

DUE CAUSE

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1. Introduction

Article 5(2) of the Trade Marks Directive¹ reads:

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

Due cause has had something of a renaissance in recent years. Until very recently it was assumed that due cause under the Trade Marks Directive should be interpreted in the same way as it had been in the pre-harmonisation Benelux law, where it was limited to situations where the junior user was compelled to use the mark in question or had an earlier right to do so. This approach deprived the dilution/unfair advantage provision of the Directive of an important counterbalance at a time when unfair advantage was interpreted expansively. However, in the recent *Interflora*² and *Leidseplein*³ cases, the CJEU has made it clear that due cause is an autonomous concept, and not restricted to the scope of the old Benelux provision. Instead, the CJEU has spoken of due cause as allowing junior use that might otherwise infringe, but amounts to fair competition and has held that it provides an entry point for a consideration of the subjective intentions of the junior user. The CJEU has also explained that rather than being an ‘add on’, due cause plays a central role in counterbalancing the

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¹ Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks (OJ L 299, 8.11.2008, p. 25). This has now been replaced by Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks (Recast) (OJ C 327, 12.11.2013, p. 42), the relevant parallel provision of which is Art.10(2)(c).

² *Interflora Inc. and Interflora British Unit v Marks & Spencer plc and Flowers Direct Online Ltd*, C-323/09, ECLI:EU:C:2011:604.

³ *Leidseplein Beheer BV and de Vries v Red Bull GmbH and Red Bull Nederland BV*, C-65/12, ECLI:EU:C:2014:49.

width of the dilution/unfair advantage action. At the same time though, it has suggested that due cause may not apply when certain of the very harms mentioned in Art.5(2) occur. This brings into question the utility of the provision in many dilution cases, particularly when taken in conjunction with the way in which the ‘honest practices’ proviso to the general defences has been interpreted.

This article begins by examining the old Benelux approach, and explains why it was unsuitable in the European context. It then conducts a detailed analysis of the CJEU’s two due cause cases in order to properly understand their scope. These cases provide clear pointers as to the CJEU’s direction of travel, but also leave considerable uncertainty (and potential) as to the scope of due cause. Consequently, the article concludes with a consideration of how the CJEU’s recent due cause case law has been received by courts in the UK and contemplates what this may mean for the future of due cause. The relationship between ‘due cause’ and the ‘honest practices proviso’ is also considered.

2. What was ‘due cause’?

The Benelux Court⁴ was asked to elucidate the meaning of ‘justifiable grounds’ under Section 13A(1) of the Benelux Uniform Trade Mark Act. That section read:

Without prejudice to the rights arising from civil liability under ordinary law, the trade mark owner may, on the ground of his exclusive rights, oppose:

1. any use which is made of the trade mark or a resembling sign in respect of the classes of goods for which the trade mark has been registered, or in respect of similar goods;
2. any other use which is made commercially of the trade mark or of a resembling sign without justifiable grounds and in such circumstances that damages may be inflicted on the trade mark owner.

The defendant, Colgate-Palmolive, had argued that it did have ‘justifiable grounds’ for the use of a mark similar to the CLAREYN gin mark, *vis*, that the KLAREIN mark was particularly suitable for use on detergents since ‘klar’ meant quick, ready or finished while ‘rein’ meant clean or fresh. Moreover, Colgate-Palmolive had been using the KLAREIN mark outside the Netherlands well

⁴ *Colgate-Palmolive BV v NV Koninklijke Distilleerderijen Erven Lucas Bols*, Case A 74/1 [1979] ECC 419.

before Lucas Bols had begun using the CLAREYN mark. However, these grounds were rejected by the Benelux Court. The Court adopted a narrow approach to when there will be ‘justifiable grounds’ limited to where there exists ‘such a necessity for the user to employ that device that it cannot reasonably be required of him to refrain from that use’, even though the use will cause damage to the senior trade mark owner. Alternatively, use might be justified where the junior user was entitled to use the mark in his own right, although this does not appear to have automatically amounted to a justification.⁵ Indeed, in this case, the Benelux court called on the referring court to consider the degree of damage likely to be suffered by the senior user before accepting a prior trade mark registration as providing ‘justifiable grounds’.⁶

The rationale behind this strict approach was based on the fact that a trade mark was an ‘exclusive right’ and a strong right, as evidenced by the scope of protection offered by section 13.⁷ Perhaps there is a hint in this justification of the divergence that was to happen more than 30 years later: the CJEU’s case law has emphasised that, under the harmonised regime, trade marks do not confer absolute rights, but instead grant the trade mark owner the power to enforce his mark necessary to the extent necessary to protect the way that his mark functions. Indeed, the CJEU in *Leidseplein* emphasises the role of ‘due cause’ in establishing a balance between the parties’ needs. Moreover, to the extent that the scope of Art.13 was used to justify a narrow exception, it is notable that under Art.13(1), the protection granted where marks and goods were similar was automatic, whereas in the harmonised regime, confusion is mentioned explicitly as a requirement.

Despite these differences, it is not surprising that, given the similarity in wording between Art.13A and Art.5(2) of the Trade Marks Directive, and given the dearth of CJEU level guidance at the time, it was assumed in the UK that the ‘due cause’ requirement under the Directive should be interpreted in the same way as the ‘justifiable grounds’ clause of Art.13A. In *Premier Brands v*

⁵ *Colgate-Palmolive BV v NV Koninklijke Distilleerderijen Erven Lucas Bols*, Case A 74/1 [1979] ECC 419, para 24.

