

JUDGMENT OF THE COURT (First Chamber)

10 April 2008<sup>\*</sup>

In Case C-102/07,

REFERENCE for a preliminary ruling under Article 234 EC from the Hoge Raad der Nederlanden (Netherlands), made by decision of 16 February 2007, received at the Court on 21 February 2007, in the proceedings

**adidas AG,**

**adidas Benelux BV,**

v

**Marca Mode CV,**

**C&A Nederland CV,**

**H&M Hennes & Mauritz Netherlands BV,**

**Vendex KBB Nederland BV,**

<sup>\*</sup> Language of the case: Dutch.

THE COURT (First Chamber),

composed of P. Jann, President of the Chamber, A. Tizzano, A. Borg Barthet, M. Ilešič (Rapporteur) and E. Levits, Judges,

Advocate General: D. Ruiz-Jarabo Colomer,  
Registrar: M. Ferreira, Principal Administrator,

having regard to the written procedure and further to the hearing on 6 December 2007,

after considering the observations submitted on behalf of:

— adidas AG and adidas Benelux BV, by G. Vos and A. Quaedylied, advocaten,

— Marca Mode CV and Marca CV, by J.J. Brinkhof, advocaat,

— H&M Hennes & Mauritz Netherlands BV, by G. van Roeyen, advocaat,

— the Italian Government, by I.M. Braguglia, acting as Agent, assisted by S. Fiorentino, avvocato dello Stato,

— the United Kingdom Government, by C. Gibbs, acting as Agent, and M. Edenborough, Barrister,

— the Commission of the European Communities, by W. Wils, acting as Agent,

after hearing the Opinion of the Advocate General at the sitting on 16 January 2008,

gives the following

### **Judgment**

- <sup>1</sup> This reference for a preliminary ruling concerns the interpretation of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ 1989 L 40, p. 1; ‘the Directive’).
- <sup>2</sup> The reference was made in proceedings between adidas AG and adidas Benelux BV on the one hand and Marca Mode CV (‘Marca Mode’), C&A Nederland CV (‘C&A’), H&M Hennes & Mauritz Netherlands BV (‘H&M’) and Vendex KBB Nederland BV (‘Vendex’) on the other concerning the scope of protection of the three-stripe figurative marks owned by adidas AG.

## Relevant provisions

3 Article 3(1) of the Directive, entitled 'Grounds for refusal or invalidity', provides:

'1. The following shall not be registered or if registered shall be liable to be declared invalid:

(a) signs which cannot constitute a trade mark;

(b) trade marks which are devoid of any distinctive character;

(c) trade marks which consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin, or the time of production of the goods or of rendering of the service, or other characteristics of the goods;

(d) trade marks which consist exclusively of signs or indications which have become customary in the current language or in the bona fide and established practices of the trade;

(e) signs which consist exclusively of:

- the shape which results from the nature of the goods themselves, or
  
- the shape of goods which is necessary to obtain a technical result, or
  
- the shape which gives substantial value to the goods;

...'

4 Article 3(3) of the Directive states:

‘A trade mark shall not be refused registration or be declared invalid in accordance with paragraph 1(b), (c) or (d) if, before the date of application for registration and following the use which has been made of it, it has acquired a distinctive character. Any Member State may in addition provide that this provision shall also apply where the distinctive character was acquired after the date of application for registration or after the date of registration.’

5 Article 5(1) and (2) of the Directive, entitled ‘Rights conferred by a trade mark’, provide:

‘1. The registered trade mark 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:

- (a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered;
  
- (b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark.

2. 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.’

- 6 Article 6(1) of the Directive, entitled ‘Limitation of the effects of a trade mark’, provides:

‘The trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade,

- (a) his own name or address;
  
- (b) indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of goods or services;
  
- (c) the trade mark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts;

provided he uses them in accordance with honest practices in industrial or commercial matters.’

7 Article 12(2) of the Directive, entitled ‘Grounds for revocation’, states:

‘A trade mark shall ... be liable to revocation if, after the date on which it was registered,

- (a) in consequence of acts or inactivity of the proprietor, it has become the common name in the trade for a product or service in respect of which it is registered;

...’

