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Annette Kur

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## QUIBBLING SIBLINGS—COMMENTS TO DEV GANGJEE'S PRESENTATION

ANNETTE KUR\*

### BACKGROUND

The topic of this panel is one of the few areas of intellectual property that are bitterly contested between the United States and the European Union. Various aspects of that feud have already been analyzed in Professor Gangjee's presentation,<sup>1</sup> and were addressed in the comments by other panelists. On the other hand, it also became obvious that there is widespread agreement at least on certain basic principles, which can be summarized as follows.

The indication of geographical origin of a product can furnish important and valuable information for consumers. This concerns in particular those goods where such indications imply a message about the specific taste or quality derived from the geographical source, as may typically be the case with foodstuff and other agricultural products. There is no doubt at all that it is in the interest of consumers as well as of producers that such information is correct and complete, and that efficient means exist to prevent the misleading use of such designations.

Holders of trademarks that are synonymous with, or very similar to, descriptive terms, including terms indicating commercial origin, cannot object to the same term being used by others, in a fair and correct manner, in order to indicate the quality and/or geographical origin of their own products.

Why, then, do we have an ongoing argument between the EU and the U.S. (and others) that has not calmed down very much even after the WTO Panel report of March 2005?<sup>2</sup> Here is an attempt at summarizing those points.

\* Professor, Max-Planck-Institute for Intellectual Property, Competition and Tax Law, Munich.

1. Dev Gangjee, London Sch. of Econ., Lecture at the Chicago-Kent College of Law Symposium on Intellectual Property, Trade, & Development: Geographic Indications and Trademarks (Oct. 12, 2006).

2. Panel Report, *European Communities—Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs*, WTO Doc. WT/DS174/R (Mar. 15, 2005).

It is contested:

(1) whether protection for a geographical indicator (“GI”) should go beyond the basic protection against deceptive or misleading use—i.e., whether it is advisable for other countries to adopt regimes similar to that applied in the EU; and/or whether the provisions on protection of GIs presently embedded in the TRIPS Agreement<sup>3</sup> should be amended so as to establish, on the international level, a special regime for the registration of GIs, with the possible consequence that the absolute protection granted under TRIPS Article 23 for wines and spirits is extended to other products as well; and

(2) whether the provision imposing coexistence between a prior trademark right and a subsequent GI under the EU GI regime is essentially the same as, and can be justified by, the generally accepted rules on “fair use of descriptive terms” in TRIPS Article 17.

Only the second issue is of immediate relevance for the topic of this panel. However, both aspects are basically connected, as has become apparent from Professor Gangjee’s presentation, and shall further be outlined in these comments.

#### I. STARTING POINT: THE “INHERENT INFORMATIONAL VALUE” SCALE

Why do conflicts between trademarks and GIs arise in the first place? Professor Gangjee has indicated that this is due to a complex interaction between territoriality and the general dynamics of trademark law—or rather the law of distinctive signs at large—as an area within the broader field of unfair competition regulations. Where the knowledge and perception of people—the relevant public—is a decisive factor in the legal assessment, the relevant parameters are bound to change over time. A term that corresponds to a name on the map at one point in time can raise distinct geographic associations in the public, or it may appear bland and neutral. In the first case, it can nevertheless, in the course of time, develop into a sign informing about the *commercial* origin of goods or services, instead of, or in addition to, their place of production. Likewise, in the second case, the public may learn over time that the name does have a connotation concerning the geographical origin of products, and that such information is of interest for the public’s purchasing decisions. In addition, territoriality is a moving target par excellence: where markets have been clearly

3. Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994) [hereinafter TRIPS Agreement], available at [http://www.wto.org/english/docs\\_e/legal\\_e/27-trips.pdf](http://www.wto.org/english/docs_e/legal_e/27-trips.pdf).

separated only a while ago, the increase in international trade and communication tends to erode the traditional barriers, turning the world into a single shopping mall.

It is true that both elements militate against a strict application of the “first in time, first in right” (“FITFIR”) principle<sup>4</sup> that usually governs the resolution of disputes between conflicting signs. Even with regard to trademark law proper (i.e., conflicts arising between marks originally used in different markets) there is reason to argue that the traditional rules might need to be revisited. Concerning the GI/trademark interface, the diagnosis points even more in the direction of a general overhaul.

