1. Introduction

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1. WHY A BOOK ON SHARING NAMES?

In using the term ‘sharing names’, this book refers to situations where trade mark owners (and, in some circumstances, those who hold rights protected by the law of passing off) find themselves in a situation where another trader is concurrently using a mark which is identical or very similar to that held by the trade mark owner. This can happen voluntarily, for example, when a trade mark owner decides to license his mark to another trader in respect of part of his business but continues to use the mark for the rest of his business. It may also happen involuntarily, for example, when another trader starts using a very similar mark without the owner’s authorization in an infringement-type situation.

The sharing of names may seem like a rather abstract theme for a book. However, it is hoped that this volume will persuade readers that this subject is of great practical importance. The range of topics covered in the chapters shows that it has a place in every aspect of trade mark law, from registrability to infringement to transactions involving trade marks. In all of these areas, traders are either asking the authorities to give legal recognition to the ways in which they are voluntarily sharing their trade marks, or to stop other traders from sharing their marks without their authorization.

Perhaps more importantly, the ability of traders to share names and the traders’ inability to stop others from sharing their names raises questions about the theoretical underpinnings of the trade mark system as a whole. The European Court of Justice has told us that the essential function of a trade mark is ‘to guarantee the identity of origin of the marked goods or services to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the goods or services from others which have another origin’.1

1 This definition was originally used in Hoffmann-la Roche & Co AG and Hoffmann-la Roche AG v Centrafarm Vertriebsgesellschaft Pharmazeutischer Erzeugnisse mbH 102/77 [1978] ECR 1139, para. 7 but returned to prominence with a similar statement from the ECJ in Arsenal Football Club plc v Matthew Reed C-206/01 [2003] ETMR 19, paras 48–50. See further, I. Simon, ‘How Does Essential Function Doctrine Drive European Trade Mark Law?’ 36 IIC 401 (2005).
In other words, to function effectively as a trade mark, a mark must identify the goods of one undertaking and enable consumers to tell that owner’s goods or services apart from the goods or services of other undertakings. Once the law refuses to stop other traders from making use of the mark, it potentially puts that function in jeopardy. More worryingly, if courts and registries recognize voluntary agreements that parties have made to share names, they may be allowing the private interests of the parties in sharing the name to override the public interest in avoiding consumer confusion by preventing confusingly similar marks from being used and keeping such marks off the Trade Mark Register. However, there is a balance to be struck. While we want to preserve the ability of trade marks to act in accordance with their essential function, we also need to take into account the needs of competitors to use certain marks, and our desire to maintain a market economy where transactions involving trade marks are possible. The chapters within this book examine how this balance has been made in the key areas where name sharing takes place and evaluate whether it has been made correctly.

2. THE BOOK IN OUTLINE

2.1 Overview

As well as this introduction which includes an overview of the legal issues, in this section Andrew Griffiths considers the economic effects of name sharing. Bearing in mind the potential conflict between the essential function of a trade mark and name sharing, Griffiths begins by outlining how the ECJ has defined the essential function, and the economic benefits which arise out of trade marks performing that function, viz, the ability of the mark to carve out an identity for the products bearing that mark, and therefore to act as a focus for goodwill to accrue around. He concludes by distinguishing between the economic effects of voluntary and involuntary name sharing.

Griffiths argues that voluntary name sharing is consistent with the essential function, and is also economically efficient since it enables the trade mark owner to maintain control over its goodwill, while at the same time realizing the benefits of modern production and marketing methods. However, involuntary name sharing may be harmful, particularly if consumers are confused as to origin, since such use of the mark will damage its ability to fulfil its essential function, and, as a result, will impair the owner’s ability to realize the economic benefits of his/her investment in the mark. Even where there is no origin confusion, he argues that the mark may be damaged in other ways where the name sharing is involuntary.
2.2 Registrability Issues

This part of the book considers the various ways in which name sharing can come up at the registration stage. These include the response of trade mark registries when faced with situations when parties have agreed to share trade marks, and when the applicant for registration has made previous, innocent use of the mark. Finally, there are some marks, the very nature of which requires them to be shared.

Phillip Johnson considers the beginnings, development and ultimate death of honest concurrent user provision. This was an English provision that, in its heyday, enabled the registrar of trade marks to register a trade mark, even though it might infringe an earlier trade mark, where the applicant had been making honest use of it prior to applying for registration. Johnson argues that the rule has its origins in provisions designed to implement the trade mark registration system in the face of the multiple users of the same marks prior to registration who all wanted to gain registration of identical marks when registration became a possibility. However, over time, the provision evolved, and became a means for existing users to gain registration where the use had been honest, even though the use of such marks could cause confusion amongst consumers. In other words, it forced registered owners to share their marks with other users, even though this was capable of harming the ability of their marks to act as an unequivocal guarantee of origin.