## **The main proceedings and the questions referred for a preliminary ruling**

- 8 Adidas AG is the proprietor of figurative trade marks composed of three vertical, parallel stripes of equal width which are featured on the sides of sports and leisure garments in a colour which contrasts with the basic colour of those garments.
- 9 Adidas Benelux BV is the holder of an exclusive licence for the Benelux countries granted by adidas AG.
- 10 Marca Mode, C&A, H&M and Vendex are competing undertakings operating in the textile trade.
- 11 Having found that some of those competitors had begun to market sports and leisure garments featuring two parallel stripes, the colour of which contrasts with the basic colour of those garments, adidas AG and adidas Benelux BV (together, 'adidas') brought interlocutory proceedings before the Rechtbank te Breda (local court of Breda) against H&M and an action on the merits against Marca Mode and C&A for prohibition of the use by those undertakings of any sign consisting of the three-stripe logo registered by adidas or a motif similar to it, such as the motif with two parallel stripes used by those undertakings.
- 12 Marca Mode, C&A, H&M and Vendex have, for their part, brought applications before the Rechtbank te Breda for a declaration that they are free to place two stripes on their sports and leisure garments for decorative purposes.



- 13 By judgment of 2 October 1997, the president of the Rechtbank te Breda made an interlocutory order against H&M to refrain from using in Benelux the sign consisting of the three-stripe logo registered by adidas or any other sign similar to it, such as the two-stripe motif used by H&M.
- 14 By an interlocutory judgment of 13 October 1998 the Rechtbank te Breda held that the trade marks owned by adidas had been infringed.
- 15 Appeals against the judgments of 2 October 1997 and 13 October 1998 were brought before the Gerechtshof te 's-Hertogenbosch (regional appeal court of 's-Hertogenbosch).
- 16 By judgment of 29 March 2005, the Gerechtshof te 's-Hertogenbosch set aside the judgments of 2 October 1997 and 13 October 1998 and, giving a ruling on the dispute, rejected both the application of adidas and those of Marca Mode, C&A, H&M and Vendex on the ground, first, that the trade marks owned by adidas had not been infringed and, secondly, that the scope of the applications made by Marca Mode, C&A, H&M and Vendex was too general.
- 17 The Gerechtshof te 's-Hertogenbosch stated that a three-stripe motif such as that registered by adidas is not very distinctive per se but that, owing to the investment in advertising by adidas, the marks it owned had acquired considerable distinctive character and become well known. Those marks therefore enjoyed wide protection so far as concerns the three-stripe logo. However, given that stripes and simple stripe logos are, generally, signs which must remain available and do not therefore lend themselves to exclusive rights, the marks owned by adidas cannot afford any protection against the use of two-stripe motifs.

18 Having appealed on a point of law to the Hoge Raad der Nederlanden (Supreme Court of the Netherlands), adidas takes the view that, in the scheme of the system set up by the Directive, the requirement of availability must be taken into account only when the grounds for refusal or invalidity provided for in Article 3 of the Directive apply.

19 It is in those circumstances that the Hoge Raad der Nederlanden decided to stay the proceedings and refer the following questions to the Court for a preliminary ruling:

- '(1) In the determination of the extent to which protection should be given to a trade mark formed by a sign which does not in itself have any distinctive character or by a designation which corresponds to the description in Article 3(1)(c) of the Directive ... but which has become a trade mark through the process of becoming customary ("inburgering") and has been registered, should account be taken of the general interest in ensuring that the availability of given signs is not unduly restricted for other traders offering the goods or services concerned ("Freihaltebedürfnis")?
  
- (2) If the answer to Question 1 is in the affirmative: does it make any difference whether the signs which are referred to therein and which are to be held available are seen by the relevant public as being signs used to distinguish goods or merely to embellish them?
  
- (3) If the answer to Question 1 is in the affirmative: does it, further, make any difference whether the sign contested by the holder of a trade mark is devoid of distinctive character, within the terms of Article 3(1)(b) of the Directive ... or contains a designation, within the terms of Article 3(1)(c) of the Directive?