⁶ *Colgate-Palmolive BV v NV Koninklijke Distilleerderijen Erven Lucas Bols*, Case A 74/1 [1979] ECC 419, paras 28-31.

⁷ *Colgate-Palmolive BV v NV Koninklijke Distilleerderijen Erven Lucas Bols*, Case A 74/1 [1979] ECC 419, para. 23.

Typhoon,⁸ the junior user had chosen the mark TYPHOON because it was easily pronounced and memorable, had ‘oriental connotations’ and was understandable in the East and the West (the goods were sourced in the Far East and sold in the UK).⁹ Had there been *prima facie* Art.5(2) infringement, the junior user’s reasons for choosing the mark would not amount to ‘due cause’. While it was accepted that he had chosen the mark in good faith, rather than to take advantage of or harm the senior mark, good faith alone as due cause was unacceptable.¹⁰ It would make the outcome of cases where a mark could be seriously harmed depend on the subjective intentions of a third party, and could incentivise junior users to do minimal due diligence. Moreover, it had to be shown that the junior user had due cause to *harm* another’s mark, not just due cause to choose his sign. Instead Neuberger J. (as he then was) cited the Benelux court’s options of compulsion or prior right as ‘the approach which should be adopted’ to the interpretation of ‘due cause’ given the similarities between the two provisions.¹¹

3. What is ‘due cause’?

In the absence of any statement to the contrary from the CJEU, the approach adopted in *Premier Brands* was assumed to be the correct one. The CJEU made no comment on the ambit on the scope of ‘due case’ for many years. It is hard to know whether this is through satisfaction with the state of affairs, or whether it was just because the opportunity to define its scope did not occur. The CJEU cannot define matters of its own instigation and so the opportunity to provide an interpretation of ‘due cause’ most likely did not arise. Initially, very few references were made regarding Art.5(2), and when they did start to come through, *prima facie* infringement was defined restrictively, meaning that there was no need for the court to define due cause because infringement was unlikely to be made out.¹² This changed though once the CJEU defined unfair advantage broadly to include any trade

⁸ *Premier Brands UK Ltd. v Typhoon Europe Ltd & Anor.* [2000] ETMR 1071.

⁹ *Premier Brands UK Ltd. v Typhoon Europe Ltd & Anor.* [2000] ETMR 1071, p.1078.

¹⁰ *Premier Brands UK Ltd. v Typhoon Europe Ltd & Anor.* [2000] ETMR 1071, pp. 1096-1097.

¹¹ *Premier Brands UK Ltd. v Typhoon Europe Ltd & Anor.* [2000] ETMR 1071, p. 1098.

¹² Especially since *Intel Corporation Inc. v CPM United Kingdom Ltd.*, C-252/07, ECLI:EU:C:2008:655, where a change in the economic behaviour of consumers was required to show detriment to distinctive character.

mark-derived advantage that was unremunerated.¹³ Now courts were faced with situations where Art.5(2) infringement was highly likely to be found, and in circumstances that some argued would have a deleterious effect on free and fair competition.¹⁴

Such a situation arose in *Interflora*.¹⁵ The junior user, Marks and Spencer, had purchased the senior mark INTERFLORA as an advertising keyword, even though it was not part of the senior user's floral distribution network. This was *prima facie* Art.5(2) infringement: there was an advantage conferred on Marks and Spencer because consumers using INTERFLORA as a search term, and potentially intending to purchase flowers from Interflora, would be confronted with the junior user's advertisements. As a result, they might come to make purchases from the junior user's website instead.¹⁶ Since the junior user had not paid the senior user any compensation for such use, this advantage was counted, following *L'Oréal v Bellure*¹⁷ as unfair.¹⁸ As the Advocate- General noted, such a result would spell the end of keyword advertising.¹⁹ The CJEU seems to have been unhappy with this result, and so the Court effectively went on to undo it by holding that, despite any unfair advantage, there was due cause where the junior user 'puts forward...an alternative to the goods or services of the proprietor of the trade mark was a reputation'.²⁰ However, offering an alternative would only be acceptable where the offer did not cause dilution or tarnishment, did not affect the functions of the senior mark (presumably causing confusion would be the prime example of use that would affect those functions) and did not offer a 'mere imitation' of the senior goods or services.²¹

While the CJEU made no mention of the Benelux definition, such an approach clearly falls outside the situations mentioned there, in that Marks and Spencer had no earlier right to the

¹³ *L'Oréal SA et al. v Bellure NV et al.*, C-487/07, ECLI:EU:C:2009:378.

¹⁴ For example, D. Gangjee & R. Burrell, 'Because You're Worth It: L'Oréal and the Prohibition on Free Riding' 73 MLR 282 (2010).

¹⁵ *Interflora Inc. and Interflora British Unit v Marks & Spencer plc and Flowers Direct Online Ltd*, C-323/09, ECLI:EU:C:2011:604.

¹⁶ *Interflora Inc. and Interflora British Unit v Marks & Spencer plc and Flowers Direct Online Ltd*, C-323/09, ECLI:EU:C:2011:604, paras 86-87.

¹⁷ *L'Oréal SA et al. v Bellure NV et al.*, C-487/07, ECLI:EU:C:2009:378.

¹⁸ *L'Oréal SA et al. v Bellure NV et al.*, C-487/07, ECLI:EU:C:2009:378, para 88.