Up to this point, this comment has simply followed and endorsed Professor Gangjee’s analysis. But if we actually do need to substitute, or at least complement, FITFIR by something else, what is our new paradigm? Where do we find a set of principles offering some stability within that mobile field?

It is submitted here that, ideally,<sup>5</sup> that stable basis ought to be provided by the objective, inherent informational value of the indication at stake. In a rough overview, the following types of GIs—in the most general sense, i.e., irrespective of current definitions in TRIPS or the EU GI Regulation<sup>6</sup>—can be distinguished: (1) GIs indicating quality that cannot be produced anywhere else, because it results from the unique conditions of the place of origin; (2) GIs indicating specific quality or other characteristics based on conditions or skills that are not unique; and (3) mere indications of the place of origin.

If it were possible to develop such a scheme on the basis of generally accepted criteria, and if it were actually capable of being applied in a clear, transparent fashion, the route towards resolution of the pertinent conflicts would hopefully become somewhat easier to travel. For instance, the possibility of acquiring a positive right in a GI, even at a time when someone else has acquired valid trademark rights in the same or a similar term, appears justified for the first and strongest type of indication. It appears more doubtful for the second type, which might also be referred to as an application of the general rules on fair use of descriptive terms.<sup>7</sup> This is also the correct solution for the last type of GIs. To mark the difference

4. Professor Gangjee’s nomenclature is adopted here.

5. I’m personally skeptical regarding the prospects of that ideal being attained in practice. See discussion *infra* Part II.

6. Council Regulation 510/2006, On the Protection of Geographical Indications and Designations of Origin for Agricultural Products and Foodstuffs, 2006 O.J. (L 93) 12 [hereinafter GI Regulation].

7. See discussion *infra* Part III.

between them, the standard for assessment of what constitutes “fair use” might be more generous for the second type of GIs than for the third.

Also with regard to the international level, a differentiated approach based on the inherent informational value of GIs might be meaningful. Keeping terms free from protection in any other country on a formal basis, irrespective of the actual knowledge and perception of the public, might arguably be justified for the first type of GI, whose unique informational value would otherwise be at risk of getting lost. For the second type, the argument is less strong. It should be sufficient to apply general rules, such as prohibition of misleading statements—with results that may change over time in proportion to the public’s awareness of the original meaning of the term—and/or provisions against registration of marks in bad faith. In that context, it might make sense to set up an international database comprising such terms, but only as a supplementary, informative tool. Finally, for the last category, it does not seem appropriate to take any steps at all on the international level; application of the provisions usually governing trademark protection of (potentially descriptive) terms is sufficient.

## II. PRACTICAL EXPERIENCES IN THE EU AND THEIR CONSEQUENCES FOR THE INTERNATIONAL AGENDA

The caveat was made above that a scheme relying on the inherent informational value of GIs could only entail satisfactory results if the criteria were theoretically sound and their application practically feasible. Indeed, this is a key issue for the whole matter: how convincing, reliable, and transparent can such a system possibly be? And what about its efficiency—would the investment in bureaucracy, testing, and monitoring facilities that are inevitable corollaries of its establishment actually be set off by the beneficial effects it entails for local producers as well as for consumers?

Coming from Europe, where a regime for specific protection of GIs has been set up and operating since the 1990s,<sup>8</sup> I remain a confessed skeptic. First, although the EU regulation makes it mandatory to establish the link between the quality of the product and its geographical origin, it is not so clear how serious and reliable the tests actually are. As most of us are laymen in the field, we have to trust the competent authorities to do their job correctly. However, what trust that may have existed in the

8. GI Regulation, *supra* note 6, was first enacted in 1992 as Council Regulation 2081/92, On the Protection of Geographical Indications and Designations of Origin for Agricultural Products and Foodstuffs, 1992 O.J. (L 208) 1.

unbiased exercise of the European authorities' tasks was badly shaken, for example, in the context of the "Feta" case, which ultimately led to protection of that designation for cheese originating from Greece.<sup>9</sup> How convincing is it to claim that the natural surroundings in most of the Greek territory—comprising diverse landscapes such as isles, plains, and mountains—are exactly such that this particular cheese can be produced, while the same cannot be done in neighboring Bulgaria?