## The questions

- 20 By its questions, which must be examined together, the national court asks, essentially, to what extent it is necessary to take into account the general interest in not unduly restricting the availability of certain signs in the assessment of the scope of the exclusive rights of the trade mark proprietor.
- 21 That court set out that question having regard to the three stripe-logo registered by adidas, which has acquired distinctive character through use. In particular, it asks whether, when third parties use identical or similar signs to the mark in question without the permission of the proprietor of that mark and rely on the requirement of availability in support of that use, it is important to know whether or not those signs are regarded as decorative by the relevant public, whether or not they are devoid of distinctive character within the meaning of Article 3(1)(b) of the Directive and whether or not they are descriptive within the meaning of Article 3(1)(c) of the Directive.

### *Preliminary considerations*

- 22 As noted by the Advocate General in point 33 et seq. of his Opinion, there are public interest considerations, connected in particular with the need for undistorted competition, which militate in favour of certain signs being used freely by all economic operators.
- 23 As the Court has previously held, that requirement of availability is the reason underlying certain grounds for refusal of registration set out in Article 3 of the Directive

(see to that effect, in particular, Joined Cases C-108/97 and C-109/97 *Windsurfing Chiemsee* [1999] ECR I-2779, paragraph 25; Joined Cases C-53/01 to 55/01 *Linde and Others* [2003] ECR I-3161, paragraph 73; and Case C-104/01 *Libertel* [2003] ECR I-3793, paragraph 53).

24 Further, Article 12(2)(a) of the Directive provides that a trade mark is liable to revocation if, after the date on which it was registered, in consequence of acts or inactivity of the proprietor, it has become the common name in the trade for a product or service in respect of which it is registered. By that provision, the Community legislature balanced the interests of the trade mark proprietor against those of his competitors in the availability of signs (see Case C-145/05 *Levi Strauss* [2006] ECR I-3703, paragraph 19).

25 Accordingly, if it is established that the requirement of availability plays an important role in the framework of Articles 3 and 12 of the Directive, it is clear that the present reference for a preliminary ruling falls outside that framework since it raises the question of whether the requirement of availability constitutes a criterion, after registration of a trade mark, for the purposes of defining the scope of the exclusive rights of the proprietor of the mark. *Marca Mode*, *C&A*, *H&M* and *Vendex* do not seek to obtain a declaration of invalidity within the meaning of Article 3 or revocation within the meaning of Article 12, but plead the need for the availability of stripe motifs other than that registered by adidas in order to argue their right to use those motifs without the consent of the latter.

26 When a third party relies on the requirement of availability to argue its right to use a sign other than that registered by the trade mark proprietor, the relevance of such an argument cannot be assessed under Articles 3 and 12 of the Directive, but must be examined in the light of Article 5 of the Directive, which concerns the protection of the registered mark against use by third parties, as well as of Article 6(1)(b) of the Directive, if the sign in question comes within the scope of that provision.

*Interpretation of Article 5(1)(b) of the Directive*

- 27 In conferring on the proprietor of a trade mark the right to prevent all third parties from using an identical or similar sign, where there is a likelihood of confusion, and in setting out the uses of such a sign which may be prohibited, Article 5 of the Directive seeks to protect that proprietor from uses of signs likely to infringe that trade mark (see, to that effect, *Levi Strauss*, paragraph 14).
- 28 The likelihood of confusion is the specific condition of the protection conferred by the trade mark, in particular against use by third parties of non-identical signs. The Court has defined that condition as the risk that the public might believe that the goods or services in question come from the same undertaking or, as the case may be, from economically-linked undertakings (see Case C-342/97 *Lloyd Schuhfabrik Meyer* [1999] ECR I-3819, paragraph 17, and Case C-120/04 *Medion* [2005] ECR I-8551, paragraphs 24 and 26).
- 29 According to the 10th recital in the preamble to the Directive, the appreciation of such likelihood ‘depends on numerous elements and, in particular, on the recognition of the trade mark on the market, of the association which can be made with the used or registered sign, of the degree of similarity between the trade mark and the sign and between the goods or services identified’. The likelihood of confusion must therefore be appreciated globally, taking into account all factors relevant to the circumstances of the case (see Case C-251/95 *SABEL* [1997] ECR I-6191, paragraph 22; Case C-425/98 *Marca Mode* [2000] ECR I-4861, paragraph 40; and *Medion*, paragraph 27).
- 30 The fact that there is a need for the sign to be available for other economic operators cannot be one of those relevant factors. As is apparent from the wording of Article 5(1)(b) of the Directive and the case-law cited, the answer to the question as to whether there is a likelihood of confusion must be based on the perception by the

public of the goods covered by the mark of the proprietor on the one hand and the goods covered by the sign used by the third party on the other.