¹⁹ *Interflora Inc. and Interflora British Unit v Marks & Spencer plc and Flowers Direct Online Ltd*, C-323/09, ECLI:EU:C:2011:604, para 99.

²⁰ *Interflora Inc. and Interflora British Unit v Marks & Spencer plc and Flowers Direct Online Ltd*, C-323/09, ECLI:EU:C:2011:604, para 91.

²¹ *Ibid.*

INTERFLORA mark and was in no way compelled to use it. This suggests a far more expansive role for ‘due cause’. This is underscored by the Court’s explanation for allowing such use, namely ‘such use falls, as a rule, within the ambit of fair competition in the sector for the goods or services concerned’.²² There is the tantalizing suggestion here that use which is accordance with ‘fair competition’ may be considered to have ‘due cause’. This is an open term which creates a myriad of possibilities (and uncertainties) as to its scope.

However, the Court has potentially limited the use of this definition of due cause to unfair advantage cases, by requiring that the junior user not have caused tarnishment or blurring,²³ which essentially parallel the detriment to repute and distinctive character forms of infringement. This would be an odd result given that it has always been assumed that due cause qualifies all the forms of infringement mentioned in Art.5(2). Technically though, it is possible, if undesirable, to read ‘due cause’ as limited to unfair advantage since it appears prior to unfair advantage and is separated from the two forms of detriment by a comma and an ‘or’. The provision reads:

where use of that sign *without due cause takes unfair advantage of*, or is detrimental to, the distinctive character or the repute of the trade mark.

This expansive definition of ‘due cause’ could have been limited to the internet context. However, in *Liedseplein*,²⁴ the CJEU made it clear that it was of general application and played an integral role in the way in which Art.5(2) is structured.

The junior user, a Mr de Vries, had owned various marks containing the term BULLDOG for beverage-related goods in Class 32, the earliest registration of which being 14 July 1983. He used his marks for energy drinks. He had however used THE BULLDOG as a trade name for hotels, restaurants and cafes prior to 1983. The senior user had filed RED BULL for non-alcoholic drinks in Class 32 on 11 July 1983 (and so, three days before the junior user’s first application).

²² *Ibid.*

²³ *Ibid.*

²⁴ *Liedseplein Beheer BV and de Vries v Red Bull GmbH and Red Bull Nederland BV*, C-65/12, ECLI:EU:C:2014:49.

It seems to have been admitted that the junior use for the energy drinks amounted to unfair advantage.²⁵ However, the question arose whether the junior user's earlier use could amount to due cause, given that it was in good faith. The senior user attempted to argue that 'due cause' should be limited to the old Benelux definition of objectively overriding reasons. However, this was rejected by the CJEU, which explained that the concept of due cause must be interpreted 'in the light of the overall scheme and objectives of the system of which it forms a part'.²⁶ While Art.5 does grant an exclusive right to trade mark owners, this only goes as far as allowing the trade mark owner to protect his specific interests in his trade mark of ensuring that the mark can fulfil its functions. Thus, the scope of protection is limited to whether there is an effect on the function of the mark. While the protection under Art.5(2) must be at least as extensive as that provided for similar and identical goods pursuant to Art. 5(1), this does not mean that due cause must be interpreted restrictively. Instead, this is ensured by the fact that the signs need not be identical, as per Art.5(1)(a) and there is no need for confusion, as per Art.5(1)(b). Moreover, there is no need to prove any sort of harm to the senior mark, if there is unfair advantage. To maintain a balance between the trade mark owner's interests and those of third parties, particularly given the existence of the unfair advantage action, due cause is included and must cover both subjective and objectively overriding reasons for the use of the mark in question.²⁷

In a situation of prior use by the junior user, to establish 'due which justified the taking of unfair advantage, it was necessary to look at two factors in particular: first, the reputation of the junior sign amongst the general public and secondly, the proximity of the senior goods to those for which the junior mark had a reputation – the closer the prior goods to the contested goods, the more need there will be for the junior user to use the mark for those contested goods.²⁸

²⁵ *Leidseplein Beheer BV and de Vries v Red Bull GmbH and Red Bull Nederland BV*, C-65/12, ECLI:EU:C:2014:49, para 22.

²⁶ *Leidseplein Beheer BV and de Vries v Red Bull GmbH and Red Bull Nederland BV*, C-65/12, ECLI:EU:C:2014:49, para 28.

²⁷ *Leidseplein Beheer BV and de Vries v Red Bull GmbH and Red Bull Nederland BV*, C-65/12, ECLI:EU:C:2014:49, paras 30-49.

²⁸ *Leidseplein Beheer BV and de Vries v Red Bull GmbH and Red Bull Nederland BV*, C-65/12, ECLI:EU:C:2014:49, paras 54-55.

