



European Communities Trade Mark Association

**ECTA 28<sup>th</sup> Annual Conference – 24-27 June in Vilnius, Lithuania**  
**A Trade Mark Symphony**

**Finale: EU Case law and judicial system: Cacophony or Harmony?**

**Lord Leonard Hoffmann**

Last week's decision at the Court of Justice, in the L'Oreal case, was the last, for the moment at any rate, in a long line of cases in which there has been a fundamental disagreement between the British Courts and the Court of Justice over the scope of trade mark protection. So, as I was asked to talk about the relationship between national courts and the Court of Justice, and as the only national court I know of is the British Court, it seemed to be a suitable moment just to stand back and consider why we seem to have such difficulty in coming to terms with European jurisprudence on the subject. It may be that there are other member states - there are another 26 of them - it may be that they have similar problems, but I cannot say what their attitude has been.

I somehow suspect that this is a peculiarly British phenomenon.

One of the difficulties for the British Courts lies in the very nature of the preliminary reference procedure. The common law is of course built on judicial precedents. In principle we have no problem about a court deciding what the law is and other courts having to follow that ruling. So we would expect that we would be able to treat decisions of the Court of Justice in the same way as the lower courts in England treat decision of the House of Lords. But there is a difference. The function of a British Court is not to state the law in some abstract statement of principle. It is to decide the case, and explain the reason why it has decided to explain the case the way it has. So if you want to know what proposition of law a British case is authority for, you start with the decision that somebody won, and you ask what ruling on law was necessary to be able to decide the case that way. Only the proposition of law which is necessary for that decision is binding on the lower courts. So when we interpret previous decisions of courts in the common law, we are not engaged in trying

to interpret the language the judges used in the way we would try to interpret a statute. We are only concerned with the ground for the decision, whatever words they stated it in.

Now a preliminary reference is quite different. The Court answers the referred question by a statement of principle as to how some provision of the treaty or directive ought to be interpreted. It does not decide the case. I understand this style is derived from the French. It is the style of the Cour de Cassation. They do not consider it is their function to decide the case. They state the law. They say whether in their opinion the decision of the Lower Court was in accordance with law. If not, they quash the decision and send it back.

I must say this though for the Court of Justice. They do at least give some reasons for their decisions, which the Cour de Cassation does not, although frequently the decisions given by the Court of Justice consists of quoting passages from previous judgements, saying that represents the settled jurisprudence of the court and then saying that something follows from that, without giving very much explanation of why it does.

What that sort of theoretical background means is that the national court has to interpret what the Court of Justice has said. The case comes back from Luxembourg to the domestic courts, the message from the oracle is opened and, quite often, both sides say they have won. Then there is an argument about what the answer from the Court of Justice means. One side or the other will say: "Even if it is not clear that we have won, it is not that clear that the other side have won. The British court should make a further reference to the court asking the Court of Justice to interpret its interpretation."

You may have noticed in the repackaging cases of Boehringer and Dalhurst, Mr. Justice Laddie made a reference, quite a complicated one, and when the answer came back, he heard argument about what it meant, and he gave a judgement saying that the pharmaceutical company has won, contrary to his own basic instinct, but nevertheless he said "So be it, that is what the Court of Justice has decided. The parallel importers then appealed, and in the Court of Appeal, Lord Justice Jacob, said that Mr. Justice Laddie had misunderstood the answer, as to part, and as to another part he said that they would make a further reference. So they made another reference in the same case, and, when it came back again, both sides once more said they had won. Again they heard argument. This time they were told that there was another reference waiting in the wings - from Austria - which might throw some light on the problem and that they had better wait and see what that had to say. At least that was better than making a third reference! In the event, the Austrian

reference was not a great deal of help so the court gave eventually a judgement. From start to finish, with two trips to Luxembourg it took ten years.