<sup>31</sup> Moreover, signs which must, generally, remain available for all economic operators are likely to be used abusively with a view to creating confusion in the mind of the consumer. If, in such a context, the third party could rely on the requirement of availability to use a sign which is nevertheless similar to the trade mark freely without the proprietor of the latter being able to oppose that use by pleading likelihood of confusion, the effective application of Article 5(1) of the Directive would be undermined.

<sup>32</sup> That consideration applies in particular to stripe motifs. As adidas recognised in the introduction to its observations, stripe motifs as such are available and may therefore be placed in a vast number of ways on sports and leisure garments by all operators. Nonetheless, the competitors of adidas cannot be authorised to infringe the three-stripe logo registered by adidas by placing on the sports and leisure garments marketed by them stripe motifs which are so similar to that registered by adidas that there is a likelihood of confusion in the mind of the public.

<sup>33</sup> It is for the national court to determine whether such a likelihood of confusion exists. For the purpose of that determination, it is useful to examine the national court's question seeking to ascertain whether it is important to determine whether the public perceives the sign used by the third party as mere decoration of the goods in question.

34 In that respect, it should be pointed out that the public's perception that a sign is a decoration cannot constitute a restriction on the protection conferred by Article 5(1)(b) of the Directive when, despite its decorative nature, that sign is so similar to the registered trade mark that the relevant public is likely to perceive that the goods come from the same undertaking or, as the case may be, from economically-linked undertakings.

35 In the present case, it must therefore be determined whether the average consumer, when he sees sports or leisure garments featuring stripe motifs in the same places and with the same characteristics as the stripes logo registered by adidas, except for the fact that they consist of two rather than three stripes, may be mistaken as to the origin of those goods, believing that they are marketed by adidas AG, adidas Benelux BV or an undertaking linked economically to those undertakings.

36 As is clear from the 10th recital in the Directive, that appreciation depends not solely on the degree of similarity between the trade mark and the sign, but also on the ease with which the sign may be associated with the mark having regard, in particular, to the recognition of the latter on the market. The more the mark is well known, the greater the number of operators who will want to use similar signs. The presence on the market of a large quantity of goods covered by similar signs might adversely affect the trade mark in so far as it could reduce the distinctive character of the mark and jeopardise its essential function, which is to ensure that consumers know where the goods concerned come from.

### *Interpretation of Article 5(2) of the Directive*

37 It is not disputed by the parties in the main proceedings that the three-stripe logo registered by adidas is a trade mark with a reputation. Moreover, it is common ground that the legislation applicable in the Netherlands includes the rule referred

to in Article 5(2) of the Directive. Moreover, the Court has stated that Article 5(2) of the Directive also applies in respect of goods and services identical with or similar to those covered by the registered mark (see, to that effect, Case C-292/00 *Davidoff* [2003] ECR I-389, paragraph 30, and Case C-408/01 *Adidas-Salomon and Adidas Benelux* [2003] ECR I-12537, paragraphs 18 to 22).

38 The three-stripe logo registered by adidas thus benefits from both the protection conferred by Article 5(1) of the Directive and the extended protection granted by Article 5(2) of the Directive (see, by analogy, *Davidoff*, paragraphs 18 and 19).

39 In those circumstances, the question referred for a preliminary ruling must also be answered from the point of view of the latter provision, which specifically relates to the protection of trade marks with a reputation.

40 Article 5(2) of the Directive establishes, for the benefit of trade marks with a reputation, a form of protection whose implementation does not require the existence of a likelihood of confusion. Article 5(2) applies to situations in which the specific condition of the protection consists of a use of the sign in question without due cause which takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark (see *Marca Mode*, paragraph 36, and *Adidas-Salomon and Adidas Benelux*, paragraph 27).