This decision is important for a number of reasons. Perhaps most importantly, in explicitly stating that the narrow Benelux approach to ‘due cause’ is not the correct way to interpret the EU Directive, it shows that *Interflora* was not an aberration, or limited to the internet context. Instead, the Court explains how due causes is an inbuilt ‘check’ to the width of the protection offered by Art.5(2), and so plays a fundamental role in the structure of the provision, rather than being a dispensable ‘add on’. Secondly, in allowing a consideration of subjective overriding reasons, it provides an additional example, other than fair competition, of when junior use will be ‘with due cause’. Finally, the Court twice makes an explicit link between due cause and unfair advantage specifically. At paragraph 44, the Court notes:

Where the proprietor of the mark with a reputation has demonstrated the existence of one of the forms of injury referred to in Article 5(2) of Directive 89/104 and, **in particular, has shown that unfair advantage has been taken of the distinctive character or the repute of that mark**, the onus is on the third party using a sign similar to the mark with a reputation to establish that he has due cause for using such a sign.... [Emphasis added]

Likewise, at paragraph 53, the Court talks of the due cause justifying the unfair advantage taken of the senior mark, without mentioning it as justifying the other forms of harm:

In order to determine whether the use by a third party, before a trade mark with a reputation was filed, of a sign similar to that mark may constitute ‘due cause’, within the meaning of Article 5(2) of Directive 89/104, and **justify the fact that that third party takes advantage of the repute of that mark**, the referring court must carry out an assessment, taking into account, in particular, two factors. [Emphasis added]

This focus on unfair advantage could be attributed to the nature of the activity undertaken by Mr de Vries, though ordinarily one would expect the CJEU to talk in the abstract in an Article 234 reference case. Instead, it is submitted that this may be tacit recognition by the Court that ‘due cause’ is particularly valuable in undoing the width of the ‘unfairness’ element of unfair advantage, which catches so many activities, without considering their social benefit, or their necessity to the junior user. The argument for ‘due cause’ in relation to detriment is not quite as compelling, given that harm has been caused to the senior user or its mark.

The combined effect of *Interflora* and *Liedseplein* is to create a state of significant uncertainty. There is a suggestion that the fact that the junior user is in good faith, or is in accordance with fair competition may amount to due cause, but what do these very wide terms mean in practice? Also, what is the importance of the CJEU's repeated emphasis of the special relationship between due cause and an unfair advantage? In particular, what does this mean for the relevance of due cause in relation to detriment to distinctive character or repute?

4. Reception by UK Courts

Thus far there are only a handful of cases regarding how due cause should be interpreted in the light of the CJEU's recent jurisprudence. This is perhaps unsurprising given that the meaning of due cause only arises in the context of a senior mark with a reputation, and only once it has been demonstrated that there is a link that leads to unfair advantage or one of the forms of detriment.²⁹

General approach

It was clear from the outset that the CJEU's recent jurisprudence denoted a sea-change in the approach to 'due cause'. Thus, even before *Leidseplein*, the Court of Appeal noted, in *Specsavers*,³⁰ that there had been 'a development by the Court of Justice of its jurisprudence on the scope of Article 9(1)(c)' in that there could be situations in which, despite the junior user adopting a mark with the intention of deriving an advantage from it and without paying compensation for that advantage, it would still be necessary to consider whether the use was with due cause because it amounted to fair competition.³¹ However, there have been differing approaches as to just how far the CJEU's new attitude goes. The two cases described below demonstrate that there the courts in the UK have taken differing views to just how much flexibility is inherent in the CJEU's new approach to due cause.

²⁹ So, for example, in *Tartan Army Ltd v Sett GmbH & Ors* [2017] CSOH 22, para.166 the Court did not consider whether due cause arose from the fact that the term TARTAN ARMY has been in prior use amongst the general media before it was registered as a trade mark since the senior mark lacked an enhanced reputation and association with the junior use was unlikely. Even in *Argos Ltd v Argos Systems Inc* [2017] EWHC 231 (Ch), the due cause discussion was *obiter dictum* since any advantage obtained by the junior user from the increased traffic to its website was not unfair, and thus there was not s.10(3) infringement.

³⁰ *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2012] EWCA Civ 24.

³¹ *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2012] EWCA Civ 24, para 141.

One example of due cause in action can be seen in *Comic Enterprises*.³² The senior user registered a figurative mark containing the words THE GLEE CLUB for various forms of entertainment services, including comedy clubs and live shows in 2001. In 2009, the junior user launched a highly successful musical comedy television series about a US high school singing club. The programme was named GLEE. In relation to s.10(2), the Court of Appeal found that there was ‘wrong way round confusion’: instead of consumers believing that the junior user’s services originated with the senior user, they believed that the senior user’s comedy clubs were somehow connected with the junior television show.³³ For the purposes of s.10(3), this confusion was evidence of association between the two marks and amounted to detriment to distinctive character. Consumers of a supposedly edgy comedy club were put off attending by the mistaken belief that it was linked to the more mainstream GLEE television programme.³⁴

With *prima facie* dilution established, the Court went on to consider due cause. First, the junior user, Fox, argued that its use had been in good faith given that the subject matter of its television series was a glee club. Although the Court of Appeal accepted that good faith was relevant to establishing due cause, this was outweighed by the fact that the junior use was causing confusion.³⁵ This approach suggests that use in good faith does not, of itself, amount to due cause. There is a degree of circularity in the Court of Appeal’s finding that there cannot be due cause because of the confusion. After all, this is the very detriment which due cause is intended to counterbalance. This unsatisfactory state of affairs very much echoes the approach taken in *Interflora*.

The junior user also attempted to support due cause based upon a freedom of speech argument: given the subject matter of the television series, there was an artistic connection between the content of the show and glee clubs, and to restrain the use of the term interfered with the junior user’s fundamental rights. This failed because an alternative could have been chosen.³⁶ The argument is noteworthy, as it harks back (presumably unintentionally) to the unsuccessful argument in *Lucas*

³² *Comic Enterprises Ltd v Twentieth Century Fox Film Corp* [2016] EWCA Civ 41.