Second, the informing effects that protected GIs have on consumers—resulting from the fact that the products bear, in addition to the GI itself, the indications "PDO" (Protected Designation of Origin), "PGI" (Protected Geographical Indication), or their equivalents in other languages—appear modest at best. Considering myself an average European consumer, I cannot remember ever having paid attention to those signs. If that attitude should be representative of others as well, it would mean that the system hardly does what it is generally ascribed to do: namely, bolster to a substantial degree the sales of products bearing those acronyms.<sup>10</sup> Of course, well-known specialties such as Roquefort cheese—not to mention champagne<sup>11</sup>—do very well on the market, but that is another matter. They were already champions in their respective fields long before the present system was introduced.

What the regime does quite efficiently, though, is restrict anything coming close to a competitive challenge to products bearing a protected GI.<sup>12</sup> The provisions setting out the scope and contents of the protection granted are carefully crafted so as to make impossible even the slightest allusion to—let alone actual use of, for descriptive purposes—a GI.<sup>13</sup> And

9. Joined Cases C-465/02 & C-466/02, F.R.G. v. Comm'n, 2005 E.C.R. I-9115; *see also* Joined Cases C-289/96, C-293/96, & C-299/96, Denmark v. Comm'n, 1999 E.C.R. I-1541 (annulling the first registration).

10. I am not aware of any survey having been conducted in the EU about the impact of the protection under the GI Regulation on the actual sales of products.

11. Denominations for wines and spirits are not protected on the basis of the Regulation on foodstuffs and agricultural products, but they are regulated separately and even more strictly.

12. As to the reach of protection into the area of commercial speech, two German cases concerning the crown jewel of all GIs, champagne, may be quoted as warning examples. The first of these concerned an advertisement by a computer firm using the slogan "Get champagne, pay for sparkling wine" ("Champagner bekommen, Sekt bezahlen") in order to emphasize the good value it claimed to be offering at a low price. *See* BGH, Urteil v. 17.1.2002 (I ZR 290/99). The second case was about the label of a drink indicating that it was made from "champagne pears" ("aus der Champagnerbratbirne"). *See* BGH, Urteil v. 19.5.2005 (I ZR 262/02). In both cases, the reference to champagne was considered inadmissible by the German Federal Supreme Court. It did not help that in the second case, the indication on the label was correct; the fruit from which the drink was made had been called "champagne pear" for more than a century, and it was even validly registered under that name as a protected plant variety.

13. See the modalities of use that are prohibited under GI Regulation, *supra* note 6, art. 13. The statements in the text above need to be qualified in so far as, after writing this, the ECJ has judged that

the European Court of Justice (“ECJ”), which has earned some reputation as a watchdog for freedom of competition and consumer information when it comes to exaggerated claims for trademark protection, is notably compliant with demands for strong GI protection,<sup>14</sup> as is best illustrated by the Parma Ham<sup>15</sup> and Grana Padano<sup>16</sup> cases. To contend that residents of EU member states or regions other than those in or around the city of Parma are not capable of slicing ham or grinding cheese properly, and to assert that it is not even possible for persons owning those skills to educate and monitor others in the proper exercise of those techniques, are statements that, in a “normal” case, the ECJ would have treated with disdain—but in those cases, the court chose to fully endorse both arguments.

However, I’m not here to criticize the European system. If it does give a headache, it is for the Europeans to resolve the problem among themselves. Nevertheless, the practical experience with the EU GI Regulation does have some relevance for the credibility of the European position assumed in international negotiations regarding the extension of the protection presently granted under TRIPS. If the system does not function satisfactorily and efficiently in the framework of a relatively homogeneous region such as the European Union, how realistic can it be to expect that similar models would operate smoothly on the international level? In order to restrict international registration to denominations that are actually worth protecting because of their unique informational value, the process would have to be underpinned by a huge bureaucracy capable of handling the scrutiny of claims, as well as the monitoring and verification of specifications, etc. To imagine the set up of such an international authority is an unrealistic dream that might easily turn into a veritable nightmare in practice. On the other hand, to install international protection mechanisms without so much as requiring a genuine link

comparative advertising by a beer brewery making reference to champagne was not inadmissible *per se*. See Case 381/05, *De Landtsheer Emmanuel SA v. Comité Interprofessionel du Vin de Champagne*, decision of 14 April 2007.