41 The infringements referred to in Article 5(2) of the Directive, where they occur, are the consequence of a certain degree of similarity between the mark and the sign, by virtue of which the relevant section of the public makes a connection between the sign and the mark, that is to say, establishes a link between them even though it does not confuse them. It is not therefore necessary that the degree of similarity between



the mark with a reputation and the sign used by the third party is such that there exists a likelihood of confusion between them on the part of the relevant section of the public. It is sufficient for the degree of similarity between the mark with a reputation and the sign to have the effect that the relevant section of the public establishes a link between the sign and the mark (see *Adidas-Salomon and Adidas Benelux*, paragraphs 29 and 31).

42 The existence of such a link must be appreciated globally, taking into account all the relevant factors relevant to the circumstances of the case (*Adidas-Salomon and Adidas Benelux*, paragraph 30).

43 It is clear that the requirement of availability is extraneous both to the assessment of the degree of similarity between the mark with a reputation and the sign used by the third party and to the link which may be made by the relevant public between that mark and the sign. It cannot therefore constitute a relevant factor for determining whether the use of the sign takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.

#### *Interpretation of Article 6(1)(b) of the Directive*

44 Article 6(1)(b) of the Directive provides that the proprietor of a trade mark cannot prohibit a third party from using, in the course of trade, indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of goods or services, provided he uses them in accordance with honest practices in industrial or commercial matters.

45 By thus limiting the effects of the exclusive rights of a trade mark proprietor, Article 6 of the Directive seeks to reconcile the fundamental interests of trade mark protection with those of free movement of goods and freedom to provide services in the common market in such a way that trade mark rights are able to fulfil their essential role in the system of undistorted competition which the EC Treaty seeks to establish and maintain (see Case C-228/03 *Gillette Company and Gillette Group Finland* [2005] ECR I-2337, paragraph 29, and the case-law cited).

46 Specifically, Article 6(1)(b) of the Directive seeks to ensure that all economic operators have the opportunity to use descriptive indications. As noted by the Advocate General in points 75 and 78 of his Opinion, that provision therefore gives expression to the requirement of availability.

47 However, the requirement of availability cannot in any circumstances constitute an independent restriction of the effects of the trade mark in addition to those expressly provided for in Article 6(1)(b) of the Directive. It must be stated in that regard that, in order for a third party to be able to plead the limitations of the effects of the trade mark in Article 6(1)(b) of the Directive and rely in that respect on the requirement of availability underlying that provision, the indication used by it must, as required by that provision of the Directive, relate to one of the characteristics of the goods marketed or the service provided by that third party (see, to that effect, *Windsurfing Chiemsee*, paragraph 28, and Case C-48/05 *Adam Opel* [2007] ECR I-1017, paragraphs 42 to 44).

48 In the present case, according to the decision making the reference and the observations submitted to the Court by the competitors of adidas, the latter rely on the purely decorative nature of the two-stripe motifs at issue to justify their use. It follows that the placing by those competitors of motifs with stripes on their garments is not intended to give an indication concerning one of the characteristics of those goods.

49 Having regard to all of the foregoing considerations, the answer to the question referred for a preliminary ruling must be that the Directive must be interpreted as meaning that the requirement of availability cannot be taken into account in the assessment of the scope of the exclusive rights of the proprietor of a trade mark, except in so far as the limitation of the effects of the trade mark defined in Article 6(1)(b) of the Directive applies.

### Costs

50 Since these proceedings are, for the parties to the main proceedings, a step in the action pending before the national court, the decision on costs is a matter for that court. Costs incurred in submitting observations to the Court, other than the costs of those parties, are not recoverable.

On those grounds, the Court (First Chamber) hereby rules:

**First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks must be interpreted as meaning that the requirement of availability cannot be taken into account in the assessment of the scope of the exclusive rights of the proprietor of a trade mark, except in so far as the limitation of the effects of the trade mark defined in Article 6(1)(b) of the Directive applies.**

[Signatures]