³³ *Comic Enterprises Ltd v Twentieth Century Fox Film Corp* [2016] EWCA Civ 41, paras 100-106.

³⁴ *Comic Enterprises Ltd v Twentieth Century Fox Film Corp* [2016] EWCA Civ 41, para.138.

³⁵ *Comic Enterprises Ltd v Twentieth Century Fox Film Corp* [2016] EWCA Civ 41, para.147.

³⁶ *Comic Enterprises Ltd v Twentieth Century Fox Film Corp* [2016] EWCA Civ 41, paras 146-147.

Bols that the descriptive elements of the KLAREIN mark made it particularly suitable for use on the cleaning products in question. Finally, an argument that there were no material similarities between the parties' services was rejected as being factually incorrect.³⁷

It is true that *Comic Enterprises* adopts the technical detail inherent in *Interflora* and *Leidseplein* in recognising good faith as helpful to a due cause case. Arguably, however, it does not adopt the spirit given that there is no real consideration of how due cause may act to counterbalance the width of s.10(3). Instead, the opposite is true, with the finding of confusion and hence detriment to distinctive character being used to rule out due cause. One way in which the judgment is expansive is that it applies due cause outside the context of unfair advantage, although it is questionable how useful this is, given the approach taken to due cause where detriment is present.

A more flexible approach is evident in *Argos v Argos*.³⁸ The senior user was the owner of the well-known catalogue store, which owned the word mark ARGOS for, *inter alia*, advertising services. The junior user was a US computer aided design company which also traded under the ARGOS name (Argos being a Greek mythological character). The junior user found that it had a significant amount of mistaken traffic to its website, www.argos.com, from UK consumers. The UK consumers were searching for the website of the UK retailer, to be found at www.argos.co.uk. The junior user realised that it was possible to generate revenue from this misdirected traffic, and added Google's AdSense advertising programme to its non-US website. The senior user objected, arguing *inter alia* that this conferred an unfair advantage on the junior user, as it was profiting from the advertising placed by Google on its site.

The UK trade mark owner's argument was rejected by the Court. First, the evidence showed that consumers were not making a link between the junior website and the senior user, since visits from the UK were fleeting, and the contents of the site could not be mistaken for the catalogue store.³⁹ There was also no unfair advantage. The junior user had done nothing to seek out the advantage: instead it had chosen the internationally available domain name and the appearance of any

³⁷ *Comic Enterprises Ltd v Twentieth Century Fox Film Corp* [2016] EWCA Civ 41, Para 147.

³⁸ *Argos Ltd v Argos Systems Inc* [2017] EWHC 231 (Ch).

³⁹ *Argos Ltd v Argos Systems Inc* [2017] EWHC 231 (Ch), para 270.

advertisements for the senior user would have resulted from the senior user's AdSense decisions. Ultimately, the junior user gained no real advantage from 'the alleged riding on the coat-tails' of the senior user's reputation in the ARGOS mark. Instead, it took part in a normal commercial advertising programme and utilised web traffic that the junior user had not sought out. Indeed, it actually caused the junior user some problems (and cost) in terms of the bandwidth required to sustain the website in the light of the mistaken visitors from the UK.⁴⁰ Given the very different appearance of the websites, the junior use was also unlikely to be detrimental to the distinctive character or repute of the senior mark.⁴¹

Since there was no s.10(3) injury, the due cause issue did not technically arise, and the judge expressed some unwillingness to make findings on this issue.⁴² However, he did make several general comments suggestive of a more flexible approach to due cause. At the abstract level, he suggests a preference of the junior user's argument that due cause should not be limited to the *Leidseplein* situation of prior junior use.⁴³ This opens the way for a more generalised approach based on fair competition, as in *Interflora*. On the specific facts, he saw no problem in the junior user making money from mistakes that were out of its control, nor any issue with the decision to join the AdSense scheme, once the possibility of financial benefit was realised.⁴⁴ Interestingly, the judge speaks of this decision as being 'in accordance with honest practices'.⁴⁵ While this element of the decision is *obiter*, the use of such terminology suggests a far more flexible, competition-based approach to due cause. Such an approach may enable 'due cause' to be adopted to differing circumstances, and may not be restricted by considerations of detail, as in, some of the cases described below.

Examples

⁴⁰ *Argos Ltd v Argos Systems Inc* [2017] EWHC 231 (Ch), para 283.

⁴¹ *Argos Ltd v Argos Systems Inc* [2017] EWHC 231 (Ch), para 284.

⁴² *Argos Ltd v Argos Systems Inc* [2017] EWHC 231 (Ch), para 303.

⁴³ *Argos Ltd v Argos Systems Inc* [2017] EWHC 231 (Ch), para 304.

⁴⁴ *Argos Ltd v Argos Systems Inc* [2017] EWHC 231 (Ch), para 307.

⁴⁵ *Argos Ltd v Argos Systems Inc* [2017] EWHC 231 (Ch), para.305. A seemingly analogous position was adopted in *The London Taxi Corporation Limited trading as the London Taxi Company v Frazer-Nash Research Limited and Ecotive Limited* [2016] EWHC 52 (Ch). At para 268, Arnold J. concludes that, had there been detriment or unfair advantage, it would not have been necessary to consider due cause separately because all the relevant factors would be considered under the descriptive use defence.