By way of parenthesis - I cannot help thinking that instead of having preliminary references, there could be simply an appeal, with the leave of the Court to the Court of Justice, like there is to the Supreme Court of the United States. Then the Court of Justice could hear these appeals only in cases where they thought it was important to lay down a rule for the European Union: for example, because the interpretation of a Directive by the House of Lords was out of line with the interpretation by the Bundesgerichtshof. Then they could straighten out by giving leave to appeal and deciding the case. Under such a system, questions of European Law would be decided by national courts in the same way as questions of federal law are decided by the courts of appeals for the various circuits in the United States. It would have the advantage that the Court of Justice could control its own workload and only hear the cases which it thought important to hear and not decide these endless references and re-references, many of which are quite trivial points. But that is by the way.

Now, despite these cultural differences in the way decisions are made in the courts, the courts in the United Kingdom have got on pretty well with the Court of Justice. They have taken their obligations under the Treaty seriously and loyally applied whatever the Court has decided. The one area in which there have been really serious differences of opinion has been trade mark law, as shown by the L'Oreal case, and what is interesting is to think about why that is so. I think there have been two reasons.

One is a fundamental difference in attitude, going back into history over what counts as unfair competition and the other is the individual characters of the two judges who have been responsible for almost all the British decisions on trade mark law in the last 15 years.

The British have always taken a very narrow view of both trade mark protection and unfair competition. Trade Mark law has been regarded as a statutory embodiment of the law of passing-off, preventing you from representing that your goods are those of another trader. A trade mark is infringed only by someone who uses the mark to designate the origin of his goods. Otherwise he is free to use someone else's mark for any purpose he likes. At first, in the early days, the opinion of Advocate General Jacobs in the PUMA case spoke about the designation of origin being the essential function of the mark. The British took this to mean that, while marks may have other functions, (like advertising and generally creating good-will) only the essential function would be protected by the law. They turned out to be quite wrong.

If you take for example the cases on exhaustion of rights, from SILHOUETTE onwards, there has been a total difference of approach. The Court of Justice thought that if your trade mark rights were not exhausted by marketing the goods outside the Community (and Article 7 of the Directive only spoke of inside) then prima-facie you had the right to use your trade mark rights to prevent parallel imports from outside the Community. The British, on the other hand, did not understand why trade marks needed doctrine of exhaustion at all. In their view a trade mark did not entitle you to a monopoly of the right to market goods under the mark. It only entitled you to stop other people using the mark in relation to goods that were not your goods. If they *were* your goods, as with parallel imports, then no right was infringed and no doctrine of exhaustion was needed. Article 7, under that theory, was superfluous. It said in negative terms that a trade mark owner who had marketed his goods in the Community could not prohibit its use in relation to those goods. But that, they said, should not entail the positive proposition that he was entitled to prohibit it in relation to goods marketed outside the Community.

Well, that battle was lost in SILHOUETTE. But the interesting thing is that the British Courts refused to give up. In the ZINO DAVIDOFF case, Mr. Justice Laddie referred a series of questions, which he drew up like a careful cross-examination, to drive the Court of Justice into a corner, to introduce international exhaustion by a doctrine that unless you took positive steps to prohibit the sale in the Community, you must be taken to have consented.

Advocate General Stix-Hackl was surprised. She began her opinion rather stiffly: "So far as can be ascertained, the questions submitted in the present cases appear to be based on a critical attitude to the exclusion of international exhaustion of trade mark rights pursuant to the trade mark Directive". That is what is sometimes called "British understatement".

Now it was exactly the same difference of opinion about competition which surfaced again in the repackaging cases. Again the British courts could not understand why the Court of Justice was so solicitous of the rights of the pharmaceutical companies. The re-packagers were selling genuine goods, so why should they be subject to all kinds of restrictions about the way they could re-package. Interfering with the package might in some kind of extreme case be unfair competition, but what did it have to do with trade marks? So we had the references and re-references in the BOEHRINGER and DALHURST cases.