However, there was no such provision in the European Trade Mark Directive (Directive 89/104), and although the UK did retain an honest concurrent user provision on implementing the Directive, it was far weaker and, under the influence of case law, weakened even further to the extent of effective non-existence. The provision was removed completely in October 2007 when the UK made extensive changes to the way in which it examines potentially opposing trade marks. Nevertheless, Johnson notes that the concept of the honest concurrent user could make a comeback in the light of the potential for coincidental choices of the same trade mark in a European Union made up of 27 Member States.

Arnaud Folliard-Monguiral examines the role that coexistence plays in the Office for Harmonization in the Internal Market (OHIM)’s decision-making on the registrability of marks. He identifies two areas where coexistence may be relevant: in disproving likelihood of confusion (because the two marks have coexisted on a particular market without evidence of consumer confusion) and in reducing an earlier mark’s level of distinctiveness to the point that its scope of protection against confusion is reduced.

Folliard-Monguiral concludes that the impact of coexistence on the first situation is relatively minimal. Although OHIM is prepared to concede that coexistence may be of persuasive value in demonstrating a lack of confusion,
coexistence will never be decisive of the point. In some circumstances an earlier user may have been prepared to tolerate a degree of confusion caused by coexistence because of the cost or difficulty of taking action. Furthermore, in contrast to the position of the UK Intellectual Property Office, described in the next chapter by Edward Smith, OHIM does not feel itself obliged to take coexistence agreements between the two parties into account when establishing confusion.

However, coexistence plays more of a role in the second scenario identified by Folliard-Monguiral. It is the position in Europe that confusion is more likely when the earlier mark has an enhanced level of distinctiveness. Such distinctiveness will be lower when other traders are using similar marks on the market and so, where the earlier mark is coexisting with similar marks of third parties, the scope of protection of the earlier mark may be reduced. However, he regrets that, as yet, there is no clear guidance on the correct approach where the earlier mark’s distinctiveness is diminished by third-party use which post-dates the registration of the earlier mark.

Edward Smith details how the UK Intellectual Property Office, and more specifically, its Trade Marks Registry, has adopted a more liberal approach to trade mark registration where there are possible conflicts between marks. As such, it is not overly concerned with the confusion that may occur when trade marks which overlap are shared. Whereas the Registry previously viewed itself as tasked with an overriding duty to protect consumers from the confusion that could be caused by conflicting trade marks, that is no longer the case. Instead, the Registry takes its lead from the rather permissive Trade Marks Act 1994, and tolerates multiple ownership of marks without the need for rigorous quality control by the first registered trade mark owner. Smith gives examples of how this can be seen through the Registry’s practice, and the decisions of its officers. In particular, the Registry does not interfere with private agreements to share marks. It is prepared to take a charitable view of situations where potentially conflicting marks have coexisted without evidence of confusion and it adopts a light touch to the need for quality control by the proprietor in assessing whether there has been use of a mark for the purposes of avoiding revocation.

Smith acknowledges that this can lead to a conflict with the essential function of a trade mark, but notes that the Registry does not see itself as the guardian of the essential function, and, by extension, of consumers. Instead, it favours an approach based on consent between otherwise potentially conflicting users of the trade mark system where this is possible.

Dev Gangjee discusses certification and collective marks, and their place in the trade mark system. These marks are of particular interest because the parties involved have voluntarily agreed to share the name in question. After analysing their nature, and the conditions for obtaining them, Gangjee consid-
ers the way in which they have been treated in infringement actions, and the way in which their unique nature has influenced the way of the scope of their protection as compared to ‘conventional’ trade marks.

Gangjee sets collective and certification marks in the context of the wider trade mark system. They do not do the ordinary job of a trade mark, which is to indicate the origin of the goods of a single undertaking. However, he notes that most consumers are not overly concerned with the physical origin of their products (and indeed, a trade mark will no longer give them this information). Instead, they view trade marks as a proxy for a message about quality. He asks whether reliance on conventional trade marks is the best way for consumers to obtain their messages about quality, or if there is instead a greater scope for the use of certification marks.

2.3 Shared Name Litigation

This section of the book considers the role of name sharing in inter partes disputes, with chapters on infringement and the defences.

In Chapter 7 I examine the diminishing role of the specialty rule under both passing off and registered trade mark law. Under the specialty rule, trade mark protection was limited to the prevention of uses of marks on identical, or perhaps very similar, goods or services. This meant that an earlier user of a mark could be forced to share that mark when the later use was on dissimilar goods, even if the later use caused confusion, took advantage of the earlier mark’s reputation or otherwise damaged the earlier mark or its reputation. In recent years though, the role of the specialty rule has been drastically reduced under the law of both registered and unregistered trade mark law by two trends: (i) a widening conception of confusion and (ii) the willingness in Europe (and indeed further afield) to recognize dilution, which historically has not required a link between the parties goods, as an actionable harm.