Perhaps the best way to understand the impact of the new approach so far is to consider how it has been applied to concrete examples. A note of caution is required, though. Any analysis of the case law may not identify the entire scope of due cause because it is dependent on which factual scenarios arise before the courts. Connected with this is that fact that any one factual scenario is made up of the objective situation and the way in which the particular junior user has conducted itself. This latter consideration may place a particularly important role here because the CJEU has instructed us to consider the subjective approach taken by the junior user in determining whether there is due cause.

Good faith and non-UK prior use

As mentioned above, the Court of Appeal in *Comic Enterprises*⁴⁶ accepted that good faith in the use and/or adoption of the junior sign can be relevant to due cause. The consideration of good faith has frequently been linked with prior use of the sign by the junior user. In a number of the cases that have arisen in the UK, the use of the junior sign has developed over a number of years, without knowledge of the senior sign and in a different jurisdiction (usually the USA). This was the case in *Comic Enterprises*,⁴⁷ *Pink*,⁴⁸ *Argos*⁴⁹ and *Merck*.⁵⁰ The consideration of good faith for these purposes has focussed not upon whether the mark was initially adopted in good faith, but rather on how the junior user comported itself on entry into the territory which brought it into conflict with the senior mark (entry into the UK market in the first two cases and establishment of an online presence in the latter two cases).

In *Thomas Pink*, the junior user had run a chain of clothing shops in the USA, named PINK, for many years. However, in the UK, the senior user had a number of shops selling primarily shirts named THOMAS PINK and the use of the junior PINK was found to lead to confusion under Art.9(1)(c).⁵¹ An argument of due cause was rejected because, while the junior user had a long history of use in the USA, when entering the UK market it gave no thought to the senior user's rights. Despite

⁴⁶ *Comic Enterprises Ltd v Twentieth Century Fox Film Corp* [2016] EWCA Civ 41.

⁴⁷ *Comic Enterprises Ltd v Twentieth Century Fox Film Corp* [2016] EWCA Civ 41.

⁴⁸ *Thomas Pink Ltd v Victoria's Secret UK Ltd* [2014] EWHC 2631 (Ch).

⁴⁹ *Argos Ltd v Argos Systems Inc* [2017] EWHC 231 (Ch).

⁵⁰ *Merck KGaA v Merck Sharp and Dohme Corp* [2016] EWHC 49 (Pat). Here, the jurisdictions where the use of the signs originally developed were Germany and the USA, but the principle is the same.

⁵¹ *Thomas Pink Ltd v Victoria's Secret UK Ltd* [2014] EWHC 2631 (Ch), paras 204-208.

the territorial nature of trade mark rights, it had failed to conduct a trade mark search. It had also misunderstood the extent of the senior user's use of its mark, which covered clothing other than shirts.⁵² In the words of the judge, the PINK mark was 'adopted in good faith but it was wrong'.⁵³

Similarly, in *Comic Enterprises*,⁵⁴ there was no question that when the junior user chose GLEE as the name of its television programme in the US, it did not know about the senior user's comedy clubs and there was no reason why it should have. The problem arose when, on entering the UK market, confusion arose.

In *Merck*,⁵⁵ the development of the separate chemical and pharmaceutical businesses which shared the name MERCK was not impugned, and indeed, the two had coexisted under various agreements for a number of years. The s.10(3) infringement arose not because of the parallel existence of the two companies, but instead because of the operation of the junior user's websites (use on the internet and its ability to penetrate the senior user's market not having been foreseen by the 1970 co-existence agreement). Use by the junior user of the sign 'MERCK Be Well' on a 'global website'⁵⁶ was labelled 'a deliberate and transparent attempt to push the boundaries of a long established co-existence arrangement'.⁵⁷

However, the opposite can be seen in the *Argos* case.⁵⁸ The US Argos business developed entirely independently of the UK catalogue store and it did not target its website at UK consumers. Any benefit was the result of misdirected traffic over which it had no direct control. The additional website visits were also a mixed blessing, given the need to purchase additional bandwidth to cope with the additional demand.⁵⁹

Bad faith

⁵² *Thomas Pink Ltd v Victoria's Secret UK Ltd* [2014] EWHC 2631 (Ch), para 202.

⁵³ *Ibid.*

⁵⁴ *Comic Enterprises Ltd v Twentieth Century Fox Film Corp* [2016] EWCA Civ 41.

⁵⁵ *Merck KGaA v Merck Sharp and Dohme Corp* [2016] EWHC 49 (Pat).

⁵⁶ *Merck KGaA v Merck Sharp and Dohme Corp* [2016] EWHC 49 (Pat), para 160.

⁵⁷ *Merck KGaA v Merck Sharp and Dohme Corp* [2016] EWHC 49 (Pat), para.180.

⁵⁸ *Argos Ltd v Argos Systems Inc* [2017] EWHC 231 (Ch).

⁵⁹ *Argos Ltd v Argos Systems Inc* [2017] EWHC 231 (Ch), para 307.