14. Another case to be mentioned in this context concerned wine growers in Italy who, for a long time, had been making a wine from a specific variety of grapes called “Italian Tocai.” Somewhere in the long and winding history of treaties concluded between Italy and Hungary preceding Hungary’s accession to the EU, when the Hungarian government (quite understandably) sought to secure protection for their wine denominations on a bilateral basis, it had been forgotten by the agents acting on the Italian side to insert a “grandfather clause” mentioning the Italian Tocai variety, with the bitter consequence that the entitlement to use that traditional name ran out at the beginning of 2007. See Case C-347/03, *Regione Autonoma Friuli-Venezia Giulia v. Ministero delle Politiche Agricole e Forestali*, 2005 E.C.R. I-3785.

15. Case C-108/01, *Consorzio del Prosciutto di Parma & Salumificio S. Rita v. Asda Stores Ltd.*, 2003 E.C.R. I-5121.

16. Case C-469/00, *Ravil SARL v. Bellon Import SARL*, 2003 E.C.R. I-5053.

between the quality of products and their geographic origin, appears even more inappropriate and even dangerous. The possibly far-reaching implications for the freedom of others this would entail cannot be justified if GIs are accepted for protections that have no, or only insubstantial, inherent informational value.

In addition, the assertions often made by the EU and other interested parties (in particular Switzerland)—that strengthening the international system of GI protection would also be instrumental for the protection of traditional knowledge vested in products grown and/or manufactured in developing countries—need to be seriously qualified. Irrespective of the actual quality of goods grown or produced in developing countries, such goods will only be economically successful if they are in demand on the market in countries where consumers are willing to pay (more) for them. It is obvious that such demand will not automatically result from registration of the term and the exclusive right it confers. Rather, market success needs to be fostered in the same way as it would have to be done for trademarks, i.e., by launching marketing campaigns—and that is usually very costly. The promises made to developing countries tend to disregard that point. What the local specialties grown or produced in those countries need in the first place is to be present and to become known on the market of countries where consumers are wealthy enough to pay high prices. This must be the primary concern. Once that goal has been achieved, the interests in maintaining the market position may be well served by a reliable, robust, and simple system of protection against commercial misrepresentation of geographical origin, as basically applies already under the pertinent version of TRIPS Article 22.

Against this, it may be argued that there is a critical period when the potential value of a designation is recognized by some, without public awareness yet having reached the point at which the term is understood by the relevant circles as indicating a specific geographical origin. During that vulnerable phase, others may be tempted to trade off their own goods under the same or a similar designation, or the term may be watered down and become generic.<sup>17</sup> There is no way of denying that those risks do exist. However, this hardly justifies the introduction of a generally oversized and overprotective system like the worldwide protection conferred by international registration. Instead, one should push towards the application of stricter standards with regard to assessment of the misleading character of

17. This is illustrated, for example, by the history of Basmati rice, which has become generic in most Western countries and has been the involuntary "model" for registrations such as "Texmati" and "Kasmati."

commercial statements about geographic origin or the bad faith use or registration of signs having a geographic connotation.

As stated above, the establishment of an informal international registry for GIs in the form of a database might provide a useful tool in that context.<sup>18</sup> It could help to detect applications for designations that are not known, or are only scarcely known, in the country of protection at the time of filing, but of which the applicant knows or has reason to know that they have an incumbent marketing potential because of the quality-related associations connected with the designations in other countries.<sup>19</sup> On the other hand, GIs of the third category—i.e., terms that are confined to indicating places where the relevant goods are produced, without having any meaning even in the country of origin with regard to the specifics and the quality of the goods—should not become part of such a database in the first place. If they do, they should not form an obstacle to registration of the term by others, as long as an actual and commercially relevant risk of consumer deception is lacking. The territoriality principle should be given preference at least with regard to such simple designations.

