Current Intelligence

■ *Red Bull v The Bull Dog*: 'due cause' in trade mark infringement

Case C-65/12 *Leidseplein Beheer BV and Hendrikus de Vries v Red Bull GmbH and Red Bull Nederland BV*, Court of Justice of the European Union (CJEU), 6 February 2014

The CJEU has provided valuable guidance on the interpretation of 'due cause' (under Article 5(2) of Directive 89/104 (now replaced by Directive 2008/95)) where a sign that is identical or similar to a registered trade mark with a reputation was already being used in good faith before the registered trade mark was applied for.

Legal context

Article 5(2) of Directive 89/104 (now replaced by Directive 2008/95) provides that EU Member States can enact provisions entitling the proprietor of a trade mark to prevent a third party from using an identical or similar sign to the proprietor's trade mark where

(a) the proprietor's trade mark has a reputation in the member state concerned; and

(b) the use of that sign by the third party without due cause takes unfair advantage of, or is detrimental to, the distinctive character or repute of the proprietor's trade mark.

The Directive does not define 'due cause'.

In order to interpret the equivalent Benelux legislation in accordance with the Directive, the Dutch Supreme Court sought clarification from the CJEU of the meaning of 'due cause' and, in particular, how widely it should be interpreted. The specific question put to the CJEU was:

> Is Article 5(2) of the Directive to be interpreted as meaning that there can be due cause within the meaning of that provision also where the sign that is identical or similar to the trade mark with a reputation was already being used in good faith by the third party/parties concerned before that trade mark was filed?

Facts

On 11 July 1983, Red Bull registered the word and figurative mark 'Red Bull Krating-Daeng' in the Benelux countries for various goods, including non-alcoholic drinks. That mark subsequently developed a reputation in the Benelux countries.

Mr de Vries was the owner of the word and figurative mark 'The Bulldog' for various goods, including non-alcoholic drinks (registered in the Benelux countries on 14 July 1983). Mr de Vries had also been using 'The Bulldog' as a trade name for hotel, restaurant and cafe services involving the sale of drinks since 1975, long before the registration of the Red Bull mark and before that mark had acquired its reputation. Mr de Vries had also sold energy drinks under the sign 'Bull Dog' since an unspecified date after the Red Bull mark had been registered and acquired a reputation.

Red Bull issued proceedings against Mr de Vries in relation to Mr de Vries's sale of energy drinks under The Bulldog mark arguing that such use adversely affected the Red Bull mark. The Amsterdam District Court dismissed Red Bull's claim. In upholding Red Bull's appeal, the Amsterdam Regional Court of Appeal held that Mr de Vries's use of The Bulldog mark for energy drinks sought to take unfair advantage of the reputation of the Red Bull mark. The fact that Mr de Vries's use of the Bulldog mark for energy drinks was a continuation of, and a natural extension of, the services he had provided under the Bulldog mark prior to the registration of the Red Bull mark was not sufficient to constitute 'due cause'.

Mr de Vries appealed to the Dutch Supreme Court claiming that the appeal court had interpreted the concept of 'due cause' too narrowly. Unsure that the appeal court had correctly interpreted the concept of 'due cause', the Dutch Supreme Court made its reference to the CJEU.

Analysis

In assessing the key issue of the scope of the concept of 'due cause', the CJEU was faced with distinctly different submissions. Red Bull claimed that the scope of protection was restricted only to objectively overriding reasons. Mr de Vries argued that it was much broader and covered subjective interests, such as his, where he had been using the Bulldog mark before the Red Bull mark had been applied for. The CJEU's clearest statement of general application was its rejection of Red Bull's submission and its acceptance that subjective interests can be taken into consideration.

The CJEU also dismissed Red Bull's suggestion that adopting Mr de Vries's interpretation of the concept would wrongly result in the scope of protection under Article 5(2) being less than that afforded by Article 5(1). The CJEU held that the concept of 'due cause' should not be interpreted by having regard to Article 5(1) and reinforced the position that the rules for protection of trade marks with a reputation are different from the rules for protection of those marks without a reputation.

Turning to the specific facts of the case, the CJEU stated that to determine whether use was with 'due cause' an assessment must be carried out, taking into account, in particular, two factors.

The first factor is how the sign 'has been accepted by, and what its reputation is with, the relevant public'. The second factor relates to the intention of the person using the sign. In determining whether the use of the sign was in good faith, it is necessary to take into account the degree of similarity between the goods and services for which the sign was used and the goods or services for which the mark was registered together with regard for when that sign was first used for goods identical to that for which the mark is registered and the mark's reputation.

In developing these two factors, the CJEU explained that the greater the similarity between the goods or services for which the sign was used before the registration of the mark and the goods and services for which the mark is registered, the more likely that the subsequent use of the sign for identical goods or services will be seen as a natural and genuine extension of the goods or services provided under the sign prior to the mark's registration. The CJEU commented that the sale of energy drinks by Mr de Vries was likely to be perceived as a genuine extension of his range of goods rather than as an attempt to take advantage of the repute of the Red Bull Mark.

Further, the greater the acceptance and repute of the sign, prior to the registration of a similar mark with a reputation, for a certain range of goods and services, the more its use will be necessary for identical goods or services to those for which the mark is registered as those goods are close, by their nature, to the goods for which the sign was previously used.

The CJEU concluded that another factor to be considered is the 'economic and commercial significance' of the use of the sign for the product which is identical to that for which the mark is registered. No further explanation or analysis of this factor was provided, which therefore allows for speculation as to its interpretation. For example, if allowing the use of a similar sign on the ground of 'due cause' would be significantly prejudicial to the trade mark proprietor's commercial interests, should the national court err on the side of the trade mark proprietor? Equally, following the principle set out in *Interflora* (Case C 323/09 *Interflora Inc and Interflora British Unit v Marks and Spencer plc and Flowers Direct Online Ltd*, CJEU, 22 September 2011) that fair competition is not without 'due cause', it may also allow the national court to use the concept of 'due cause' to limit the extent of a trade mark proprietor's exclusive right to use that mark on the ground that it overly restricts competition. We wait with interest to see how the Dutch Supreme Court applies the CJEU's guidance.

Practical significance

Given the relative paucity of judicial decisions on the meaning of 'due cause', the CJEU's findings help provide both practitioners and brand owners with useful guidance on its interpretation and application. Although many of its findings pertain to the specific factual situation of this case, in conjunction with the CJEU's recent decision in Interflora, the judgment suggests that 'due cause' should be interpreted more widely than was previously thought. The judgment will also provide encouragement to smaller, local brand owners who wish to expand their range of goods, but might have previously been loath to do so in view of the registered rights of larger, global corporations that came on to the market at a later date. This ruling also makes it likely that more careful consideration and scrutiny will be paid to the concept of 'due cause', and to its potential relevance as a defence to infringement, by claimants and defendants alike.

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doi:10.1093/jiplp/jpu062