Deliberate attempts to take advantage of another's goodwill have prevented findings of due cause. This is apparent from the *Merck* case described above.⁶⁰ It can also be seen in *Specsavers v Asda*, where the junior user's activities were described as 'intended to benefit from the power of attraction attaching to the Specsavers brand and to exploit, without paying any compensation, Specsavers' marketing efforts by conveying to consumers that Asda offered real value in the form of spectacle savings.'⁶¹ This was against a background where the junior user was considered to have been 'living dangerously' in selecting a logo intended to be reminiscent of that of the senior user's.⁶²

Prior or parallel use within the UK

*Supreme Petfoods*⁶³ involved an example of use which was identified by the judge as being within the realm of due cause.⁶⁴ The senior user owned various trade marks containing the word SUPREME for animal foodstuffs and objected to the junior use of the word SUPREME for a product marketed as 'Mr Johnson's Supreme Rabbit Mix'. 'Supreme' was used to denote the fact that the food in question was superior to the junior user's 'standard' rabbit food. Arnold J. drew attention to the fact that the sign had been used for over 20 years as favourable to the junior user.⁶⁵

On the other hand, in *Azumi*,⁶⁶ the fact that the junior user's impugned sign was the name of her dog was found not to amount to due cause. Although it is not made explicit, perhaps we can extrapolate from this that any claim to due cause based on prior or parallel use of a term must be use as a sign in relation to goods or services (i.e. trade mark use), rather than something more indirect.

Descriptive use

Descriptive use has been said to be a factor that contributes to a finding of due cause. Thus, in *Supreme*, the descriptive nature of the word 'supreme' was mentioned favourably.⁶⁷ However, it

⁶⁰ *Merck KGaA v Merck Sharp and Dohme Corp* [2016] EWHC 49 (Pat), para 59.

⁶¹ *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2012] EWCA Civ 24, para.154.

⁶² *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2012] EWCA Civ 24, para.155.

⁶³ *Supreme Petfoods Ltd v Henry Bell & Co (Grantham) Ltd* [2015] EWHC 256 (Ch).

⁶⁴ Although technically the issue did not arise as there was no prima facie s.10(3) infringement.

⁶⁵ *Supreme Petfoods Ltd v Henry Bell & Co (Grantham) Ltd* [2015] EWHC 256 (Ch), para 192.

⁶⁶ *Azumi Ltd v Zuma's Choice Pet Products Ltd* [2017] EWHC 45 (IPEC), para 86.

⁶⁷ *Supreme Petfoods Ltd v Henry Bell & Co (Grantham) Ltd* [2015] EWHC 256 (Ch), para 192.

clearly is not a dispositive factor. For example, the fact that the junior mark, THE UNITED KINGDOM UKULELE ORCHESTRA was descriptive did not mean that the junior user had due cause to use it.⁶⁸ The judge suggested that such descriptive considerations did not ‘constitute the sort of fair competition contemplated by Kitchin LJ in *Specsavers*’. Instead, the junior mark infringed the senior mark: THE UKULELE ORCHESTRA OF GREAT BRITAIN. Likewise, the descriptive nature of the term GLEE in relation to the glee club featured in the junior user’s television series did not prevent a finding of lack of due cause.⁶⁹

It is submitted that this failure to consider the descriptive nature of junior marks is unfortunate, though understandable. If descriptiveness amounted to due cause in and of itself, this would allow junior users to pleading descriptiveness in situations where they have sought to take advantage or marks which are inherently descriptive but have acquired distinctiveness. It is argued that it would be clearer if, following the objective reasons/subjective considerations structure employed in *Leidseplein*,⁷⁰ descriptiveness was accepted as providing an objectively overriding reason for using the junior mark, but concerns about deliberate advantage or about harm were considered when examining the subjective position of the junior user.

Mere comparison

In *Specsavers*,⁷¹ it is suggested that creating a link with the senior user’s particular product offering (in this case value spectacles) gives the junior user a marketing advantage that goes beyond offering alternatives as envisaged in *Interflora*.⁷² Presumably the difference is that in *Interflora*, the Adword service merely used the word mark without explicitly capturing any of its branding connotations, whereas in *Specsavers*, the junior user, by referring to the senior user in its strapline ‘Spec savings at Asda’ sought to capture the senior brand offering, and not just the mark *qua* indication of origin.

⁶⁸ *Ukulele Orchestra of Great Britain v Clausen* [2015] EWHC 1772 (IPEC), para 71.

⁶⁹ *Ukulele Orchestra of Great Britain v Clausen* [2015] EWHC 1772 (IPEC), paras 146-147.

⁷⁰ *Leidseplein Beheer BV and de Vries v Red Bull GmbH and Red Bull Nederland BV*, C-65/12, ECLI:EU:C:2014:49.

⁷¹ *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2012] EWCA Civ 24.

⁷² *Interflora Inc. and Interflora British Unit v Marks & Spencer plc and Flowers Direct Online Ltd*, C-323/09, ECLI:EU:C:2011:604.

Confusion

In both *Pink*⁷³ and *Comic Enterprises*,⁷⁴ the fact that the junior use caused confusion with the senior use is treated as fatal to there being due cause. This is arguably inherent in *Interflora*,⁷⁵ but presents significant difficulties in the sort of situations that arose in those cases, where a junior user with an established market abroad seeks to enter into the UK market.

Proximity of goods

In *Leidseplein*, the proximity of the goods *favoured* due cause, because it demonstrated that the junior user had a legitimate interest in expanding his pre-existing offering into the senior user's market⁷⁶. However, in *Pink*⁷⁷ and *Comic Enterprises*,⁷⁸ proximity between the goods mitigated *against* due cause. Indeed, in *Pink*, the judge used the fact that the junior mark was being used for different products to distinguish the facts from *Leidseplein*. Once confusion is seen as ruling out due cause, it is understandable why courts might look to the relationship between the senior and junior goods. However, this would seem to be a misreading of *Leidseplein*, where the focus is not so much on the relationship between the senior and junior goods, as on the relationship between the junior *prior* goods and the junior *impugned* goods – if they are linked, then this suggests a good reason for the junior user's choice to expand into the senior market. Indeed, it is implicit in *Interflora*, where both parties were selling flowers, that even identity of goods can be compatible with a finding of due cause.