However, I argue that, although great strides have been made in abolishing the specialty rule, and consequently, reducing the number of name-sharing situations, specialty has managed to work its way back into the system. Under passing off, all actions require a showing of misrepresentation and, although the courts have accepted that the parties’ goods or services do not need to be in the same field of activity for misrepresentation to be shown, they have held fast to the idea that a shared field of activity will make confusion more likely. If anything, the creeping resurgence of specialty is even more pernicious in registered trade mark law. In fact, specialty never really went away in confusion-based infringement, since there has always been a need for the parties’ goods or services to be similar (although the courts have been quite willing to take a wide approach to establishing that similarity). Most surprising though is that under the dilution head of infringement, there have been concerted
efforts, particularly by courts in the UK to argue that dilution is more likely when the parties’ goods are closer together. This is at odds with the original definition of dilution and has culminated in a reference to the ECJ.

Christopher Wadlow considers whether there is an own name defence under the law of passing off in the UK. Allowing a trader to use his (or her) own name involves forcing the earlier user to share the name with the eponymous second-comer. However, for reasons of fairness, and in recognition of the fact that one cannot choose one’s own personal name, we might want to allow the second user to use his own name. The difficulty is that the second use of a name may cause confusion with the goods or services of the earlier user, even if the second user did not intend to bring such confusion about. Registered trade mark law is, to some extent at least, prepared to tolerate this confusion. However, as Wadlow demonstrates, passing off favours the prevention of deception.

Wadlow comes to the startling conclusion that there probably is not an own name defence to passing off. He argues that to be classed as a defence, the mechanism that protects the use of one’s own name would have to be extraneous to the requirements for proving that passing off has occurred. After considering the three relatively recent cases on the issue, he finds that although there is sympathy from some quarters for the ability of traders to use their own names, ultimately, what the so-called defence boiled down to is a consideration of whether the use causes deception, rather than mere confusion. If deception is made out, there will be passing off, even if the selection of the mark in question was motivated by the second user’s desire to use his own name, rather than an intention to cause deception. To make matters worse, he points out that ‘there is no known example in a reported case of the defence ever succeeding on the facts’.

Ashley Roughton considers the scope of the own name defence under registered trade mark law, contrasting it with the position under passing off. He considers why a trader should be forced to share his mark with another in these circumstances, concluding that there are good policy reasons why we should recognize an own name defence. However, he finds that the European system’s recognition of an own name defence has been undercut by the approach of the courts to defining the ‘honest practices’ proviso. Most of the European trade mark defences (including the own name defence) require the defendant’s behaviour to have been in accordance with honest practices in industrial or commercial matters. However, Roughton argues that what is considered dishonest, according to the courts, is the same as the constituent elements of infringement, meaning that anyone who is before the courts for infringement will automatically fall foul of the proviso and will be left without a defence. This is more than is needed to protect trade mark owners, and leaves those who want to use their own names in an unfortunate position.
Roughton contrasts the situation under registered trade mark law with that under the law of passing off. The analysis is, in a sense, simpler under passing off as there is no real consideration of the needs of consumers, or even other traders. Consequently, there is no real defence under the common law action, with the question limited to a consideration of whether the defendant has passed his goods off as those of another. If he has, then his activities are actionable, if not (for example, if the name and/or address of the claimant are not the thing that engenders the goodwill) then they are not.

2.4 Shared Name Transactions

This section of the book discusses the permissibility and advisability of various consensual means of sharing names.

Spyros Maniatis and Stefan Schwarzkopf discuss the practice of co-branding, adopting both a marketing and legal approach. They define the phenomenon and identify the types of co-branding. They also outline advantages and possible disadvantages of the practice from the perspective of branding theory. They then examine the legal steps that should be taken in drafting a co-branding agreement, proposing a test for enabling, monitoring, and evaluating a co-branding scheme.

While co-branding is an example of voluntary name sharing, one thing to emerge from Maniatis and Schwarzkopf’s chapter is that the trade practice nevertheless involves a risk for the parties’ brands, and by extension their trade marks. While one may exercise the utmost care in selecting one’s co-branding partner, there is always the risk that your partner’s reputation may change for the worse. By causing your trade mark to share a platform with your partner’s any harm to your partner’s trade mark could cause harm to yours as well through that association. This is proof once again that, once trade marks are shared, the role of the trade mark as an unequivocal indicator of the undertaking that is responsible for the quality of the product is jeopardized.