There was a similar lack of comprehension in the ARSENAL case. Mr. Justice Laddie started from the proposition that for an Arsenal supporter to write the word Arsenal in lipstick on her T-shirt, could not be an infringement of the club's mark. Well of course, it is true that it would not be in the course of trade, and the man selling the T-shirts outside the ground was trading. But he was putting ARSENAL on the T-shirts for the same purpose that you might write it on yourself. Not to represent that they came from the club but to show you were an ARSENAL supporter. And Mr. Justice Laddie thought that was not a trade mark use. The man selling the T-shirts was doing for the supporters what they could have done for themselves. It was not clear whether the Court of Justice thought it was use of a mark in the course of trade, or that under European Law the mark gave Arsenal a monopoly of selling T-shirts bearing that name. And so when the answer came back from Luxembourg that said that "on the facts of this case we think the club should win", Mr. Justice Laddie said, "They are not entitled to make findings of fact. They have no jurisdiction to do that, I have made the finding of fact and I think the trader should win."

I think that was the low point in relations between the British courts and the Court of Justice. But the Court of Appeal with Lord Justice Aldous presiding, decided that according to the Court of Justice, trade mark owners rights went beyond preventing trade mark use in the British sense. On that ground the club won, and of course subsequent jurisprudence has shown clearly that he was right.

Finally, there has been L'Oreal. When he made the reference Lord Justice Jacob said the case raised a fundamental point about the philosophy of how competitive the law allows European industry to be, and he made it clear what he thought the answer should be.

You may remember L'Oreal sold TRESOR perfume in smart shops at £60 or more a bottle, and Bellure, the alleged infringer, sold their perfume as "No. 6" on market stalls at £1 per bottle. No-one who bought a bottle on a market stall could have thought he was buying TRESOR. But Bellure described their perfume on lists they circulated as "smelling like TRESOR". Well I suppose it did, although anyone who has walked passed a crowd of girls outside a nightclub in an English provincial town on a Friday night would be able to tell the difference. The question was, could Bellure describe their perfume in that way? The English court firmly thought they could. There was certainly no suggestion that No 6 emanated from L'Oreal or was associated with perfumes sold under the TRESOR mark. How far could one take protection under Article 5 1 (a) and 5.2.? Was it unfair competition? The Court of Justice said yes on the ground that Bellure were representing No 6 to be a "replica" of TRESOR. If you say that your perfume smells rather like TRESOR (and that is rather an exaggerated claim), is that representing it to be a replica? Surely the idea of replica

involves some idea of possible mixing up? At any rate the Court of Justice seems to have taken the broadest possible view of the protection to which the owner of the famous luxury mark is entitled.

I doubt whether in any other branch of the law, the British Courts would have clung so tenaciously to their philosophy of trade marks and competition. One reason, which I mentioned at the beginning, is the characters of the two judges who have been responsible for almost all our trade mark decisions: Hugh Laddie, who tragically died last year in his early sixties, and Robin Jacob; both of them brilliant lawyers, confident, highly assertive and opinionated, but not people who would easily accept that the economic philosophy with which they grew up has been turned upside down.

As we have been using musical imagery in this conference, I would describe the difference between the British Courts and the Court of Justice as the difference between pop music and world of Die Meistersinger von Nürnberg. The world of pop music is one of fierce competition, you may not actually copy other people's songs, but that is all. You can make songs with the same name or if somebody creates a taste for a certain kind of rock music even spends a lot of money promoting it, there is no reason why you should not jump on the band wagon. In the world of the Meistersinger there is very little competition. People have undergone long training and expense to become Meistersinger. There are complicated rules about how songs should be written. Other people may not write similar songs or denigrate each other. For Hans Sachs to say that Beckmesser was a bad singer would be unlawful comparative advertising.

For better or for worse it has been clear for years now that this is the world into which the Court of Justice is taking us, and as we are part of Europe we shall have to accept it.