5. The relationship between due cause and honest practices

There has been some speculation about the relationship between due cause and the proviso to the Article 6 defences, which are stated to need to be 'in accordance with honest practices in industrial and commercial matters'. The CJEU has not addressed this issue, although it has been suggested post-

⁷³ *Thomas Pink Ltd v Victoria's Secret UK Ltd* [2014] EWHC 2631 (Ch), para 202.

⁷⁴ *Comic Enterprises Ltd v Twentieth Century Fox Film Corp* [2016] EWCA Civ 41, para 147.

⁷⁵ Because use that harms the functions of a mark cannot be with due cause.

⁷⁶ *Leidseplein Beheer BV and de Vries v Red Bull GmbH and Red Bull Nederland BV*, C-65/12, ECLI:EU:C:2014:49, paras 58-59.

⁷⁷ *Thomas Pink Ltd v Victoria's Secret UK Ltd* [2014] EWHC 2631 (Ch), para 201.

⁷⁸ *Comic Enterprises Ltd v Twentieth Century Fox Film Corp* [2016] EWCA Civ 4, para 147.

Leidseplein that there is an overlap between the two concepts.⁷⁹ It is submitted though that this cannot be automatically assumed. According to the definition of ‘honest practices’ adopted in *Gillette*,⁸⁰ use which takes unfair advantage will not be in accordance with honest practices since use which ‘affects the value of the trade mark by taking unfair advantage of its distinctive character or repute’ is specifically mentioned as an example of an activity that cannot be honest. According to *L’Oreal v Bellure*,⁸¹ unfair advantage should be read the same way according to the CJEU across all its meanings, which would mean that where there is unfair advantage for the purposes of Article 5(2), the junior use will, inevitably, not be in accordance with honest practices. By contrast, due cause is specifically picked out in *Leidseplein* as the ‘antidote’ to unfair advantage and its width. Instead, there is a question mark, deriving from *Interflora*, over whether due cause is available where there is blurring or tarnishment. On the other hand, blurring is *not* mentioned as a form of activity which is not in accordance with honest practices in *Gillette*.⁸² It is thus possible to read the CJEU’s jurisprudence so that the Art.6 defences can be used in a case which involved *prima facie* blurring but not unfair advantage. Instead, use which *prima facie* takes unfair advantage will not infringe at all if it is with due cause. This reading could exclude *prima facie* tarnishment from benefitting from any form of defence, since ‘denigration’ of a trade mark is mentioned as an example of an activity which is not in accordance with honest practices⁸³ while *Interflora* suggested that use that tarnishes would not have due cause. This could have worrying implications if in future the courts read tarnishment to include situations where a junior user (unjustifiably?) criticises a trade marked product, identifying it by its trade mark.

6. Conclusion

⁷⁹ *The London Taxi Corporation Limited trading as the London Taxi Company v Frazer-Nash Research Limited and Ecotive Limited* [2016] EWHC 52 (Ch), para 268.

⁸⁰ *The Gillette Company; Gillette Group Finland Oy v LA-Laboratories Ltd Oy*, C-228/03, ECLI:EU:C:2005:177, para.49. See further, I. Simon ‘Nominative use and honest practices in industrial and commercial matters – a very European history’ [2007] IPQ 117, 127.

⁸¹ *L’Oréal SA et al. v Bellure NV et al.*, C-487/07, ECLI:EU:C:2009:37, para 77.

⁸² Definition in *The Gillette Company; Gillette Group Finland Oy v LA-Laboratories Ltd Oy*, C-228/03, ECLI:EU:C:2005:177, para.49.

⁸³ *The Gillette Company; Gillette Group Finland Oy v LA-Laboratories Ltd Oy*, C-228/03, ECLI:EU:C:2005:177, para.49.

Due cause remains something of an enigma. There appears to be a clear message from the CJEU case law that there is a desire to expand its scope, but it is unclear if this is a desire to create a flexible standard to cover all forms of fair competition (as in *Interflora*), or to create something that focuses more specifically on the justifications for the junior use (as in *Leidseplein*). There is also the vexed question of how, if at all, due cause should apply if the junior use injures the senior mark through confusion or dilution. This plays into the question of whether due cause applies primarily as a counterbalance to the width of the unfair advantage action.

Courts in the UK have taken a relatively restrictive approach to interpreting due cause. While they have recognised the CJEU's desire to expand its scope, for the most part, they have added layers of detail which, while not limited to the old Benelux approach, can create obstacles to establishing due cause. It remains to be seen whether this is in accordance with the CJEU's understanding of the revised scope of the provision, but there is still some hope that due cause will remain flexible and adaptive to new factual situations that come before the courts. In particular, there remains the potential for due cause to be developed as a tool to undo some of the presumably unintended consequences of *L'Oréal v Bellure*,⁸⁴ and the CJEU's finding that any unremunerated advantage is unfair. Most urgently, comparative advertising would seem to be a clear candidate for being considered 'fair competition' under *Interflora*.

⁸⁴ *L'Oréal SA et al. v Bellure NV et al.*, C-487/07, ECLI:EU:C:2009:378.