of alternative
- Remedy : Cession or license of trademark may contribute to maintain competition by creation of a new competitor
  - Examples
    - Nestlé / Perrier
    - Kimberly Clark / Scott
    - Coca-Cola / Carlsberg
    - Unilever / Amora-Maille
- Points to consider:
  - Duration of license
  - Exclusive license
  - No use of trademark by the holder of trademark
  - Need for control of the trademark by licensor

# Impact of Remedy in Other Cases than Merger Control

- When competition rules cause “degradation” of trademark
- Microsoft argued that the remedy imposed by the Commission in the media player case infringed its trademark
  - Risk of confusion
  - No control on quality
  - Harm the goodwill of the trademark

## Parallel imports : limitation to trademark rights. As a result of creation of common market

- First competition case brought to the EC Commission
  - Grundig Consten vs Unef
  - Developments
- Today's position : the example of repackaging cases
  - Case C-276/05 Wellcome Foundation LTD v. Paranova
  - Case C-348/04 Boehringer Ingelheim KG

# Conclusion

- Have we reached an acceptable balance?
  - Exclusivity conferred by trademark less likely to create on its own a dominant position
  - Trademark does not prohibit production of goods similar or substitutable
  - Need for a Common market and its consequences