

## A due cause to take unfair advantage of reputable trademarks?

**The Netherlands is not only known as the land of tulips, but also as the land of "coffeeshops". Coffeeshops, unlike the name suggests, are places that sell marihuana. One of the oldest coffeeshops in Amsterdam is THE BULLDOG, which has been visited by millions of tourists over the years. THE BULLDOG, initially started as a small coffeeshop in 1975, grew in to a multi-million dollar business. THE BULLDOG eventually became a large consortium consisting of several hotels, shops and cafes. Its product range went well beyond just marihuana, and many different goods are sold today under the THE BULLDOG name. Through its expansion THE BULLDOG trademark acquired a reputation in the Netherlands.**

Recently THE BULLDOG decided to expand its product range even more by including energy drinks. Inspired by the success of RED BULL, THE BULLDOG wished to profit from this its growing market. THE BULLDOG's owner even stated this during an interview. As it turned out, both RED BULL and THE BULLDOG filed their respective trademark applications at almost the same time.

RED BULL's oldest trademark in the Benelux (from July 11, 1983) is RED BULL KRATING DAENG. THE BULLDOG's oldest trademark covering non-alcoholic drinks was filed a few days later on July 14<sup>th</sup>, 1983. An important aspect of this case is the fact that the Benelux has a Continental trademark system. This means that use of the trademark does not create any type of rights, but registration does.

When THE BULLDOG introduces her energy drink on the market in 2003, RED BULL is immediately responsive. A legal battle started that would run its course for years to come. RED BULL claims that the use of the element BULL in THE BULLDOG would lead to confusion with the consumer. RED BULL orders THE BULLDOG to cease all use of any trademark that contains the word BULL for energy drinks.

In 2007 the District Court of Amsterdam rejects all claims made by both parties. RED BULL appeals this decision. The Court of Appeal agrees for the most part with RED BULL, and sustains most of their claims in 2010. Six months before this verdict the European Court of Justice gave its decision in L'Oreal -/- Bellure, which almost certainly inspired the Court of Appeal. In line with L'Oreal -/- Bellure, the Court of Appeal reasoned that the scope of protection for RED BULL should be large because it is a reputable trademark. Since both signs contain the element BULL, the consumer will link THE BULLDOG to RED BULL.

The Court of Appeal reasoned that THE BULLDOG was taking unfair advantage of RED BULL's reputation for the following reasons: (1) RED BULL is a reputable trademark in the Benelux, (2) the element BULL is found in the other trademark (3) THE BULLDOG is used for identical products, (4) THE BULLDOG's product was launched a few years after RED BULL on the market (1997 vs 1995) and (5) THE BULLDOG's owner publicly stated that he wanted to profit from RED BULL's market.

THE BULLDOG claims that an important aspect in deciding whether unfair advantage is being taken is overlooked. Namely that THE BULLDOG has due cause for using their trademark for this specific product. THE BULLDOG, as a trademark, has after all been used for a variety of products since 1975, and extending this trademark to energy drinks would fit within the history of its own label and its merchandising and marketing strategy.

The Appeal Court does consider this argument, however. According to current case law a due cause is only present in case of an unavoidable necessity. The conditions need to be such that it cannot be expected to use another trademark. Since this is not the case with THE BULLDOG, the Appeal Court reasons that RED BULL's claim should be granted. THE BULLDOG now only has the possibility of cassation against this decision.

The procedure before the High Court focuses on three main complaints. (1) The signs involved have not been compared properly, (2) there is dilution of the trademark RED BULL, because RED BULL herself licenses third parties to use trademarks containing the element BULL and (3) the term "due cause" has been interpreted too restrictively. The High Court agrees with THE BULLDOG on the first two points. The third point is of such importance that the High Court requested a preliminary ruling on this from the European Court of Justice.

The term "due cause" is harmonized in European trademark law. The European Court of Justice already elaborated on due cause in the Adword cases and the Interflora decision. It reasoned that the use of a reputable trademark as an Adword is allowed under circumstances to provide the consumer with an alternative. Competition law in this case prevails over the rights of the trademark holder. Competition may therefore be a reason for a third party to have due cause to use a reputable trademark. The national courts will have to decide under which exact conditions this is allowed.

Due cause, it appears, must therefore be seen as a separate ground that a judge has to look into, aside from the question whether or not use of the trademark is unlawful. It also appears that the European Court of Justice has a less restrictive interpretation of what may be due cause, that Benelux courts have had in the past (unavoidable necessity).

THE BULLDOG has been used for many years as both a company name and a trademark for a variety of goods and services, in good faith. The question is whether this fact can be seen as due cause for THE BULLDOG to be used for energy drinks as well. For this reason the Dutch High Court asks the European Court of Justice on how to interpret "due cause". Does THE BULLDOG have due cause after all?

An affirmative answer would imply that famous trademarks can enlarge their scope of protection to line-extensions and products for which the trademark has not been registered, even if there are already registered similar marks for these products. The reputation of the famous mark will be sufficient to avoid any association with the older registered mark. Bulldog had no intention to make any advantage of the RED BULL mark, so maybe they have a due cause. Ultimately this would mean that trademark law has once again given up ground to competition law.