Finally, regarding the economic consequences of the possible misappropriation or watering down of GIs in a foreign country before their original meaning can be sufficiently established, it should be kept in mind that this does not mean a total loss of marketing potential. The money and effort that must be invested anyhow in order to make the GI known and to create a demand for the product<sup>20</sup> should then preferably be spent on campaigns making consumers aware that the “genuine stuff”—i.e., products actually stemming from the geographic area from which the term derives—is superior in quality to what is otherwise sold under the name. That way, it will probably not be possible to reconquer the whole (mass) market—but it may be sufficient to capture the attention and preferences of the more sophisticated consumers (the “connoisseurs”). In the end, that could prove to be just as lucrative.

18. That is, I'm siding with the U.S. position rather than with that of the EU.

19. An interesting, although somewhat extreme, example from a related field is the communication to WIPO by the Permanent Mission of Brazil in Geneva of 5,000 names of indigenous plant varieties. *Communication from the Permanent Mission of Brazil*, WIPO Doc. SCT/16/7 (Sep. 29, 2006) (distributed with the material for the 16th session of WIPO Standing Committee on the Law of Trademarks, Industrial Designs, and Geographical Indications, Nov. 13–17, 2006). According to the letter accompanying the communication, the list is meant to assist in the task of filtering out trademark applications that are devoid of distinctive character and to prevent acts of “biopiracy.” *Id.*

20. See discussion *supra*.

### III. COEXISTENCE

After this survey on possible prospects for international developments, let us briefly consider the relationship between subsequent GIs and prior trademarks under present EU law. Although the coexistence solution imposed by the EU GI Regulation for such conflicts has been accepted by the WTO Panel as being compatible with TRIPS Articles 16(1) and 17, the implications of that result are still somewhat doubtful. In particular, the argument could be made that the panel failed to address the crucial difference between the “normal” application of the fair use rules, addressed in TRIPS Article 17, and the specific case submitted to its scrutiny. The former situation is but a consequence of the fact that the proprietary right to a term having a certain geographic (or otherwise descriptive) connotation will never be absolute in the sense that it excludes use which is in accordance with its primary linguistic meaning. However, GI protection goes further than that: under the EU system, the owners of such signs do not just retain their right to make fair use of a descriptive term, but are allowed to exercise a *positive right* of their own.

It was suggested above<sup>21</sup> that such a result could be justified only in extraordinary cases, where the GI is capable of indicating unique quality. As a matter of principle, this complies with the general objectives of the EU GI Regulation; protection is intended to be confined to products deriving their special or unique quality from the natural environment. Whether the actual application of the regulation always lives up to that ambition is another matter.

In any case, the dimensions of the issue do not seem to be such that it should warrant a serious transatlantic skirmish. There is little evidence that conflicts between trademarks and GIs are likely to occur in a conspicuous number of cases.<sup>22</sup> The EU even tried to argue (though unsuccessfully) before the WTO that the GI Regulation as well as the EU trademark system were designed so as to practically eliminate any such risk.

This does not mean, however, that the issue of coexistence between different types of signs and the rules eventually governing the cohabitation between such odd couples do not merit further investigation. On the

21. See *supra* Part I.

22. Much of the misgivings piled up on both sides of the Atlantic seem to be nourished by reminiscences of past battles, when traditional geographical denominations for wines were “exported” to the New World and Australia. It is unlikely that conflicts evolving in the EU, and thus falling under the EU GI regime, will assume similar dimensions in our times. However, one practical example of what may occur even today is the *Torres* case to which reference is made in Professor Gangjee’s presentation. See *supra* note 1.

contrary, this might be one of the most challenging, though widely neglected, topics to discuss under European trademark law. More than with regard to GIs, the practical relevance of the topic becomes visible in the relationship between trademarks and trade names. The ECJ has taken a markedly generous stand towards the possibility of making use of a subsequent trade name coexisting with a prior trademark. It may be more than a mere coincidence that the conflict that gave rise to the ECJ decision establishing that approach dealt with the notorious clash between the “Budweiser” trademark owned by Anheuser-Busch and the trade name—and also GI of sorts—“Budweiser,” relating to the Czech brewery Budějovický Budvar.<sup>23</sup> In essence, the ECJ ruled that even if no valid rights in the trade name could be asserted in the member state where the conflict arose and at the point in time when the trademark right was acquired, the trademark holder still had to tolerate further use of the trade name—including its use “as a mark,” i.e., use perceived by the public as indicating the commercial origin of products—on the basis of Article 6.1(a) of the European Trademark Directive.<sup>24</sup> In the Court’s view, the trade name had to be considered an “existing prior right” (independent of its protection under the relevant national law!) in the meaning of the third sentence of TRIPS Article 16(1).<sup>25</sup>

Until now, the impact of that ruling on the legal concepts governing the relationship between trademarks and trade names has not been explored to its full extent. It seems, however, that the approach taken by the ECJ involves an even higher risk for erosion of the exclusivity principle enshrined in the first sentence of TRIPS Article 16(1), and is much harder to control and to contain in its consequences than what may follow from the WTO Panel decision regarding GI/trademark conflicts.