Thomas Hays considers the competition law aspects of sharing names, in particular whether splitting the ownership of a trade mark, so that a mark which was originally used by one entity is now used by two, will lead to a competition law violation. Europe initially took an exceptionally dim view of such splits, as is apparent from the Court of Justice’s development of the common origin doctrine in HAG I. Under this doctrine, a trade mark owner could not partition the European market by splitting the ownership of a mark which was once in common ownership in order to use the now differently owned trade mark rights to oppose the sale of the goods in different national markets. However, the circumstances of the most prominent common origin doctrine case, HAG I, were unfortunate, for rather than being a deliberate attempt to circumvent the competition laws, the split in ownership had been
imposed on the original owner when one of the marks had been sequestered as enemy property at the end of the Second World War. The two companies had operated completely separately for decades and to treat both marks as essentially the same, and any attempt to enforce one against the other as anti-competitive, meant that the Court was favouring the need to complete the single market over the ability of trade marks to function as accurate indications of origin. Nevertheless, Hays sees some potential value to the common origin doctrine in situations where the split is voluntary, since if the original owner has received a reward from the division of his mark, it is arguable that he and his successors should not be allowed to obtain a ‘second bite of the cherry’ by differentially enforcing the two marks in different Member States of the EU.

Hays also discusses the contemporary position under Articles 81 and 82 of the EC Treaty. A single trade mark can be divided up territorially, leading to a reduction in intrabrand competition and the development of market-sharing cartels. Such activities are prohibited under Article 81. Breaches of Article 82 are more difficult to demonstrate, since a necessary ingredient is that the would-be defendant must have a dominant position on the market in question. A single branded product is generally not a market in and of itself. Instead, a branded product generally competes with a number of similar products sold under different brands. However, if such dominance is found, in contrast to Article 81, splitting the trade mark could alleviate market dominance, as introducing additional users of the trade mark into the market would increase intrabrand competition. Thus, it seems impossible to draw the simple conclusion that the sharing out of a trade mark is either ‘good’ or ‘bad’ for competition law. However, what will be harmful to competition law is when trade marks are divided in a way designed to partition the EU market and hinder market integration.

Finally, Neil Wilkof writes about the practice of sublicensing trade marks. He begins by analysing the conceptual basis of sublicensing. He then considers why parties may wish to enter a trade mark sublicensing agreement before going on to consider whether there is a need for the original licensor to impose quality control conditions on the sublicensee. He concludes by considering the position of sublicensees if the underlying licence is terminated.

Sublicensing poses particular issues for the sharing of names, since the original licensor/owner of the trade mark will, under a sublicensing agreement, not only be sharing his mark with his originally selected licensee, but will also be sharing the mark with the licensee’s own licensee. As Wilkof points out, this arrangement leads to particular issues regarding quality control by the trade mark’s ultimate owner. One of the recognized functions of a trade mark is to act as a ‘guarantee’ of consistent quality of the goods sold under the trade mark. Where a trade mark is licensed, it is possible for the licensee to sell
goods of a different quality to those of the licensor. To this end, some jurisdictions have imposed a requirement that the licensor exercises quality control over the licensee’s use of the mark. If there is also a sublicensing agreement, there is an even greater risk of differential quality, and so Wilkof argues that the licensor must maintain quality control over the sublicensee, either directly, or through the licensee. Even in the UK, where the quality control principle has been rejected, it is arguable that this applies because there will be a *de facto* message of consistent quality where there is only an exclusive licensee. As Wilkof points out, this reasoning may not apply in sublicensing situations if both the licensee and the sublicensee are active on the relevant market.

3. CONCLUSION

The chapters in this book demonstrate the central, though sometimes silent role that name sharing has in the trade mark system. Moreover, it is submitted that it reveals divergent trends in respect of voluntary and involuntary name sharing.

Involuntary name sharing is considered to be bad, both from an economic point of view and from the point of view of preserving the essential function of a mark, and protecting consumers from confusion. Moreover, the courts and legislators have shown themselves increasingly willing to prevent involuntary name sharing. This can been seen most clearly in the way in which the rights of trade mark owners have trumped those of defendants in own name situations in both passing off and registered trade marks, but also from the widening of the definition of infringement in both causes of action and from the removal of the honest concurrent user provision in UK registered trade mark law.

However, voluntary name sharing appears to be more positive from an economic and legal standpoint, particularly because those who share their names can often impose conditions which mean that they can ensure that all goods sold under their marks are of comparable quality, removing at least to some extent the fear about name sharing harming the mark’s essential function. This positive reception of voluntary name sharing can been seen through the trade practices of sublicensing and co-branding, and through the approaches of courts and registries under competition law, and also in the extent to which they are willing to recognize coexistence agreements and forms of trade marks which can, by their nature, only be shared. Perhaps surprisingly, the exception to this trend appears to be OHIM. There voluntary name sharing in the shape of coexistence agreements appears to be of little value, whereas the presence of unauthorized third-party users of a mark may diminish its distinctiveness to the point where the scope of its protection is reduced.