No attempt is made here to further evaluate the question of whether the ECJ’s approach endorsed in the *Anheuser-Busch* case actually complies with TRIPS Articles 16 and 17. Submitting that no problems are posed under international law, the task remains to determine the criteria according to which the distinction is made, on the one hand, between a situation when the use of a trade name (or a GI), although evoking a certain degree of likelihood of confusion, still appears to be tolerable, and, on the other hand, those cases when the interest of the public to be protected against a risk of misallocation of resources becomes preponderant. Following the case law

23. See Case C-245/02, *Anheuser-Busch v. Budějovický Budvar*, 2004 E.C.R. I-10989. The town where the brewery is situated—Česke Budějovice in the Czech language—was called “Budweis” under the former Austrian-Hungarian rule and is still known in some parts under that name.

24. See *id.* para. 58–85.

25. See *id.* para. 86–100.

of the ECJ, it is clear that it is not decisive for the assessment whether the conflicting name is used “as a mark” or not.<sup>26</sup> Apart from that, in the relevant cases the ECJ only made reference to the circumstances of the individual case,<sup>27</sup> without outlining in a more specific manner how the assessment should proceed and how the interests should be balanced.

Of course, it is beyond these comments to embark on a thorough investigation of the issues addressed thereby. As was set out above, at least for GIs, part of the answer may lie in a differentiated approach based on the inherent informational value of the indication. Another differentiation needs to be made between the various grades of “likelihood of confusion” resulting from use of a protected mark by another person.<sup>28</sup> In European law, the latter topic is often treated as a sort of taboo, in order to not interfere with the general notion that *every* likelihood of confusion coincides with an actual risk of the public being misled about the commercial origin of goods. It might be considered “politically dangerous” to admit and discuss openly that in quite a number of cases usually considered to constitute trademark infringement, the actual risk for consumers being misled is rather small—negligible for all practical matters. However, only when the gradual and conceptual differences between, on the one hand, the likelihood of confusion in the ordinary meaning of trademark law and, on the other hand, the situation where consumers are actually at risk of making wrong purchasing decisions are fully understood and explored will it be possible to enter into fruitful considerations about the ramifications of co-existence between different types of signs—and, possibly, even between signs belonging to the same category.

26. See Case C-100/02, Gerolsteiner Brunnen GmbH & Co. v. Putsch GmbH, 2004 E.C.R. I-691.

27. See *id.* para. 26 (“Since the case concerns bottled drinks, the circumstances to be taken into account by that court would include in particular the shape and labelling [sic] of the bottle in order to assess, more particularly, whether the producer of the drink bearing the indication of geographical origin might be regarded as unfairly competing with the proprietor of the trade mark.”); see also *Anheuser-Busch*, 2004 E.C.R. I-10989, para. 83 (“In assessing whether the condition of honest practice is satisfied, account must be taken first of the extent to which the use of the third party’s trade name is understood by the relevant public, or at least a significant section of that public, as indicating a link between the third party’s goods and the trade-mark proprietor or a person authorised to use the trade mark, and secondly of the extent to which the third party ought to have been aware of that. Another factor to be taken into account when making the assessment is whether the trade mark concerned enjoys a certain reputation in the Member State in which it is registered and its protection is sought, from which the third party might profit in selling his goods.”).

28. This is what the statements, quoted in *supra* note 27, of the ECJ’s reasoning seem to be aimed at. However, the ECJ does not openly address the crucial point, i.e., that the national courts need to assess whether the consumers are in “real” danger of being confused about commercial origin. In addition to likelihood of confusion, of course, aspects indicating deliberate free-riding on a trademark’s reputation also need to be taken into account.

